

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒

Annual report
Securities Exchange Act of 1934

For the fiscal year ended January 31, 2022, or

☐

Transition report
the Securities Exchange Act of 1934

Commission file number 001-06991.

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WALMART INC.

(Exact name of registrant as specified in its charter)

DE

(State or other jurisdiction of
incorporation or organization)

71-0415188

(IRS Employer Identification No.)

702 S.W. 8th Street
Bentonville, AR

(Address of principal executive offices)

72716

(Zip Code)

Registrant's telephone number, including area code: (479) 273-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	WMT	NYSE
1.900% Notes Due 2022	WMT22	NYSE
2.550% Notes Due 2026	WMT26	NYSE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of July 31, 2021, the aggregate market value of the voting common stock of the registrant held by non-affiliates of the registrant, based on the closing sale price of those shares on the New York Stock Exchange reported on July 30, 2021, was \$206,032,159,403. For the purposes of this disclosure only, the registrant has assumed that its directors, executive officers (as defined in Rule 3b-7 under the Exchange Act) and the beneficial owners of 5% or more of the registrant's outstanding common stock are the affiliates of the registrant.

The registrant had 2,751,779,629 shares of common stock outstanding as of March 16, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held June 1, 2022 (the "Proxy Statement")	Part III

Walmart Inc.
Form 10-K
For the Fiscal Year Ended January 31, 2022

Table of Contents

Part I

<u>Item 1</u>	<u>Business</u>
<u>Item 1A</u>	<u>Risk Factors</u>
<u>Item 1B</u>	<u>Unresolved Staff Comments</u>
<u>Item 2</u>	<u>Properties</u>
<u>Item 3</u>	<u>Legal Proceedings</u>
<u>Item 4</u>	<u>Mine Safety Disclosures</u>

Part II

	<u>Market for Registrant's Common Equity, Related Stockholder Matters and</u>
<u>Item 5</u>	<u>Securities</u>
<u>Item 6</u>	<u>Reserved</u>
<u>Item 7</u>	<u>Management's Discussion and Analysis of Financial Condition and Results</u>
<u>Item 7A</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
<u>Item 8</u>	<u>Financial Statements and Supplementary Data</u>
<u>Item 9</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial</u>
<u>Item 9A</u>	<u>Controls and Procedures</u>
<u>Item 9B</u>	<u>Other Information</u>
<u>Item 9C</u>	<u>Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</u>

Part III

<u>Item 10</u>	<u>Directors, Executive Officers and Corporate Governance</u>
<u>Item 11</u>	<u>Executive Compensation</u>
<u>Item 12</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Re</u>
<u>Item 13</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>
<u>Item 14</u>	<u>Principal Accounting Fees and Services</u>

Part IV

<u>Item 15</u>	<u>Exhibits, Financial Statement Schedules</u>
<u>Item 16</u>	<u>Form 10-K Summary</u>
	<u>Signatures</u>

WALMART INC.

ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED JANUARY 31, 2022

All references in this Annual Report on Form 10-K, the information incorporated into this Annual Report on Form 10-K by reference to information in the Proxy Statement of Walmart Inc. for its Annual Shareholders' Meeting to be held on June 1, 2022 and in the exhibits to this Annual Report on Form 10-K to "Walmart Inc.," "Walmart," "the Company," "our Company," "we," "us" and "our" are to the Delaware corporation named "Walmart Inc." and, except where expressly noted otherwise or the context otherwise requires, that corporation's consolidated subsidiaries.

PART I

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K and other reports, statements, and information that Walmart Inc. (which individually or together with its subsidiaries, as the context otherwise requires, is referred to as "we," "Walmart" or the "Company") has filed with or furnished to the Securities and Exchange Commission ("SEC") or may file with or furnish to the SEC in the future, and prior or future public announcements and presentations that we or our management have made or may make, include or may include, or incorporate or may incorporate by reference, statements that may be deemed to be "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Act"), that are intended to enjoy the protection of the safe harbor for forward-looking statements provided by the Act as well as protections afforded by other federal securities laws.

Nature of Forward-Looking Statements

Such forward-looking statements are not statements of historical facts, but instead express our estimates or expectations for our consolidated, or one of our segment's, economic performance or results of operations for future periods or as of future dates or events or developments that may occur in the future or discuss our plans, objectives or goals. These forward-looking statements may relate to:

- the growth of our business or change in our competitive position in the future or in or over particular periods;
- the amount, number, growth, increase, reduction or decrease in or over certain periods, of or in certain financial items or measures or operating measures, including our earnings per share, net sales, comparable store and club sales, our Walmart U.S. operating segment's eCommerce sales, liabilities, expenses of certain categories, expense leverage, operating income, returns, capital and operating investments or expenditures of particular types and new store openings;
- investments and capital expenditures we will make and how certain of those investments and capital expenditures are expected to be financed;
- our increasing investments in eCommerce, technology, supply chain, store remodels and other omni-channel customer initiatives, such as same day pickup and delivery;
- our workforce strategy;
- volatility in currency exchange rates affecting our or one of our segments' results of operations;
- the Company continuing to provide returns to shareholders through share repurchases and dividends, the use of share repurchase authorization over a certain period or the source of funding of a certain portion of our share repurchases;
- our sources of liquidity, including our cash, continuing to be adequate or sufficient to fund our operations, finance our global investment and expansion activities, pay dividends and fund share repurchases;
- cash flows from operations, our current cash position and access to capital markets will continue to be sufficient to meet our anticipated operating cash needs;
- the reclassification of amounts related to our derivatives;
- our effective tax rate for certain periods and the realization of certain net deferred tax assets and the effects of resolutions of tax-related matters;
- the effect of adverse decisions in, or settlement of, litigation or other proceedings or investigations to which we are subject;
- the effect on the Company's results of operations or financial position of the Company's adoption of certain new, or amendments to existing, accounting standards; or
- our commitments, intentions, plans or goals related to environmental, sustainability, and governance ("ESG") priorities, including, but not limited to, the sustainability of our environment and supply chains, the promotion of economic opportunity or other societal initiatives.

Our forward-looking statements may also include statements of our strategies, plans and objectives for our operations, including areas of future focus in our operations, and the assumptions underlying any of the forward-looking statements we make. The forward-looking statements we make can typically be identified by the use therein of words and phrases such as "aim,"

"anticipate," "believe," "could be," "could increase," "could occur," "could result," "continue," "estimate," "expansion," "expect," "expectation," "expected to be," "focus," "forecast," "goal," "grow," "guidance," "intend," "invest," "is expected," "may continue," "may fluctuate," "may grow," "may impact," "may result," "objective," "plan," "priority," "project," "strategy," "to be," "we'll," "we will," "will add," "will allow," "will be," "will benefit," "will change," "will come in at," "will continue," "will decrease," "will grow," "will have," "will impact," "will include," "will increase," "will open," "will remain," "will result," "will stay," "will strengthen," "would be," "would decrease" and "would increase," variations of such words or phrases, other phrases commencing with the word "will" or similar words and phrases denoting anticipated or expected occurrences or results.

The forward-looking statements that we make or that are made by others on our behalf are based on our knowledge of our business and our operating environment and assumptions that we believe to be or will believe to be reasonable when such forward-looking statements were or are made. As a consequence of the factors described above, the other risks, uncertainties and factors we disclose below and in the other reports as mentioned above, other risks not known to us at this time, changes in facts, assumptions not being realized or other circumstances, our actual results may differ materially from those discussed in or implied or contemplated by our forward-looking statements.

Consequently, this cautionary statement qualifies all forward-looking statements we make or that are made on our behalf, including those made herein and incorporated by reference herein. We cannot assure you that the results or developments expected or anticipated by us will be realized or, even if substantially realized, that those results or developments will result in the expected consequences for us or affect us, our business, our operations or our operating results in the manner or to the extent we expect. We caution readers not to place undue reliance on such forward-looking statements, which speak only as of their dates. We undertake no obligation to revise or update any of the forward-looking statements to reflect subsequent events or circumstances except to the extent required by applicable law.

ITEM 1. BUSINESS

General

Walmart Inc. ("Walmart," the "Company" or "we") helps people around the world save money and live better – anytime and anywhere – by providing the opportunity to shop in both retail stores and through eCommerce, and to access our other service offerings. Through innovation, we strive to continuously improve a customer-centric experience that seamlessly integrates our eCommerce and retail stores in an omni-channel offering that saves time for our customers. Each week, we serve approximately 230 million customers who visit more than 10,500 stores and numerous eCommerce websites under 46 banners in 24 countries.

Our strategy is to make every day easier for busy families, operate with discipline, sharpen our culture and become more digital, and make trust a competitive advantage. Making life easier for busy families includes our commitment to price leadership, which has been and will remain a cornerstone of our business, as well as increasing convenience to save our customers time. By leading on price, we earn the trust of our customers every day by providing a broad assortment of quality merchandise and services at everyday low prices ("EDLP"). EDLP is our pricing philosophy under which we price items at a low price every day so our customers trust that our prices will not change under frequent promotional activity. Everyday low cost ("EDLC") is our commitment to control expenses so our cost savings can be passed along to our customers.

Our operations comprise three reportable segments: Walmart U.S., Walmart International and Sam's Club. Our fiscal year ends on January 31 for our United States ("U.S.") and Canadian operations. We consolidate all other operations generally using a one-month lag and on a calendar year basis. Our discussion is as of and for the fiscal years ended January 31, 2022 ("fiscal 2022"), January 31, 2021 ("fiscal 2021") and January 31, 2020 ("fiscal 2020"). During fiscal 2022, we generated total revenues of \$572.8 billion, which was comprised primarily of net sales of \$567.8 billion.

We maintain our principal offices in Bentonville, Arkansas. Our common stock trades on the New York Stock Exchange under the symbol "WMT."

The Development of Our Company

The businesses conducted by our founders began in 1945 when Sam M. Walton opened a franchise Ben Franklin variety store in Newport, Arkansas. In 1946, his brother, James L. Walton, opened a similar store in Versailles, Missouri. Until 1962, our founders' business was devoted entirely to the operation of variety stores. In 1983, we opened our first Sam's Club, and in 1988, we opened our first supercenter. In 1998, we opened our first Walmart Neighborhood Market. In 1991, we began our first international initiative when we entered into a joint venture in Mexico and, as of January 31, 2022, our Walmart International segment conducted business in 23 countries.

In 2000, we began our first eCommerce initiative by creating both walmart.com and samsclub.com. Since then, our eCommerce presence has continued to grow. In 2007, leveraging our physical stores, walmart.com launched its Site to Store service, enabling customers to make a purchase online and pick up merchandise in stores. To date, we now have over 8,000 pickup and 6,000 delivery locations globally. In recent years, we have heavily invested in omni-channel and eCommerce innovation, as well as made several eCommerce acquisitions to better serve our customers. These investments have enabled us to leverage technology, talent and expertise, incubate digitally-native brands, and expand our assortment and service offerings. We have also continued to enhance our eCommerce initiatives internationally, such as with our acquisition of a majority stake of Flipkart Private Limited ("Flipkart"), which is our ecosystem in India that includes eCommerce platforms of Flipkart and Myntra as well as PhonePe, a digital transaction platform.

We are enhancing our ecosystem with our omni-channel capabilities, stores, service offerings, eCommerce websites and marketplaces as well as our supply chain combined with approximately 2.3 million associates as of January 31, 2022 to better serve our customers. Together, we believe these elements produce a flywheel effect which creates relationships where customers view Walmart as their primary destination. In the U.S., our Walmart+ membership incorporates several service offerings which provide enhanced omni-channel shopping experiences and benefits for members. As we execute on our strategy, our flywheel is accelerating through offerings such as our Walmart Connect advertising business, Walmart Fulfillment Services, our health and wellness business, including Walmart Health, and our financial services business. These offerings represent mutually reinforcing pieces of our flywheel centered around our customers around the world who are increasingly seeking convenience.

Information About Our Segments

We are engaged in global operations of retail, wholesale and other units, as well as eCommerce, located throughout the U.S., Africa, Canada, Central America, Chile, China, India and Mexico. We also previously operated in Argentina prior to the sale of Walmart Argentina in fiscal 2021 and operated in the United Kingdom and Japan prior to the sale of those operations in the first quarter of fiscal 2022. Refer to [Note 12](#) to our Consolidated Financial Statements for information on these divestitures. Our operations are conducted in three reportable segments: Walmart U.S., Walmart International and Sam's Club, which are further described below. Each segment contributes to the Company's operating results differently. However, each has generally maintained a consistent contribution rate to the Company's net sales and operating income in recent years other than minor changes to the contribution rate for the Walmart International segment due to fluctuations in currency exchange rates. Additional information on our operating segments and geographic information is contained in [Note 13](#) to our Consolidated Financial Statements.

Walmart U.S. Segment

Walmart U.S. is our largest segment and operates in the U.S., including in all 50 states, Washington D.C. and Puerto Rico. Walmart U.S. is a mass merchandiser of consumer products, operating under the "Walmart" and "Walmart Neighborhood Market" brands, as well as walmart.com and other eCommerce brands. Walmart U.S. had net sales of \$393.2 billion for fiscal 2022, representing 69% of our fiscal 2022 consolidated net sales, and had net sales of \$370.0 billion and \$341.0 billion for fiscal 2021 and 2020, respectively. Of our three segments, Walmart U.S. has historically had the highest gross profit as a percentage of net sales ("gross profit rate"). In addition, Walmart U.S. has historically contributed the greatest amount to the Company's net sales and operating income.

Omni-channel. Walmart U.S. provides an omni-channel experience to customers, integrating retail stores and eCommerce, through services such as pickup and delivery, ship-from-store, and digital pharmacy fulfillment options. As of January 31, 2022, we had approximately 4,600 pickup locations and more than 3,500 same-day delivery locations. Our Walmart+ membership offering provides enhanced omni-channel shopping benefits that currently include unlimited free shipping on eligible items with no order minimum, unlimited delivery from store, fuel and pharmacy discounts, and mobile scan & go for a streamlined in-store shopping experience. We have several eCommerce websites, the largest of which is walmart.com. We define eCommerce sales as sales initiated by customers digitally and fulfilled by a number of methods including our dedicated eCommerce fulfillment centers and leveraging our stores. The following table provides the approximate size of our retail stores as of January 31, 2022:

	Minimum Square Feet	Maximum Square Feet	Average Square Feet
Supercenters (general merchandise and grocery)	69,000	260,000	178,000
Discount stores (general merchandise and limited grocery)	30,000	221,000	105,000
Neighborhood markets ⁽¹⁾ (grocery)	28,000	65,000	42,000

⁽¹⁾ Excludes other small formats.

Merchandise. Walmart U.S. does business in three strategic merchandise units, listed below:

- Grocery consists of a full line of grocery items, including dry grocery, snacks, dairy, meat, produce, deli & bakery, frozen foods, alcoholic and nonalcoholic beverages, as well as consumables such as health and beauty aids, pet supplies, household chemicals, paper goods and baby products;
- General merchandise includes:
 - Entertainment (e.g., electronics, toys, seasonal merchandise, wireless, video games, movies, music and books);
 - Hardlines (e.g., automotive, hardware and paint, sporting goods, outdoor living and stationery);
 - Apparel (e.g., apparel for men, women, girls, boys and infants, as well as shoes, jewelry and accessories); and
 - Home (e.g., housewares and small appliances, bed & bath, furniture and home organization, home furnishings, home decor, fabrics and crafts).
- Health and wellness includes pharmacy, over-the-counter drugs and other medical products, optical services and other clinical services.

Brand name merchandise represents a significant portion of the merchandise sold in Walmart U.S. We also market lines of merchandise under our private brands, including brands such as: "Allswell," "Athletic Works," "Bonobos Fielder," "Eloquii Elements," "Equate," "Free Assembly," "Freshness Guaranteed," "George," "Great Value,"

"Holiday Time," "Hyper Tough," "Mainstays," "Marketside," "No Boundaries," "onn.," "Ozark Trail," "Parent's Choice," "Sam's Choice," "Scoop," "Spring Valley," "Time and Tru," "Way to Celebrate" and "Wonder Nation." The Company also markets lines of merchandise under licensed brands, some of which include: "Avia," "Better Homes & Gardens," "Pioneer Woman" and "Sofia Jeans by Sofia Vergara."

Periodically, revisions are made to the categorization of the components comprising our strategic merchandise units. When revisions are made, the previous periods' presentation is adjusted to maintain comparability.

The Walmart U.S. business also includes an in-house advertising offering via Walmart Connect, supply chain and fulfillment capabilities to online marketplace sellers via Walmart Fulfillment Services, and access to quality, affordable healthcare via Walmart Health. In Fiscal 2022, Walmart U.S. initiatives also included the launch of a B2B last mile delivery service platform via Walmart GoLocal, and Walmart Luminate which provides a suite of data products to merchants and suppliers. Additional service offerings include fuel, financial services and related products (including through our digital channels, stores and clubs as well as our previously announced fintech joint venture), such as money orders, prepaid access, money transfers, check cashing, bill payment, and certain types of installment lending. Combined, these offerings do not currently represent a significant portion of annual segment revenues.

Operations. Walmart U.S. is available to customers through supercenters, discount stores and neighborhood markets, as well as online or through the mobile application 24 hours a day. Consistent with its strategy, Walmart U.S. continues to develop technology tools and services to better serve customers and help stores operate more efficiently, such as pickup and delivery, Walmart+, ship-from-store and other initiatives which provide convenient and seamless omni-channel shopping experiences.

Seasonal Aspects of Operations. Walmart U.S.'s business is seasonal to a certain extent due to calendar events and national and religious holidays, as well as different weather patterns. Historically, its highest sales volume has occurred in the fiscal quarter ending January 31.

Competition. Walmart U.S. competes with brick and mortar, eCommerce, and omni-channel retailers operating discount, department, retail and wholesale grocers, drug, dollar, variety and specialty stores, supermarkets, hypermarkets and supercenter-type stores, eCommerce retailers, as well as companies that offer services in digital advertising, fulfillment and delivery services, health and wellness, and financial services. Each of these landscapes is highly competitive and rapidly evolving, and new business models and the entry of new, well-funded competitors continue to intensify this competition. Some of our competitors have longer histories in these lines of business, more customers, and greater brand recognition. They may be able to obtain more favorable terms from suppliers and business partners and to devote greater resources to the development of these businesses. In addition, for eCommerce and other internet-based businesses, newer or smaller businesses may be better able to innovate and compete with us.

Our ability to develop and operate units at the right locations and to deliver a customer-centric omni-channel experience largely determines our competitive position within the retail industry. We compete in a variety of ways, including the prices at which we sell our merchandise, merchandise selection availability, services offered to customers, location, store hours, in-store amenities, the shopping convenience and overall shopping experience we offer, the attractiveness and ease of use of our digital platforms, cost and speed of and options for delivery to customers of merchandise purchased through our digital platforms or through our omni-channel integration of our physical and digital operations. We employ many strategies and programs designed to meet competitive pressures within our industry. These strategies include the following:

- EDLP: our pricing philosophy under which we price items at everyday low prices so our customers trust that our prices will not change under frequent promotional activity;
- EDLC: everyday low cost is our commitment to control expenses so our cost savings can be passed along to our customers;
- Omni-channel offerings such as pickup and delivery and our Walmart+ membership offering, all of which enhance convenience and seek to serve customers in the ways they want to be served; and
- Expanding our flywheel and the products and services we offer in areas such as digital advertising, fulfillment services, health and wellness, and financial services.

Distribution. We utilize a total of 157 distribution facilities which are located strategically throughout the U.S. For fiscal 2022, the majority of Walmart U.S.'s purchases of store merchandise were shipped through these facilities, while most of the remaining store merchandise we purchased was shipped directly from suppliers. General merchandise and dry grocery merchandise is transported primarily through the segment's private truck fleet; however, we contract with common carriers to transport the majority of our perishable grocery merchandise. We ship merchandise purchased by customers on our eCommerce platforms by a number of methods from multiple locations including from our 31 dedicated eCommerce fulfillment centers, as well as leveraging our ability to ship or deliver directly from more than 3,500 stores.

Walmart International Segment

Walmart International is our second largest segment and operated in 23 countries outside of the U.S. as of January 31, 2022. Walmart International operates through our wholly-owned subsidiaries in Canada, Chile, and China, and our majority-owned subsidiaries in Africa (which includes Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, South Africa, Swaziland, Tanzania, Uganda and Zambia), India, as well as Mexico and Central America (which includes Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua). Walmart International previously operated in Argentina prior to the sale of

Walmart Argentina in fiscal 2021 and operated in the United Kingdom and Japan prior to the sale of those operations in the first quarter of fiscal 2022. Refer to [Note 12](#) to our Consolidated Financial Statements for discussion of recent divestitures.

Walmart International includes numerous formats divided into two major categories: retail and wholesale. These categories consist of many formats, including: supercenters, supermarkets, hypermarkets, warehouse clubs (including Sam's Clubs) and cash & carry, as well as eCommerce through walmart.com.mx, walmart.ca, flipkart.com and other sites. Walmart International had net sales of \$101.0 billion for fiscal 2022, representing 18% of our fiscal 2022 consolidated net sales, and had net sales of \$121.4 billion and \$120.1 billion for fiscal 2021 and 2020, respectively. The gross profit rate is lower than that of Walmart U.S. primarily because of its format mix.

Walmart International's strategy is to create strong local businesses powered by Walmart which means being locally relevant and customer-focused in each of the markets it operates. We are being deliberate about where and how we choose to operate and continue to re-shape the portfolio to best enable long-term, sustainable and profitable growth. As such, we have taken certain strategic actions to strengthen our Walmart International portfolio for the long-term, which include the following highlights over the last three years:

- Divestiture of Walmart Argentina in November 2020.
- Divestiture of Asda Group Limited ("Asda"), our retail operations in the U.K., in February 2021.
- Divestiture of a majority stake in Seiyu, our retail operations in Japan, in March 2021.

Omni-channel. Walmart International provides an omni-channel experience to customers, integrating retail stores and eCommerce, such as through pickup and delivery services in most of our markets, our marketplaces such as Flipkart in India, and a digital transaction platform anchored in payments such as PhonePe in India. Same-day delivery capacity continues to expand in Mexico, including our recent launch of a membership model which provides unlimited same-day delivery from stores, and in China, our partnerships with JD.com and JD Daojia provide customers one-hour delivery by leveraging Walmart stores as fulfillment centers. A value-based internet and telephone service was recently launched in Mexico allowing customers to enjoy digital connectivity.

Generally, retail units' selling areas range in size from 1,400 square feet to 186,000 square feet. Our wholesale stores' selling areas generally range in size from 24,000 square feet to 158,000 square feet. As of January 31, 2022, Walmart International had approximately 2,900 pickup and over 1,900 delivery locations.

Merchandise. The merchandising strategy for Walmart International is similar to that of our operations in the U.S. in terms of the breadth and scope of merchandise offered for sale. While brand name merchandise accounts for a majority of our sales, we have both leveraged U.S. private brands and developed market specific private brands to serve our customers with high quality, low priced items. Along with the private brands we market globally, such as "Equate," "George," "Great Value," "Holiday Time," "Mainstays," "Marketside" and "Parent's Choice," our international markets have developed market specific brands including "Aurrera," "Cambridge," "Extra Special," "Lider," "Myntra," and "PhonePe." In addition, we have developed and continue to grow our relationships with regional and local suppliers in each market to ensure reliable sources of quality merchandise that is equal to national brands at low prices.

Walmart International also offers advertising, financial services and related products in various markets. Our businesses in Mexico and Canada, for example, offer prepaid cards and money transfers, and our PhonePe business in India provides a platform that offers mobile and bill payment, person-to-person (P2P) payment, investment and insurance solutions, financial services and advertising. Combined, these offerings did not represent a significant portion of annual segment revenues.

Operations. The hours of operation for operating units in Walmart International vary by country and by individual markets within countries, depending upon local and national ordinances governing hours of operation. Consistent with its strategy, Walmart International continues to develop technology tools and services to better serve customers and help its various formats operate more efficiently, as well as to provide convenient and seamless omni-channel shopping experiences.

Seasonal Aspects of Operations. Walmart International's business is seasonal to a certain extent. Historically, its highest sales volume has occurred in the fourth quarter of our fiscal year. The seasonality of the business varies by country due to different national and religious holidays, festivals and customs, as well as different weather patterns.

Competition. Walmart International competes with brick and mortar, eCommerce, and omni-channel retailers who operate department, drug, discount, variety and specialty stores, supermarkets, hypermarkets and supercenter-type

stores, wholesale clubs, home-improvement stores, specialty electronics stores, cash & carry operations and convenience stores, and eCommerce retailers, as well as catalog businesses. Our ability to develop and operate units at the right locations and to deliver a customer-centric omni-channel experience largely determines our competitive position within the retail industry. We believe price leadership is a critical part of our business model and we continue to focus on moving our markets towards an EDLP approach. Additionally, our ability to operate food departments effectively has a significant impact on our competitive position in the markets where we operate. Each of these landscapes is highly competitive and rapidly evolving, and new business models and the entry of new, well-funded competitors continue to intensify this competition. Some of our competitors have longer histories

in these lines of business, more customers, and greater brand recognition. They may be able to obtain more favorable terms from suppliers and business partners and to devote greater resources to the development of these businesses. In addition, for eCommerce and other internet-based businesses, newer or smaller businesses may be better able to innovate and compete with us.

Distribution. We utilize a total of 179 distribution facilities located in Canada, Central America, Chile, China, India, Mexico and South Africa. Through these facilities, we process and distribute both imported and domestic products to the operating units of the Walmart International segment. During fiscal 2022, the majority of Walmart International's purchases passed through these distribution facilities. Suppliers ship the remainder of Walmart International's purchases directly to our stores in the various markets in which we operate. Across the segment, we have efficient networks connecting physical stores and distribution and fulfillment centers which facilitate the movement of goods to where our customers live. We ship merchandise purchased by customers on our eCommerce platforms by a number of methods from multiple locations including from our 83 dedicated eCommerce fulfillment centers, more than 3,400 eCommerce sort centers and last-mile delivery facilities in India, as well as our physical retail stores.

Sam's Club Segment

Sam's Club operates in 44 states in the U.S. and in Puerto Rico. Sam's Club is a membership-only warehouse club that also operates samsclub.com. Sam's Club had net sales of \$73.6 billion for fiscal 2022, representing 13% of our consolidated fiscal 2022 net sales, and had net sales of \$63.9 billion and \$58.8 billion for fiscal 2021 and 2020, respectively. As a membership-only warehouse club, membership income is a significant component of the segment's operating income. Sam's Club operates with a lower gross profit rate and lower operating expenses as a percentage of net sales than our other segments.

Membership. The following two options are available to members:

	Plus Membership	Club Membership
Annual Membership Fee	\$100	\$45
Number of Add-on Memberships (\$40 each)	Up to 16	Up to 8

All memberships include a spouse/household card at no additional cost. Plus Members are also eligible for free shipping on the majority of merchandise, with no minimum order size, and receive discounts on prescriptions and glasses. Beginning in fiscal 2023, Sam's Club launched a single loyalty rewards currency called Sam's Cash which merges and replaces existing Cash Rewards for Plus members and Cash Back for Sam's Club Mastercard holders. Members may redeem Sam's Cash on purchases in the club and online, to pay for membership fees or for cash in clubs. Sam's Cash does not expire and is available for monthly redemption.

Omni-channel. Sam's Club provides an omni-channel experience to customers, integrating retail stores and eCommerce through such services as Curbside Pickup, mobile Scan & Go, ship-from-club, and delivery-from-club. Members have access to a broad assortment of merchandise and services, including those not found in our clubs, online at samsclub.com and through our mobile commerce applications. The warehouse facility sizes generally range between 32,000 and 168,000 square feet, with an average size of approximately 134,000 square feet.

Merchandise. Sam's Club offers merchandise in the following five merchandise categories:

- Grocery and consumables includes dairy, meat, bakery, deli, produce, dry, chilled or frozen packaged foods, alcoholic and nonalcoholic beverages, floral, snack foods, candy, other grocery items, health and beauty aids, paper goods, laundry and home care, baby care, pet supplies and other consumable items;
- Fuel, tobacco and other categories;
- Home and apparel includes home improvement, outdoor living, gardening, furniture, apparel, jewelry, tools and power equipment, housewares, toys, seasonal items, mattresses, and tire and battery centers;
- Technology, office and entertainment includes consumer electronics and accessories, software, video games, office supplies, appliances, and third-party gift cards; and
- Health and wellness includes pharmacy, optical and hearing services and over-the-counter drugs.

In addition, the Member's Mark private label brand continues to expand its assortment and deliver member value.

Operations. Operating hours for Sam's Clubs are generally Monday through Friday from 10:00 a.m. to 8:00 p.m., Saturday from 9:00 a.m. to 8:00 p.m. and Sunday from 10:00 a.m. to 6:00 p.m. Additionally, most club locations

offer Plus Members the ability to shop before the regular operating hours Monday through Saturday, starting at 8:00 a.m. Consistent with its strategy, Sam's Club continues to develop technology tools to drive a great member experience. Curbside Pickup is available at all clubs to help provide fast, easy and contact-free shopping for members. Sam's Club also offers "Scan & Go," a mobile checkout and payment solution, which allows members to bypass the checkout line.

Seasonal Aspects of Operations. Sam's Club's business is seasonal to a certain extent due to calendar events and national and religious holidays, as well as different weather patterns. Historically, its highest sales volume has occurred in the fiscal quarter ending January 31.

Competition. Sam's Club competes with other membership-only warehouse clubs, the largest of which is Costco, as well as with discount retailers, retail and wholesale grocers, general merchandise wholesalers and distributors, gasoline stations as well as omni-channel and eCommerce retailers and catalog businesses. At Sam's Club, we provide value at members-only prices, a quality merchandise assortment, and bulk sizing to serve both our Plus and Club members. Our eCommerce website and mobile commerce applications have increasingly become important factors in our ability to compete.

Distribution. We utilize 28 dedicated distribution facilities located strategically throughout the U.S., as well as some of the Walmart U.S. segment's distribution facilities which service the Sam's Club segment for certain items. During fiscal 2022, the majority of Sam's Club's non-fuel club purchases were shipped from these facilities, while the remainder of our purchases were shipped directly to Sam's Club locations by suppliers. Sam's Club ships merchandise purchased on samsclub.com and through its mobile commerce applications by a number of methods including shipments made directly from clubs, 12 dedicated eCommerce fulfillment centers and other distribution centers.

Sam's Club uses a combination of our private truck fleet, as well as common carriers, to transport non-perishable merchandise from distribution facilities to clubs. The segment contracts with common carriers to transport perishable grocery merchandise from distribution facilities to clubs.

Intellectual Property

We regard our trademarks, service marks, copyrights, patents, domain names, trade dress, trade secrets, proprietary technologies, and similar intellectual property as important to our success, and with respect to our associates, customers and others, we rely on trademark, copyright, and patent law, trade-secret protection, and confidentiality and/or license agreements to protect our proprietary rights. We have registered, or applied for the registration of, a number of U.S. and international domain names, trademarks, service marks and copyrights. Additionally, we have filed U.S. and international patent applications covering certain of our proprietary technology. We have licensed in the past, and expect that we may license in the future, certain of our proprietary rights to third parties.

Suppliers and Supply Chain

As a retailer and warehouse club operator, we utilize a global supply chain that includes both U.S. and international suppliers from whom we purchase the merchandise that we sell in our stores, clubs and online. In many instances, we purchase merchandise from producers located near the stores and clubs in which such merchandise will be sold, particularly products in the "fresh" category. We offer our suppliers the opportunity to efficiently sell significant quantities of their products to us. These relationships enable us to obtain pricing that reflects the volume, certainty and cost-effectiveness these arrangements provide to such suppliers, which in turn enables us to provide low prices to our customers. Our suppliers are subject to standards of conduct, including requirements that they comply with local labor laws, local worker safety laws and other applicable laws. Our ability to acquire from our suppliers the assortment and volume of products we wish to offer to our customers, to receive those products within the required time through our supply chain and to distribute those products to our stores and clubs, determines, along with other supply chain logistics matters (such as containers or port access for example), in part, our in-stock levels in our stores and clubs and the attractiveness of our merchandise assortment we offer to our customers and members.

Government Regulation

As a company with global operations, we are subject to the laws of the United States and multiple foreign jurisdictions in which we operate and the rules and regulations of various governing bodies, which may differ among jurisdictions. For additional information, see the risk factors herein in "[Item 1A. Risk Factors](#)" under the sub-caption "Legal, Tax, Regulatory, Compliance, Reputational and Other Risks."

Environmental, Social and Governance ("ESG") Priorities

Our ESG strategy is centered on the concept of creating shared value: we believe we maximize long-term value and create competitive advantage for the Company by serving our stakeholders, including our customers, associates, shareholders, suppliers, business partners, and communities. We believe that addressing such societal needs builds the value of our business, including by enhancing customer and associate trust, creating new revenue streams,

managing cost and risk, building capabilities for future advantage, and strengthening the underlying systems we all rely on.

We prioritize the ESG issues that offer the greatest potential for Walmart to create shared value: issues that rank high in relevance to our business and stakeholders and which Walmart is positioned to make a positive impact. Our current ESG priorities are categorized into four broad themes: opportunity, sustainability, community, and ethics and integrity.

- **Opportunity.** Retail can be a powerful engine for inclusive economic opportunity. We aim to advance diversity, equity, and inclusion, and to provide opportunity for Walmart associates (as further described in the Human Capital Management section below), our supply chain and the communities we're in to fulfill our customer mission, strengthen our business and help people build a better life for themselves and their families.
- **Sustainability.** Walmart's sustainability efforts focus on our ability to create and preserve long-term value for both people and planet. With respect to people, our sustainability efforts focus on sourcing responsibly, helping prevent forced labor, empowering women, creating inclusive economic opportunity and selling safer, healthier products. With respect to the planet, our efforts aim to enhance the sustainability of product supply chains by reducing emissions, protecting and restoring nature, and reducing waste. To help address the effects of climate change, Walmart has set science-based targets for emissions reduction, including our goal to achieve zero emissions in our operations by 2040—without offsets—and to reduce or avoid one billion metric tons of emissions in our value chain by 2030 under our Project Gigaton™ initiative.
- **Community.** Walmart aims to serve and strengthen communities by operating our business in a way that meets the needs of our customer and community stakeholder groups, including by providing safer, healthier and more affordable food and other products, disaster support, associate volunteerism, local grant programs and community cohesion initiatives.
- **Ethics and Integrity.** At every level of our Company, we work to create a culture that inspires trust among our associates, with our customers, and in the communities we serve.

We periodically publish information on our ESG priorities, strategies, and progress on our corporate website and may update those disclosures from time to time. Nothing on our website, including our ESG reporting, documents or sections thereof, shall be deemed incorporated by reference into this Annual Report on Form 10-K.

Human Capital Management

Our commitment to help people around the world save money and live better is delivered by our associates who make the difference for our customers every day. As of the end of fiscal 2022, we employed approximately 2.3 million associates worldwide, with approximately 1.7 million associates in the U.S. and approximately 0.6 million associates internationally. In the U.S., approximately 94% of these associates are hourly and approximately 69% are full-time.

We believe the strength of our workforce, our associates, is a significant contributor to our success. Walmart is a place of opportunity, not only as a foundational entry point to develop critical skills that are relevant for a variety of careers, but also a place where people can grow in their careers across our global omni-channel business. As customer expectations and technology change the nature of work, we are focused on attracting, developing, rewarding, and retaining associates to thrive in an ever-changing environment. Approximately 75% of our U.S. salaried store, club and supply chain management started their careers in hourly positions. Our focus on providing a path of career opportunity for our associates through robust training, competitive wages and benefits, and opportunities for advancement creates a strong associate value proposition. The COVID-19 pandemic and the related reassessment taking place across the workforce had an impact on our retention of associates and as a result turnover in the U.S. increased compared to the previous fiscal year.

Our workforce strategy includes the following strategic priorities:

Inclusion - *Build a Walmart for everyone: a diverse, equitable and inclusive company, where associates' ideas and opinions matter.* We are focused on creating an inclusive culture and a diverse associate base. Creating an environment where all associates believe they belong and are empowered to be themselves, which we believe is essential in serving our customers now and in the future. We publish our diversity representation twice yearly, and hold ourselves accountable to providing recurring culture, diversity, equity, and inclusion updates to senior leadership, including our President and CEO, and members of the Board of Directors. Of the approximately 2.3 million associates employed worldwide, 53% identify as women. In the U.S., 49% of the approximately 1.7 million associates identify as people of color.

We review our processes regarding our commitment to fair-pay practices. We are committed to creating a performance culture where associates are rewarded based on meaningful factors such as qualifications, experience, performance, and the work they do.

To build a company where associates feel engaged, valued and heard, we gather and respond to associates' feedback in a variety of ways, including but not limited to an anonymous, periodic associate engagement survey, our Open

Door process, and one-on-one interactions. Management reviews the results of feedback obtained from our formal associate engagement survey. Feedback and suggestions received through these channels have led to meaningful changes in our business.

Well-being - *Focus on the physical, emotional, and financial well-being of our associates.* We invest in our associates by offering competitive wages, as well as a broad range of benefits that vary based on customary local practices and statutory requirements, and we believe these investments in our associates are important to our future. In the U.S., we offer affordable healthcare coverage to our full-time and eligible part-time associates as well as company paid benefits such as 401(k) match,

maternity leave, a paid parental leave program to all full-time associates, paid time off, Associate Stock Purchase Plan match, life insurance, behavioral health services, and a store discount card or Sam's Club membership. Additional information about how we invest in our associates' well-being, including wage structure and pay, can be found in our Human Capital brief in our most recent ESG reporting, which is available on our corporate website. Nothing on our website, including our ESG reporting documents, or sections thereof, shall be deemed incorporated by reference into this Annual Report on Form 10-K or incorporated by reference into any of our other filings with the Securities and Exchange Commission. Certain information relating to retirement-related benefits we provide to our associates is included in [Note 11](#) to our Consolidated Financial Statements.

The health and safety of our associates remain our biggest priorities and we continue to focus on enabling access to vaccines, providing safeguards within facilities, and supporting associates. We encourage all associates to consider the COVID-19 vaccine and provide access to make the decision easier. Associates can become vaccinated while on the clock or receive paid time off to do so. Our COVID-leave policy, which was implemented in March 2020 to support associates during the pandemic, has been extended through March 31, 2022.

Growth - *Provide ongoing growth, development and learning opportunities for associates and continue to attract talent with new skills.* We are invested in the growth of our associates in support of our business and their success. We invest in associate development – including new roles and career paths, cross-training, on-the-job learning and coaching, and formal, classroom-style training such as Walmart Academy in the U.S. We also provide access to educational opportunities for our eligible associates through our Live Better U program, which provides a pathway to earn a high school diploma or a college degree at no cost, as well as multiple digital learning opportunities.

Digital - *Accelerate digital transformation and ways of working to improve the associate experience and drive business results.* To deliver a seamless customer and associate experience, we continue to invest in digital tools to improve associate productivity, engagement, and performance. As more customers shop digitally, we have adapted by adding more roles in eCommerce fulfillment and our home office associates have accelerated tech-based solutions that enhance the customer and associate experiences.

Information About Our Executive Officers

The following chart names the executive officers of the Company as of the date of the filing of this Annual Report on Form 10-K with the SEC, each of whom is elected by and serves at the pleasure of the Board of Directors. The business experience shown for each officer has been his or her principal occupation for at least the past five years, unless otherwise noted.

Name	Business Experience	Current Position Held Since	Age
Daniel J. Bartlett	Executive Vice President, Corporate Affairs, effective June 2013. From November 2007 to June 2013, he served as the Chief Executive Officer and President of U.S. Operations at Hill & Knowlton, Inc., a public relations company.	2013	50
M. Brett Biggs	Executive Vice President and Chief Financial Officer, effective January 2016. From January 2014 to December 2015, he served as Executive Vice President and Chief Financial Officer of Walmart International.	2016	53
Rachel Brand	Executive Vice President, Global Governance, Chief Legal Officer and Corporate Secretary, effective April 2018. From May 2017 to February 2018, she served as Associate Attorney General in the United States Department of Justice. From January 2017 to May 2017, Ms. Brand was an Associate Professor of Law at George Mason University Antonin Scalia Law School. From August 2012 to February 2017, she served as a board member on the Privacy and Civil Liberties Oversight Board of the U.S. government.	2018	48
David M. Chojnowski	Senior Vice President and Controller effective January 2017. From October 2014 to January 2017, he served as Vice President and Controller, Walmart U.S.	2017	52
John Furner	Executive Vice President, President and Chief Executive Officer, Walmart U.S. effective November 2019. From February 2017 until November 2019, he served as President and Chief Executive Officer, Sam's Club. From October 2015 to January 2017, he served as Executive Vice President and Chief Merchandising Officer of Sam's Club.	2019	47
Suresh Kumar	Executive Vice President, Global Chief Technology Officer and Chief Development Officer effective July 2019. From February 2018 until June 2019, Mr. Kumar was Vice President and General Manager at Google LLC. From May 2014 until February 2018, he was Corporate Vice President at Microsoft Corporation.	2019	57
Judith McKenna	Executive Vice President, President and Chief Executive Officer, Walmart International, effective February 2018. From February 2015 to January 2018, she served as Executive Vice President and Chief Operating Officer of Walmart U.S.	2018	55
Kathryn McLay	Executive Vice President, President and Chief Executive Officer, Sam's Club effective November 15, 2019. From February 2019 to November 2019, she served as Executive Vice President, Walmart U.S. Neighborhood Markets. From December 2015 until February 2019, she served as Senior Vice President, U.S. Supply Chain. Ms. McLay originally joined the Company in April 2015 as Vice President of U.S. Finance and Strategy.	2019	48
C. Douglas McMillon	President and Chief Executive Officer, effective February 2014. From February 2009 to January 2014, he served as Executive Vice President, President and Chief Executive Officer, Walmart International.	2014	55
Donna Morris	Executive Vice President, Global People, and Chief People Officer, effective February 2020. From April 2002 to January 2020, she worked at Adobe Inc. in various roles, including most recently, Chief Human Resources Officer and Executive Vice President, Employee Experience.	2020	54

Our Website and Availability of SEC Reports and Other Information

Our corporate website is located at www.stock.walmart.com. We file with or furnish to the SEC Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports, proxy statements and annual reports to shareholders, and, from time to time, other documents. The reports and other documents filed with or furnished to the SEC are available to investors on or through our corporate website free of charge as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. The SEC maintains a website that contains reports, proxy and information statements and other information regarding issuers, such as the Company, that file electronically with the SEC. The address of that website is www.sec.gov. Our SEC filings, our Reporting Protocols for Senior Financial Officers and our Code of Conduct can be found on our website at www.stock.walmart.com. These documents are available in print to any shareholder who requests a copy by writing or calling our Investor Relations Department, which is located at our principal offices.

A description of any substantive amendment or waiver of Walmart's Reporting Protocols for Senior Financial Officers or our Code of Conduct for our chief executive officer, our chief financial officer and our controller, who is our principal accounting officer, will be disclosed on our website at www.stock.walmart.com under the Corporate Governance section. Any such description will be located on our website for a period of 12 months following the amendment or waiver.

ITEM 1A. RISK FACTORS

The risks described below could, in ways we may or may not be able to accurately predict, materially and adversely affect our business, results of operations, financial position and liquidity. Our business operations could also be affected by additional factors that apply to all companies operating in the U.S. and globally. The following risk factors do not identify all risks that we may face.

Strategic Risks

Failure to successfully execute our omni-channel strategy and the cost of our investments in eCommerce and technology may materially adversely affect our market position, net sales and financial performance.

The retail business continues to rapidly evolve and consumers increasingly embrace digital shopping. As a result, the portion of total consumer expenditures with retailers and wholesale clubs occurring through digital platforms is increasing and the pace of this increase could continue to accelerate.

Our strategy, which includes investments in eCommerce, technology, talent, supply chain automation, acquisitions, joint ventures, store remodels and other customer initiatives, may not adequately or effectively allow us to continue to grow our eCommerce business, increase comparable sales, maintain or grow our overall market position or otherwise offset the impact on the growth of our business of a moderated pace of new store and club openings. The success of this strategy will depend in large measure on our ability to continue building and delivering a seamless omni-channel shopping experience and interconnected ecosystem for our customers that deepens our relationships with our customers across our various businesses and partnerships and reinforces our overall flywheel strategy. The success of this strategy is further subject to the related risks discussed in this [Item 1A](#). With the interconnected components of this flywheel strategy and an increasing allocation of capital expenditures focused on these initiatives, our failure to successfully execute on individual components of this strategy may adversely affect our market position, net sales and financial performance which could also result in impairment charges to intangible assets or other long-lived assets. In addition, a greater concentration of eCommerce sales, including increasing online grocery sales, could result in a reduction in the amount of traffic in our stores and clubs, which would, in turn, reduce the opportunities for cross-store or cross-club sales of merchandise that such traffic creates and could reduce our sales within our stores and clubs and materially adversely affect our financial performance.

Furthermore, the cost of certain investments in eCommerce, technology, talent, automation, including any operating losses incurred, will adversely impact our financial performance in the short-term and failure to realize the benefits of these investments may adversely impact our financial performance over the longer term.

If we do not timely identify or effectively respond to consumer trends or preferences, it could negatively affect our relationship with our customers, demand for the products and services we sell, our market share and the growth of our business.

It is difficult to predict consistently and successfully the products and services our customers will demand and changes in their shopping patterns. The success of our business depends in part on how accurately we predict

consumer demand, availability of merchandise, the related impact on the demand for existing products and services and the competitive environment. Price transparency, assortment of products, customer experience, convenience, ease and the speed and cost of shipping are of primary importance to customers and continue to increase in importance, particularly as a result of digital tools and social media available to consumers and the choices available to consumers for purchasing products. Our failure to adequately or effectively respond to changing consumer tastes, preferences (including those related to ESG issues) and shopping patterns, or any other failure on our part to timely identify or effectively respond to changing consumer tastes, preferences and shopping patterns

could negatively affect our reputation and relationship with our customers, the demand for the products we sell or services we offer, our market share and the growth of our business.

We face strong competition from other retailers, wholesale club operators, omni-channel retailers, and other businesses which could materially adversely affect our financial performance.

Each of our segments competes for customers, employees, digital prominence, products and services and in other important aspects of its business with many other local, regional, national and global physical, eCommerce and omni-channel retailers, wholesale club operators and retail intermediaries, as well as companies that offer services in digital advertising, fulfillment and delivery services, health and wellness, and financial services. The omni-channel retail landscape is highly competitive and rapidly evolving, and the entry of new, well-funded competitors may increase competitive pressures. In addition, for eCommerce and other internet-based businesses, newer or smaller businesses may be better able to innovate and compete with us.

We compete in a variety of ways, including the prices at which we sell our merchandise, merchandise selection and availability, services offered to customers, location, store hours, in-store amenities, the shopping convenience and overall shopping experience we offer, the attractiveness and ease of use of our digital platforms, cost and speed of and options for delivery to customers of merchandise purchased through our digital platforms or through our omni-channel integration of our physical and digital operations.

A failure to respond effectively to competitive pressures and changes in the retail and other markets in which we operate, omni-channel innovations and omni-channel ecosystems developed by our competitors or delays or failure in execution of our strategy could materially adversely affect our financial performance. See "[Item 1. Business](#)" above for additional discussion of the competitive situation of each of our reportable segments.

Certain segments of the retail industry are undergoing consolidation or substantially reducing operations, whether due to bankruptcy, consolidation or other factors. Such consolidation, or other business combinations or alliances, competitive omni-channel ecosystems, or reductions in operations may result in competitors with greatly improved financial resources, improved access to merchandise, greater market penetration and other improvements in their competitive positions. Such business combinations or alliances could allow these companies to provide a wider variety of products and services at competitive prices, which could adversely affect our financial performance.

General or macro-economic factors, both domestically and internationally, may materially adversely affect our financial performance.

General economic conditions and other economic factors, globally or in one or more of the markets we serve, may adversely affect our financial performance. Higher interest rates, lower or higher prices of petroleum products, including crude oil, natural gas, gasoline, and diesel fuel, higher costs for electricity and other energy, weakness in the housing market, inflation, deflation, increased costs of essential services, such as medical care and utilities, higher levels of unemployment, decreases in consumer disposable income, unavailability of consumer credit, higher consumer debt levels, changes in consumer spending and shopping patterns, fluctuations in currency exchange rates, higher tax rates, imposition of new taxes or other changes in tax laws, changes in healthcare laws, other regulatory changes, the imposition of tariffs or other measures that create barriers to or increase the costs associated with international trade, overall economic slowdown or recession and other economic factors in the U.S. or in any of the other markets in which we operate could adversely affect consumer demand for the products and services we sell in the U.S. or such other markets, change the mix of products we sell to one with a lower average gross margin, cause a slowdown in discretionary purchases of goods, adversely affect our net sales and result in slower inventory turnover and greater markdowns of inventory, or otherwise materially adversely affect our operations and operating results and could result in impairment charges to intangible assets, goodwill or other long-lived assets.

In addition, the economic factors listed above, any other economic factors or circumstances resulting in higher transportation, labor, insurance or healthcare costs or commodity prices, and other economic factors in the U.S. and other countries in which we operate can increase our cost of sales and operating, selling, general and administrative expenses and otherwise materially adversely affect our operations and operating results.

The economic factors that affect our operations may also adversely affect the operations of our suppliers, which can result in an increase in the cost to us of the goods we sell to our customers or, in more extreme cases, in certain suppliers not producing goods in the volume typically available to us for sale.

The performance of strategic alliances and other business relationships to support the expansion of our business could materially adversely affect our financial performance.

We may enter into strategic alliances and other business relationships in the countries in which we have existing operations or in other markets to expand our business. These arrangements may not generate the level of sales we anticipate when entering into the arrangement or may otherwise adversely impact our business and competitive position relative to the results we could

have achieved in the absence of such alliance. In addition, any investment we make in connection with a strategic alliance, business relationship or in certain of our recently divested markets, could materially adversely affect our financial performance.

Operational Risks

The impact of the COVID-19 pandemic on our business, financial position and results of operations continues to be unpredictable, and we may be unable to sustain our revenue growth rate in the future.

The impacts of the COVID-19 pandemic continue to be highly unpredictable and volatile in light of the potential for a resurgence of infection rates or as a result of future mutations, variants, or related strains of the virus. Recent years have demonstrated the widespread and varying impacts of the pandemic on certain business operations, demand for our products and services, in-stock positions, costs of doing business, access to inventory, supply chain operations, the extent and duration of measures to try to contain the virus (such as travel bans and restrictions, quarantines, shelter-in-place orders, business and government shutdowns, and other restrictions on retailers), our ability to predict future performance, exposure to litigation, and our financial performance, among other things.

Customer behaviors have changed rapidly during the course of the COVID-19 pandemic. In the event of a resurgence of infections or future mutations, variants or related strains of the virus become prevalent, customer demand for certain products may fluctuate and customer behaviors may change, which may challenge our ability to anticipate and/or adjust inventory levels to meet that demand. These factors may result in higher out-of-stock positions in certain products, as well as delays in delivering those products, and could impact inventory levels in the future.

Other factors and uncertainties include, but are not limited to: the severity and duration of the pandemic, including whether there are additional outbreaks or spikes in the number of COVID-19 cases, future mutations or related strains of the virus in areas in which we and our suppliers operate; further increased operational costs associated with operating during a global pandemic; evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures; unknown consequences on our business performance and initiatives stemming from the substantial investment of time, capital and other resources to the pandemic response; the effectiveness and extent of administration of vaccinations and medical treatments for COVID-19 or other variants; the pace of recovery when the pandemic subsides; and the long-term impact of the COVID-19 pandemic on our business, including consumer behaviors. These risks and their impacts are difficult to predict and could otherwise disrupt and adversely affect our operations and our financial performance.

The COVID-19 pandemic has led to increased revenue growth relative to historic trends, and has particularly accelerated our eCommerce growth. These results, as well as those of other metrics such as net income and other financial and operating data, may not be indicative of results for future periods. Once the impact of the COVID-19 pandemic subsides, particularly as vaccines become more widely available, and customers return to work or school or are otherwise no longer subject to the aforementioned containment directives and similar mandates, a failure by us to continue capitalizing on growth opportunities may result in declining revenue and future operating results may fall below expectations.

To the extent that the COVID-19 pandemic continues to adversely affect the U.S. and the global economy, it may also heighten other risks described in this section, including but not limited to those related to consumer behavior and expectations, competition, our reputation, implementation of strategic initiatives, cybersecurity threats, payment-related risks, technology systems disruption, supply chain disruptions, labor availability and cost, litigation, and regulatory requirements.

Natural disasters, climate change, geopolitical events, global health epidemics or pandemics and catastrophic events could materially adversely affect our financial performance.

The occurrence of one or more natural disasters, such as hurricanes, tropical storms, floods, fires, earthquakes, tsunamis, cyclones, typhoons; weather conditions such as major or extended winter storms, droughts and tornadoes, whether as a result of climate change or otherwise; geopolitical events; global health epidemics or pandemics or other contagious outbreaks such as the ongoing COVID-19 pandemic; and catastrophic events, such as war, civil unrest, terrorist attacks or other acts of violence, including active shooter situations (such as those that have occurred in our U.S. stores), in countries in which we operate, in which our suppliers are located, or in other areas of the world (such as in Ukraine where armed hostilities currently exist between Ukraine and Russia) could adversely affect our operations and financial performance.

Such events could result in physical damage to, or the complete loss of, one or more of our properties, the closure of one or more stores, clubs and distribution or fulfillment centers, limitations on store or club operating hours, the lack

of an adequate work force in a market, the inability of customers and associates to reach or have transportation to our stores and clubs affected by such events, the evacuation of the populace from areas in which our stores, clubs and distribution and fulfillment centers are located, the unavailability of our digital platforms to our customers, changes in the purchasing patterns of consumers (including the frequency of visits by consumers to physical retail locations, whether as a result of limitations on large gatherings, travel and movement limitations or otherwise) and in consumers' disposable income, the temporary or long-term disruption in the supply of products from some suppliers, the disruption in the transport of goods from overseas, the disruption or delay in the delivery of goods to our distribution and fulfillment centers or stores within a country in which we are operating, the reduction in the availability of products in our stores, increases in the costs of procuring products as a result of either reduced availability

or economic sanctions, increased transportation costs (whether due to fuel prices, fuel supply, or otherwise), the disruption (whether directly or indirectly) of critical infrastructure systems, banking systems, utility services or energy availability to our stores, clubs and our facilities, and the disruption in our communications with our stores, clubs and our other facilities.

Furthermore, the long-term impacts of climate change, whether involving physical risks (such as extreme weather conditions, drought, or rising sea levels) or transition risks (such as regulatory or technology changes) are expected to be widespread and unpredictable. Certain impacts of physical risk may include: temperature changes that increase the heating and cooling costs at stores, clubs, and distribution or fulfillment centers; extreme weather patterns that affect the production or sourcing of certain commodities; flooding and extreme storms that damage or destroy our buildings and inventory; and heat and extreme weather events that cause long-term disruption or threats to the habitability of the communities in which Walmart operates. Relative to transition risk, certain impacts may include: changes in energy and commodity prices driven by climate-related weather events; prolonged climate-related events affecting macroeconomic conditions with related effects on consumer spending and confidence; stakeholder perception of our engagement in climate-related policies; and new regulatory requirements resulting in higher compliance risk and operational costs.

We bear the risk of losses incurred as a result of physical damage to, or destruction of, any stores, clubs and distribution or fulfillment centers, loss or spoilage of inventory and business interruption caused by such events. These events and their impacts could otherwise disrupt and adversely affect our operations and could materially adversely affect our financial performance.

Risks associated with our suppliers could materially adversely affect our financial performance.

The products we sell are sourced from a wide variety of domestic and international suppliers. Global sourcing of many of the products we sell is an important factor in our financial performance. We expect our suppliers to comply with applicable laws, including labor, safety, anti-corruption and environmental laws, and to otherwise meet our required supplier standards of conduct. Our ability to find qualified suppliers who uphold our standards, and to access products in a timely and efficient manner and in the large volumes we may demand, is a significant challenge, especially with respect to suppliers located and goods sourced outside the U.S.

Political and economic instability, as well as other impactful events and circumstances in the countries in which our suppliers and their manufacturers are located (such as the ongoing COVID-19 pandemic), the financial instability of suppliers, suppliers' failure to meet our terms and conditions or our supplier standards (including our responsible sourcing standards), labor problems experienced by our suppliers and their manufacturers, the availability of raw materials to suppliers, merchandise safety and quality issues, disruption or delay in the transportation of merchandise from the suppliers and manufacturers to our stores, clubs, and other facilities, including as a result of labor slowdowns at any port at which a material amount of merchandise we purchase enters into the markets in which we operate, currency exchange rates, transport availability and cost, transport security, inflation and other factors relating to the suppliers and the countries in which they are located are beyond our control.

In addition, the U.S. foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries and entities, the limitation on the importation of certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade are beyond our control. These and other factors affecting our suppliers and our access to products could adversely affect our financial performance.

If the products we sell are not safe or otherwise fail to meet our customers' expectations, we could lose customers, incur liability for any injuries suffered by customers using or consuming a product we sell or otherwise experience a material impact to our brand, reputation and financial performance. We are also subject to reputational and other risks related to third-party sales on our digital platforms.

Our customers count on us to provide them with safe products. Concerns regarding the safety of food and non-food products that we source from our suppliers or that we prepare and then sell could cause customers to avoid purchasing certain products from us, or to seek alternative sources of supply for all of their food and non-food needs, even if the basis for the concern is outside of our control. Any lost confidence on the part of our customers would be difficult and costly to reestablish and such products also expose us to product liability or food safety claims. As such, any issue regarding the safety of any food or non-food items we sell, regardless of the cause, could adversely affect our brand, reputation and financial performance. In addition, third-parties sell goods on some of our digital platforms, which we refer to as marketplace transactions. Whether laws related to these marketplace transactions apply to us is currently unsettled and any unfavorable changes could expose us to loss of sales, reduction in transactions and deterioration of our competitive position. In addition, we may face reputational, financial and other

risks, including liability, for third-party sales of goods that are controversial, counterfeit, pirated, or stolen, or otherwise fail to comply with applicable law or the proprietary rights of others. Although we impose contractual terms on sellers that are intended to prohibit sales of certain type of products, we may not be able to detect, enforce, or collect sufficient damages for breaches of such agreements. Any of these events could have a material adverse impact on our business and results of operations and impede the execution of our eCommerce growth and flywheel strategy.

We rely extensively on information systems to process transactions, summarize results and manage our business. Disruptions in our systems could harm our ability to conduct our operations.

Given the number of individual transactions we have each year, it is crucial that we maintain uninterrupted operation of our business-critical information systems. Our information systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, worms, other malicious computer programs, denial-of-service attacks, security incidents and breaches (through cyberattacks, which may be from cybercriminals or sophisticated state-sponsored threat actors), catastrophic events such as fires, major or extended winter storms, tornadoes, earthquakes and hurricanes, usage errors by our associates or contractors, civil or political unrest, or armed hostilities. Our information systems are essential to our business operations, including the processing of transactions, management of our associates, facilities, logistics, inventories, physical stores and clubs and our online operations. Our information systems are not fully redundant and our disaster recovery planning cannot account for all eventualities. If our systems are damaged, breached, attacked, or cease to function properly, we may have to make a significant investment to repair or replace them, and may experience loss or corruption of critical data as well as suffer interruptions in our business operations in the interim. Any interruption to our information systems may have a material adverse effect on our business or results of operations. In addition, we frequently update our information technology hardware, software, processes and systems. The risk of system disruption is increased when significant system changes are undertaken. If we fail to timely integrate and update our information systems and processes, we may fail to realize the cost savings or operational benefits anticipated to be derived from these initiatives.

If the technology-based systems that give our customers the ability to shop with us online do not function effectively, our operating results, as well as our ability to grow our omni-channel business globally, could be materially adversely affected.

Increasingly, customers are using computers, tablets, and smart phones to shop with us and with our competitors and to do comparison shopping. We use social media, online advertising, and email to interact with our customers and as a means to enhance their shopping experience. As a part of our omni-channel sales strategy, we offer various pickup, delivery and shipping programs including options where many products available for purchase online can be picked up by the customer or member at a local Walmart store or Sam's Club, which provides additional customer traffic at such stores and clubs. Omni-channel retailing is a rapidly evolving part of the retail industry and of our operations around the world. We must anticipate and meet our customers' changing expectations while adjusting for technology investments and developments in our competitors' operations through focusing on the building and delivery of a seamless shopping experience across all channels by each operating segment. Any failure on our part to provide attractive, user-friendly secure digital platforms that offer a wide assortment of merchandise at competitive prices and with low cost and rapid delivery options and that continually meet the changing expectations of online shoppers and developments in online and digital platform merchandising and related technology could place us at a competitive disadvantage, result in the loss of eCommerce and other sales, harm our reputation with customers, have a material adverse impact on the growth of our eCommerce business globally and have a material adverse impact on our business and results of operations.

Our digital platforms, which are increasingly important to our business and continue to grow in complexity and scope, and the systems on which they run, including those applications and systems in our acquired eCommerce businesses, are regularly subject to cyberattacks. Those attacks involve attempts to gain unauthorized access to our eCommerce websites (including marketplace platforms) or mobile commerce applications to obtain and misuse customers' or members' information including payment information and related risks discussed in this [Item 1A](#). Such attacks, if successful, in addition to potential data misuse and/or loss, may also create denials of service or otherwise disable, degrade or sabotage one or more of our digital platforms or otherwise significantly disrupt our customers' and members' shopping experience, our supply chain integrity and continuity, and our ability to efficiently operate our business. If we are unable to maintain the security of our digital platforms and keep them operating within acceptable parameters, we could suffer loss of sales, reductions in transactions, reputational damage and deterioration of our competitive position and incur liability for any damage to customers or others whose personal or confidential information is unlawfully obtained and misused, any of which events could have a material adverse impact on our business and results of operations and impede the execution of our strategy for the growth of our business.

Any failure to maintain the privacy or security of the information relating to our company, customers, members, associates and vendors, whether as a result of cyberattacks on our information systems or otherwise, could damage our reputation, result in litigation or other legal actions against us, cause us to incur substantial additional costs, and materially adversely affect our business and operating results.

Like most retailers, we receive and store in our information systems personal information about our customers and members, and we receive and store information concerning our associates and vendors. Some of that information is stored digitally in connection with the digital platforms that we use to conduct and facilitate our various businesses. In addition, we and our third-party service providers store and maintain health-related personal information, pharmacy, and medical records in connection with our health and wellness and pharmacy business. We also utilize third-party service providers for a variety of reasons, including, without limitation, for digital storage technology, content delivery to customers and members, back-office support, and other functions. Such providers may have access to information we hold about our customers, members, associates or

vendors. In addition, our eCommerce operations depend upon the secure transmission of confidential information over public networks, including information permitting cashless payments.

Cyber threats are rapidly evolving and those threats and the means for obtaining access to information in digital and other storage media are becoming increasingly sophisticated and frequent. Attacks against information systems and devices, whether our own or those of our third-party service providers, create risk of cybersecurity incidents, including ransomware, malware, phishing incidents. We expect to continue to experience such attempted attacks in the future. Cyberattacks and threat actors can be sponsored by particular countries or sophisticated criminal organizations or be the work of hackers with a wide range of motives and expertise. We and the businesses with which we interact have experienced and continue to experience threats to data and systems, including by perpetrators of random or targeted malicious cyberattacks, computer viruses, phishing incidents, worms, bot attacks, ransomware or other destructive or disruptive software and attempts to misappropriate customer information, including credit card and payment information, and cause system failures and disruptions. Mitigation and remediation recommendations continue to evolve, and addressing vulnerabilities is a priority for us. The increased use of remote work infrastructure due to the COVID-19 pandemic has also increased the possible attack surfaces. Some of our systems and third-party service providers' systems have experienced security incidents or breaches and although they did not have a material adverse effect on our operating results, there can be no assurance of a similar result in the future.

Associate error or malfeasance, faulty password management, social engineering or other vulnerabilities and irregularities may also result in a defeat of our or our third-party service providers' security measures and a compromise or breach of our or their information systems. Moreover, hardware, software or applications we use may have inherent vulnerabilities or defects of design, manufacture or operations or could be inadvertently or intentionally implemented or used in a manner that could compromise information security.

Any compromise of our data security systems or of those of businesses with which we interact, which results in confidential information being accessed, obtained, damaged, disclosed, destroyed, modified, lost or used by unauthorized persons could harm our reputation and expose us to regulatory actions (including, with respect to health information, liability under the Health Insurance Portability and Accountability Act of 1996, or "HIPAA"), customer attrition, remediation expenses, and claims from customers, members, associates, vendors, financial institutions, payment card networks and other persons, any of which could materially and adversely affect our business operations, financial position and results of operations. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of a compromise, we may be unable to anticipate these techniques or to implement adequate preventative measures and we or our third-party service providers may not discover any security event, breach, vulnerability or compromise of information for a significant period of time after the security incident occurs. To the extent that any cyberattack, ransomware or incursion in our or one of our third-party service provider's information systems results in the loss, damage, misappropriation or other compromise of information, we may be materially adversely affected by claims from customers, financial institutions, regulatory authorities, payment card networks and others.

Our compliance programs, information technology, and enterprise risk management efforts cannot eliminate all systemic risk. Disruptions in our systems caused by security incidents, breaches or cyberattacks – including attacks on those parties we do business with (such as strategic partners, suppliers, banks, or utility companies) – could harm our ability to conduct our operations, which may have a material effect on us, may result in losses that could have a material adverse effect on our financial position or results of operations, or may have a cascading effect that adversely impacts our partners, third-party service providers, customers, financial services firms, and other third parties that we interact with on a regular basis.

In addition, such security-related events could be widely publicized and could materially adversely affect our reputation with our customers, members, associates, vendors and shareholders, could harm our competitive position particularly with respect to our eCommerce operations, and could result in a material reduction in our net sales in our eCommerce operations, as well as in our stores thereby materially adversely affecting our operations, net sales, results of operations, financial position, cash flows and liquidity. Such events could also result in the release to the public of confidential information about our operations and financial position and performance and could result in litigation or other legal actions against us or the imposition of penalties, fines, fees or liabilities, which may not be covered by our insurance policies. Moreover, a security compromise or ransomware event could require us to devote significant management resources to address the problems created by the issue and to expend significant additional resources to upgrade further the security measures we employ to guard personal and confidential information against cyberattacks and other attempts to access or otherwise compromise such information and could result in a disruption of our operations, particularly our digital operations.

We accept payments using a variety of methods, including cash, checks, credit and debit cards, and our private label credit cards and gift cards, and we may offer new payment options over time, which may have information security risk implications. As a retailer accepting debit and credit cards for payment, we are subject to various industry data protection standards and protocols, such as payment network security operating guidelines and the Payment Card Industry Data Security Standard. We cannot be certain that the security measures we maintain to protect all of our information technology systems are able to prevent, contain or detect cyberattacks, cyberterrorism, security incidents, breaches, or other compromises from known malware or ransomware or other threats that may be developed in the future. In certain circumstances, our contracts with

payment card processors and payment card networks (such as Visa, Mastercard, American Express and Discover) generally require us to adhere to payment card network rules which could make us liable to payment card issuers and others if information in connection with payment cards and payment card transactions that we process is compromised, which liabilities could be substantial.

Additionally, through various financial service partners, we offer money transfers, digital payment platforms, bill payment, money orders, check cashing, prepaid access, co-branded credits cards, installment lending, and earned wage access. These products and services require us to comply with legal and regulatory requirements, including global anti-money laundering and sanctions laws and regulations as well as international, federal and state consumer financial laws and regulations. Failure to comply with these laws and regulations could result in fines, sanctions, penalties and harm to our reputation.

The Company also has compliance obligations associated with privacy laws enacted to protect and regulate the collection, use, retention, disclosure and transfer of personal information, which include liability for security and privacy breaches. Among other obligations, breaches may trigger obligations under federal and state laws to notify affected individuals, government agencies and the media. Consequently, cybersecurity attacks that cause a data breach could subject us to fines, sanctions and other legal liability and harm our reputation.

Changes in the results of our health and wellness business could adversely affect our overall results of operations, cash flows and liquidity.

Walmart has retail pharmacy operations in our Walmart U.S. and Sam's Club segments, as well as the recent addition of Walmart Health locations in a number of states which offer medical, dental, optometry, immunizations, and other health services. A large majority of our retail pharmacy net sales are generated by filling prescriptions for which we receive payment through established contractual relationships with third-party payers and payment administrators, such as private insurers, governmental agencies and pharmacy benefit managers ("PBMs").

These operations are subject to numerous risks, including: reductions in the third-party reimbursement rates for drugs; changes in our payer mix (i.e., shifts in the relative distribution of our pharmacy customers across drug insurance plans and programs toward plans and programs with less favorable reimbursement terms); changes in third-party payer drug formularies (i.e., the schedule of prescription drugs approved for reimbursement or which otherwise receive preferential coverage treatment); growth in, and our participation in or exclusion from, pharmacy payer network arrangements including exclusive and preferred pharmacy network arrangements operated by PBMs and/or any insurance plan or program; increases in the prices we pay for brand name and generic prescription drugs we sell; increases in the administrative burdens associated with seeking third-party reimbursement; changes in the frequency with which new brand name pharmaceuticals become available to consumers; introduction of lower cost generic drugs as substitutes for existing brand name drugs for which there was no prior generic drug competition; changes in drug mix (i.e., the relative distribution of drugs customers purchase at our pharmacies between brands and generics); changes in the health insurance market generally; changes in the scope of or the elimination of Medicare Part D or Medicaid drug programs; increased competition from other retail pharmacy operations including competitors offering online retail pharmacy options with or without home delivery options; further consolidation and strategic alliances among third-party payers, PBMs or purchasers of drugs; overall economic conditions and the ability of our pharmacy customers to pay for drugs prescribed for them to the extent the costs are not reimbursed by a third-party; failure to meet any performance or incentive thresholds to which our level of third-party reimbursement may be subject; changes in laws or regulations or the practices of third-party payers and PBMs related to the use of third-party financial assistance to assist our pharmacy customers with paying for drugs prescribed for them; and any additional changes in the regulatory environment for the retail pharmacy industry and the pharmaceutical industry, including as a result of restrictions on the further implementation of or the repeal of the Patient Protection and Affordable Care Act or the enactment and implementation of a law replacing such act, and other changes in laws, rules and regulations that affect our retail pharmacy business.

If the supply of certain pharmaceuticals provided by one or more of our vendors were to be disrupted for any reason, our pharmacy operations could be severely affected until at least such time as we could obtain a new supplier for such pharmaceuticals. Any such disruption could cause reputational damage and result in a significant number of our pharmacy customers transferring their prescriptions to other pharmacies.

One or a combination of such factors may adversely affect the volumes of brand name and generic pharmaceuticals we sell, our cost of sales associated with our retail pharmacy operations, and the net sales and gross margin of those operations or result in the loss of cross-store or cross-club selling opportunities and, in turn, adversely affect our overall net sales, other results of operations, cash flows and liquidity.

Our failure to attract and retain qualified associates, increases in wage and benefit costs, changes in laws and other labor issues could materially adversely affect our financial performance.

Our ability to continue to conduct and expand our operations depends on our ability to attract and retain a large and growing number of qualified associates globally. Our ability to meet our labor needs, including our ability to find qualified personnel to fill positions that become vacant at our existing stores, clubs, distribution and fulfillment centers and corporate offices, while

controlling our associate wage and related labor costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force of the markets in which we operate, unemployment levels within those markets, prevailing wage rates, changing demographics, health and other insurance costs and adoption of new or revised employment and labor laws and regulations. Additionally, our ability to successfully execute organizational changes, including management transitions within the Company's senior leadership, and to effectively motivate and retain associates are critical to our business success. If we are unable to locate, attract or retain qualified personnel, or manage leadership transition successfully, the quality of service we provide to our customers may decrease and our financial performance may be adversely affected.

In addition, if our costs of labor or related costs increase for other reasons or if new or revised labor laws, rules or regulations or healthcare laws are adopted or implemented that further increase our labor costs, our financial performance could be materially adversely affected.

Financial Risks

Failure to meet market expectations for our financial performance could adversely affect the market price and volatility of our stock.

We believe that the price of our stock generally reflects high market expectations for our future operating results. Any failure to meet or delay in meeting these expectations, including our consolidated net sales, consolidated operating income, capital expenditures, comparable store and club sales growth rates, eCommerce growth rates, gross margin, or earnings and adjusted earnings per share could cause the market price of our stock to decline, as could changes in our dividend or stock repurchase programs or policies, changes in our effective tax rates, changes in our financial estimates and recommendations by securities analysts or, failure of Walmart's performance to compare favorably to that of other retailers may have a negative effect on the price of our stock.

Fluctuations in foreign exchange rates may materially adversely affect our financial performance and our reported results of operations.

Our operations in countries other than the U.S. are conducted primarily in the local currencies of those countries. Our Consolidated Financial Statements are denominated in U.S. dollars, and to prepare those financial statements we must translate the amounts of the assets, liabilities, net sales, other revenues and expenses of our operations outside of the U.S. from local currencies into U.S. dollars using exchange rates for the current period. In recent years, fluctuations in currency exchange rates that were unfavorable have had adverse effects on our reported results of operations.

As a result of such translations, fluctuations in currency exchange rates from period-to-period that are unfavorable to us may also result in our Consolidated Financial Statements reflecting significant adverse period-over-period changes in our financial performance or reflecting a period-over-period improvement in our financial performance that is not as robust as it would be without such fluctuations in the currency exchange rates. Such unfavorable currency exchange rate fluctuations will adversely affect the reported performance of our Walmart International operating segment and have a corresponding adverse effect on our reported consolidated results of operations.

We may pay for products we purchase for sale in our stores and clubs around the world with a currency other than the local currency of the country in which the goods will be sold. When we must acquire the currency to pay for such products and the exchange rates for the payment currency fluctuate in a manner unfavorable to us, our cost of sales may increase and we may be unable or unwilling to change the prices at which we sell those goods to address that increase in our costs, with a corresponding adverse effect on our gross profit. Consequently, unfavorable fluctuations in currency exchange rates have and may continue to adversely affect our results of operations.

Legal, Tax, Regulatory, Compliance, Reputational and Other Risks

Our international operations subject us to legislative, judicial, accounting, legal, regulatory, tax, political and economic risks and conditions specific to the countries or regions in which we operate, which could materially adversely affect our business or financial performance.

In addition to our U.S. operations, we operate our retail business in Africa, Canada, Central America, Chile, China, India and Mexico.

During fiscal 2022, our Walmart International operations generated approximately 18% of our consolidated net sales. Walmart International's operations in various countries also source goods and services from other countries. Our future operating results in these countries could be negatively affected by a variety of factors, most of which are

beyond our control. These factors include political conditions, including political instability, local and global economic conditions, legal and regulatory constraints (such as regulation of product and service offerings including regulatory restrictions (such as foreign ownership restrictions) on eCommerce and retail operations in international markets, such as India), restrictive governmental actions (such as trade protection measures), antitrust and competition law regulatory matters (such as the competition investigations currently

underway in Mexico related to our subsidiary Wal-Mart de Mexico, in Canada related to our subsidiary Wal-Mart Canada and competition proceedings in India related to our Flipkart subsidiary), local product safety and environmental laws, tax regulations, local labor laws, anti-money laundering laws and regulations, trade policies, currency regulations, laws and regulations regarding consumer and data protection, and other matters in any of the countries or regions in which we operate, now or in the future.

The economies of some of the countries in which we have operations have in the past suffered from high rates of inflation and currency devaluations, which, if they occurred again, could adversely affect our financial performance. Other factors which may impact our international operations include foreign trade, monetary and fiscal policies of the U.S. and of other countries, laws, regulations and other activities of foreign governments, agencies and similar organizations, and risks associated with having numerous facilities located in countries that have historically been less stable than the U.S. Additional risks inherent in our international operations generally include, among others, the costs and difficulties of managing international operations, adverse tax consequences and greater difficulty in enforcing intellectual property rights in countries other than the U.S. The various risks inherent in doing business in the U.S. generally also exist when doing business outside of the U.S., and may be exaggerated by the difficulty of doing business in numerous sovereign jurisdictions due to differences in culture, laws and regulations.

In foreign countries in which we have operations, a risk exists that our associates, contractors or agents could, in contravention of our policies, engage in business practices prohibited by U.S. laws and regulations applicable to us, such as the Foreign Corrupt Practices Act or the laws and regulations of other countries. We maintain a global policy prohibiting such business practices and have in place a global anti-corruption compliance program designed to ensure compliance with these laws and regulations. Nevertheless, we remain subject to the risk that one or more of our associates, contractors or agents, including those based in or from countries where practices that violate such U.S. laws and regulations or the laws and regulations of other countries may be customary, will engage in business practices that are prohibited by our policies, circumvent our compliance programs and, by doing so, violate such laws and regulations. Any such violations, even if prohibited by our internal policies, could adversely affect our business or financial performance and our reputation.

Changes in tax and trade laws and regulations could materially adversely affect our financial performance.

In fiscal 2022, our Walmart U.S. and Sam's Club operating segments generated approximately 82% of our consolidated net sales. Significant changes in tax and trade policies, including tariffs and government regulations affecting trade between the U.S. and other countries where we source many of the products we sell in our stores and clubs could have an adverse effect on our business and financial performance. A significant portion of the general merchandise we sell in our U.S. stores and clubs is manufactured in other countries. Any such actions including the imposition of further tariffs on imports could increase the cost to us of such merchandise (whether imported directly or indirectly) and cause increases in the prices at which we sell such merchandise to our customers, which could materially adversely affect the financial performance of our U.S. operations and our business.

We are subject to income taxes and other taxes in both the U.S. and the foreign jurisdictions in which we currently operate or have historically operated. The determination of our worldwide provision for income taxes and current and deferred tax assets and liabilities requires judgment and estimation. Our income taxes could be materially adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in worldwide tax laws, tax rates, regulations or accounting principles.

We are also exposed to future tax legislation, as well as the issuance of future regulations and changes in administrative interpretations of existing tax laws, any of which can impact our current and future years' tax provision. The effect of such changes in tax law could have a material effect on our business, financial position and results of operations. In the U.S., the Tax Cuts and Jobs Act of 2017 (the "Tax Act") significantly changed federal income tax laws that affect U.S. corporations. As further guidance is issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, any resulting changes in our estimates will be treated in accordance with the relevant accounting guidance. Compliance with the Tax Act and any other new tax rules, regulations, guidance, and interpretations, including collecting information not regularly produced by the Company or unexpected changes in our estimates, may require us to incur additional costs and could affect our results of operations.

In addition, legislatures and taxing authorities in many jurisdictions in which we operate may enact changes to their tax rules. These changes could include modifications that have temporary effect and more permanent changes. The impact of these potential new rules as well as any other changes in domestic and international tax rules and regulations could have a material effect on our effective tax rate.

Furthermore, we are subject to regular review and audit by both domestic and foreign tax authorities as well as subject to the prospective and retrospective effects of changing tax regulations and legislation. Although we believe our tax estimates are reasonable, the ultimate tax outcome may materially differ from the tax amounts recorded in our Consolidated Financial

Statements and may materially affect our income tax provision, net income, or cash flows in the period or periods for which such determination and settlement is made.

Changes in and/or failure to comply with other laws, regulations, and interpretations of such laws and regulations specific to the businesses and jurisdictions in which we operate could materially adversely affect our reputation, market position, or our business and financial performance.

We operate in complex regulated environments in the U.S. and in the other countries in which we operate and could be adversely affected by changes to existing legal requirements including the related interpretations and enforcement practices, new legal requirements and/or any failure to comply with applicable regulations.

Our operations in the U.S. are subject to numerous federal, state and local regulations including licensing and other requirements and reimbursement arrangements affecting our health and wellness operations. The laws and regulations to which we are subject include, but are not limited to: federal and state registration and regulation of pharmacies; dispensing and sale of controlled substances and products containing pseudoephedrine; applicable governmental payer regulations including Medicare and Medicaid; data privacy and security laws and regulations including the Health Insurance Portability and Accountability Act and the Affordable Care Act; laws and regulations relating to the protection of the environment and health and safety matters, including those governing exposure to, and the management and disposal of, hazardous substances; regulations regarding food and drug safety including those of the U.S. Food and Drug Administration (the "FDA") and the Drug Enforcement Administration (the "DEA"); trade regulations including those of the U.S. Federal Trade Commission, the U.S. Department of the Treasury, and consumer protection and safety regulations including those of the Consumer Product Safety Commission, as well as state regulatory authorities, governing the availability, sale, advertisement and promotion of products we sell and the financial services we offer (including through our digital channels and stores and clubs as well as our previously announced fintech joint venture); anti-kickback laws; anti-money laundering laws; consumer financial protection laws; the Office of Foreign Assets Control regulations; false claims laws; patient inducement regulations; and federal and state laws governing health care fraud and abuse, quality and standards of medical equipment, and the qualifications and practice of the professions of medical, pharmacy, optical care and health care services.

For example, in the U.S., the DEA and various other regulatory authorities regulate the purchase, distribution, maintenance and dispensing of pharmaceuticals and controlled substances. We are required to hold valid DEA and state-level licenses, meet various security and operating standards and comply with the federal and various state controlled substance acts and related regulations governing the sale, dispensing, disposal and holding of controlled substances. The DEA, the FDA and state regulatory authorities have broad enforcement powers, including the ability to seize or recall products and impose significant criminal, civil and administrative sanctions for violations of these laws and regulations. In addition, other health-related legislation at the federal and state level may have an adverse effect on our business or require us to modify certain aspects of our operations. Also, upon the successful completion of the previously announced pending acquisitions by our fintech joint venture, there may be an increased degree of scrutiny by financial regulatory authorities over the newly acquired fintech related businesses, which may result in higher operational costs and an increased possibility for fines and penalties if there is non-compliance with the applicable laws and regulations.

We are also governed by foreign, national and state laws and regulations of general applicability, including laws and regulations related to working conditions, health and safety, equal employment opportunity, employee benefit and other labor and employment matters, laws and regulations related to competition and antitrust matters, and health and wellness related regulations for our pharmacy operations outside of the U.S. Increasing governmental and societal attention to ESG matters, including expanding mandatory and voluntary reporting diligence, and disclosure topics such as climate change, sustainability (including with respect to our supply chain), natural resources, waste reduction, energy, human capital, and risk oversight could expand the nature, scope, and complexity of matters that we are required to control, assess, and report. In addition, certain financial services we offer or make available are subject to legal and regulatory requirements, including those intended to help detect and prevent money laundering, fraud and other illicit activity as well as consumer financial protections laws and U.S. sanctions. We are also subject to data privacy and protection laws regulating the collection, use, retention, disclosure, transfer and processing of personal information, such as the California Consumer Privacy Act ("CCPA"), which was significantly modified by the California Privacy Rights Act ("CPRA"), new comprehensive privacy legislation passed in 2021 in Virginia and Colorado, as well as the European Union's General Data Protection Regulation ("GDPR") and China's Personal Information Protection Act. The potential effects of these laws are far-reaching and may require us to modify our data processing practices and policies and to incur substantial costs and expenses to comply. In the case of non-compliance with a material provision of the GDPR (such as non-adherence to the core principles of processing

personal data), regulators have the authority to levy a fine in an amount that is up to the greater of €20 million or 4% of global annual turnover in the prior year. These administrative fines are discretionary and based, in each case, on a multi-factored approach. Residents in jurisdictions with comprehensive privacy laws have expanded rights to access, correct and require deletion of their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is used. The CCPA and CPRA provide for civil penalties for violations, as well as a private right of action for data breaches. Furthermore, our marketing and customer engagement activities are subject to communications privacy laws such as the Telephone Consumer

Protection Act. We may be subjected to penalties and other consequences for noncompliance, including changing some portions of our business. Even an unsuccessful challenge by customer or regulatory authorities of our activities could result in adverse publicity and could require a costly response from and defense by us.

The impact of new laws, regulations and policies and the related interpretations, as well as changes in enforcement practices or regulatory scrutiny generally cannot be predicted, and changes in applicable laws, regulations and policies and the related interpretations and enforcement practices may require extensive system and operational changes, be difficult to implement, increase our operating costs, require significant capital expenditures, or adversely impact the cost or attractiveness of the products or services we offer, or result in adverse publicity and harm our reputation. If we fail to respond adequately to changes, including by implementing strategic and operational initiatives, or do not respond as effectively as our competitors, our business, operations, and financial performance may be adversely affected.

While we strive to adhere our practices and procedures to these laws, they are subject to evolving regulations, interpretations, enforcement priorities of regulatory authorities, and regulator discretion. The regulatory, political, and media scrutiny we face, which may continue, amplifies these risks. We may face audits or investigations by one or more government agencies relating to our compliance with applicable laws and regulations. To the extent a regulator or court disagrees with our interpretation of these laws and determines that our practices are not in compliance with applicable laws and regulations, we could be subject to civil and criminal penalties that could adversely affect the continued operation of our businesses, including: suspension of payments from government programs; loss of required government certifications; loss of authorizations to participate in or exclusion from government programs, including the Medicare and Medicaid programs in the U.S.; loss of licenses; termination from contractual relationships, including those with our drug suppliers and third-party payers; and significant fines or monetary damages and/or criminal and civil penalties. Failure to comply with applicable legal or regulatory requirements in the U.S. or in any of the countries in which we operate could result in significant legal and financial exposure, damage to our reputation, and have a material adverse effect on our business operations, financial position and results of operations.

We are subject to risks related to litigation and other legal proceedings that may materially adversely affect our results of operations, financial position and liquidity.

We operate in a highly regulated and litigious environment. We are involved in legal proceedings, including litigation, arbitration and other claims, and investigations, inspections, audits, claims, inquiries and similar actions by pharmacy, healthcare, tax, environmental and other governmental authorities. We may also have indemnification obligations for legal commitments of certain businesses we have divested. Legal proceedings, in general, and securities, derivative action and class action and multi-district litigation, in particular, can be expensive and disruptive. Some of these suits may purport or may be determined to be class actions and/or involve parties seeking large and/or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years. For example, we are currently a defendant in a number of cases containing class or collective-action allegations, or both, in which the plaintiffs have brought claims under federal and state wage and hour laws, as well as a number of cases containing class-action allegations in which the plaintiffs have brought claims under federal and state consumer laws.

The Company has also been responding to subpoenas, information requests and investigations from governmental entities related to nationwide controlled substance dispensing and distribution practices involving opioids and is also a defendant in numerous litigation proceedings related to opioids, including the consolidated multidistrict litigation entitled *In re National Prescription Opiate Litigation (MDL No. 2804)* currently pending in the U.S. District Court for the Northern District of Ohio. Similar cases that name the Company have also been filed in state courts by state, local and tribal governments, health care providers and other plaintiffs. Plaintiffs are seeking compensatory and punitive damages, as well as injunctive relief including abatement. On October 22, 2020, the Company filed a declaratory judgment action in the U.S. District Court for the Eastern District of Texas against the U.S. Department of Justice (the "DOJ") and the U.S. Drug Enforcement Administration, asking a federal court to clarify the roles and responsibilities of pharmacists and pharmacies as to the dispensing and distribution of opioids under the Controlled Substances Act (the "CSA"). The Company's action was dismissed. The Company appealed this decision to the Fifth Circuit. On December 22, 2021, the Fifth Circuit affirmed the dismissal of the action. On December 22, 2020, the DOJ filed a civil complaint against the Company in the U.S. District Court for the District of Delaware alleging that the Company unlawfully dispensed controlled substances from its pharmacies and unlawfully distributed controlled substances to those pharmacies in violation of the CSA. The DOJ is seeking civil penalties and injunctive relief. The Company filed a motion to dismiss the DOJ complaint on February 22, 2021. Since that time, the District Court

stayed further proceedings in the DOJ complaint pending the decision of the United States Supreme Court in two other cases interpreting the CSA, which have been consolidated into *Ruan v. United States*, 142 S. Ct. 457 (2021).

In addition, the Company is the subject of a consolidated securities class action alleging violations of the federal securities laws regarding the Company's disclosures with respect to opioids filed in the U.S. District Court for the District of Delaware on January 20, 2021 purportedly on behalf of a class of investors who acquired Walmart stock from March 30, 2016 through December 22, 2020. On May 11, 2021 the U.S. District Court in Delaware consolidated the class actions and appointed a lead plaintiff and lead counsel. The defendants filed a motion to dismiss the consolidated securities class action on October 8, 2021; the lead plaintiff responded to the motion on January 10, 2022; and the defendants filed their reply brief on February 10, 2022.

Two derivative actions were also filed by certain of the Company's shareholders in the U.S. District Court for the District of Delaware on February 9, 2021 and April 16, 2021 alleging breach of fiduciary duties against certain of the Company's current and former directors with respect to oversight of the Company's distribution and dispensing of opioids, and those suits have been stayed pending further developments in other Opioids litigation matters.

Other shareholders filed a third derivative action making similar allegations in the Delaware Court of Chancery on September 27, 2021. The defendants in this derivative suit filed the opening brief on their motion to dismiss that case on December 21, 2021; and the plaintiffs responded by filing an amended complaint on February 22, 2022.

The Company cannot predict the number of such claims that may be filed, and cannot reasonably estimate any loss or range of loss that may arise from such claims and the related opioid matters.

We discuss these cases and other litigation to which we are party below under the caption "[Item 3. Legal Proceedings](#)" and in [Note 10](#) in the "[Notes to our Consolidated Financial Statements](#)," which are part of this Annual Report on Form 10-K.

Our amended and restated bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could increase the costs for our shareholders to bring claims, discourage our shareholders from bringing claims, or limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, associates or shareholders in such capacity.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by law, be the sole and exclusive forum for claims, including derivative claims that are based upon a violation of a duty by a current or former director, officer, associate or shareholder in such capacity or as to which the Delaware General Corporation Law confers jurisdiction upon the Court of Chancery. The exclusive forum provision may increase the costs for a shareholder to bring a claim or limit a shareholder's ability to bring a claim in a judicial forum that the shareholder finds favorable for disputes with us or our directors, officers, associates or shareholders in such capacity, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our bylaws inapplicable to, or unenforceable in respect of, the claims as to which they are intended to apply, then we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial position or results of operations. While the exclusive forum provision applies to state and federal law claims, our shareholders will not be deemed to have waived our compliance with, and the exclusive forum provision will not preclude or contract the scope of exclusive federal or concurrent jurisdiction for actions brought under, the federal securities laws, including the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

Our reputation may be adversely affected if we are not able to achieve our ESG goals.

We strive to deliver shared value through our business and our diverse stakeholders expect us to make significant progress in certain ESG priority issue areas. From time to time, we announce certain aspirations and goals relevant to our priority ESG issues. We periodically publish information about our ESG priorities, strategies, and progress on our corporate website and update our ESG reporting from time to time. Achievement of these aspirations and goals is subject to risks and uncertainties, many of which are outside of our control, and it is possible that we may fail, or be perceived to have failed, in the achievement of our ESG goals or certain of our customers, associates, shareholders, investors, suppliers, business partners, government agencies, and non-governmental organizations might not be satisfied with our efforts. Certain challenges we face in the achievement of our ESG objectives are also captured within our ESG reporting, which is not incorporated by reference into and does not form any part of this Annual Report on Form 10-K. A failure or perceived failure to meet our goals could adversely affect public perception of our business, associate morale or customer or shareholder support.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

United States

The Walmart U.S. and Sam's Club segments comprise the Company's operations in the U.S. As of January 31, 2022, unit counts for Walmart U.S. and Sam's Club are summarized by format for each state and territory as follows:

State or Territory	Walmart U.S.			Sam's Club	
	Supercenters	Discount Stores	Neighborhood Markets and other small formats	Clubs	Grand Total
Alabama	101	1	29	13	144
Alaska	7	2	—	—	9
Arizona	83	2	28	12	125
Arkansas	76	5	37	9	127
California	144	68	79	30	321
Colorado	70	4	18	17	109
Connecticut	12	21	1	1	35
Delaware	6	3	—	1	10
Florida	233	9	98	46	386
Georgia	154	2	35	24	215
Hawaii	—	10	—	2	12
Idaho	23	—	3	1	27
Illinois	139	15	11	25	190
Indiana	97	6	11	13	127
Iowa	58	2	—	9	69
Kansas	58	2	15	9	84
Kentucky	78	7	9	9	103
Louisiana	88	2	34	14	138
Maine	19	3	—	3	25
Maryland	30	17	3	11	61
Massachusetts	27	21	4	—	52
Michigan	90	3	9	23	125
Minnesota	65	3	1	12	81
Mississippi	65	3	11	7	86
Missouri	112	9	18	19	158
Montana	14	—	—	2	16
Nebraska	35	—	7	5	47
Nevada	30	2	11	7	50
New Hampshire	19	7	—	2	28
New Jersey	35	27	1	8	71
New Mexico	35	2	9	7	53
New York	81	17	10	12	120
North Carolina	143	6	45	22	216
North Dakota	14	—	—	3	17
Ohio	139	6	2	27	174
Oklahoma	81	7	35	13	136
Oregon	29	7	10	—	46
Pennsylvania	116	20	3	24	163
Puerto Rico	13	5	12	7	37
Rhode Island	5	4	—	—	9
South Carolina	84	—	26	13	123
South Dakota	15	—	—	2	17
Tennessee	117	1	19	14	151
Texas	391	18	110	82	601
Utah	41	—	13	8	62
Vermont	3	3	—	—	6
Virginia	110	4	22	15	151
Washington	52	10	5	—	67
Washington D.C.	3	—	2	—	5
West Virginia	38	—	1	5	44
Wisconsin	83	4	2	10	99

International

The Walmart International segment comprises the Company's operations outside of the U.S. Unit counts as of January 31, 2022⁽¹⁾ for Walmart International are summarized by major category for each geographic market as follows:

Geographic Market	Retail	Wholesale	Total	Square feet ⁽²⁾
Africa ⁽³⁾	324	90	414	22,863
Canada	408	—	408	52,976
Central America ⁽⁴⁾	864	—	864	13,767
Chile	373	11	384	17,152
China	361	36	397	64,530
India	—	29	29	1,570
Mexico	2,589	166	2,755	104,267
International total	4,919	332	5,251	277,125

⁽¹⁾ Walmart International unit counts, with the exception of Canada, are as of December 31, 2021, to correspond with the balance sheet date of the related geographic market. Canada unit counts are as of January 31, 2022.

⁽²⁾ Square feet reported in thousands.

⁽³⁾ Africa unit counts primarily reside in South Africa, with other locations in Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda and Zambia.

⁽⁴⁾ Central America unit counts reside in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

Owned and Leased Properties

The following table provides further details of our retail units and distribution facilities, including return facilities and dedicated eCommerce fulfillment centers, as of January 31, 2022⁽¹⁾:

	Owned	Leased ⁽²⁾	Total
U.S. properties			
Walmart U.S. retail units	4,065	677	4,742
Sam's Club retail units	513	87	600
Total U.S. retail units	4,578	764	5,342
Walmart U.S. distribution facilities	110	47	157
Sam's Club distribution facilities	11	17	28
Total U.S. distribution facilities	121	64	185
Total U.S. properties	4,699	828	5,527
International properties			
Africa	36	378	414
Canada	124	284	408
Central America	367	497	864
Chile	205	179	384
China	2	395	397
India	2	27	29
Mexico	704	2,051	2,755
Total International retail units	1,440	3,811	5,251
International distribution facilities	22	157	179
Total International properties	1,462	3,968	5,430
Total properties	6,161	4,796	10,957
Total retail units	6,018	4,575	10,593
Total distribution facilities	143	221	364
Total properties	6,161	4,796	10,957

⁽¹⁾ Walmart International properties, with the exception of Canada, are as of December 31, 2021, to correspond with the balance sheet date of the related geographic market. Canada unit counts are as of January 31, 2022.

⁽²⁾ Also includes U.S. and international distribution facilities which are third-party owned and operated.

We own office facilities in Bentonville, Arkansas, that serve as our principal office and own and lease office facilities throughout the U.S. and internationally for operations as well as for field and market management. The land on which our stores are located is either owned or leased by the Company. We use independent contractors to construct our buildings. All store leases provide for annual rentals, some of which escalate during the original lease or provide for additional rent based on sales volume. Substantially all of the Company's store and club leases have renewal options, some of which include rent escalation clauses. For further information on our distribution centers, see the caption "Distribution" provided for each of our segments under "[Item 1. Business](#)."

ITEM 3.

LEGAL PROCEEDINGS

I. SUPPLEMENTAL INFORMATION: We discuss certain legal proceedings in [Note 10](#) to our Consolidated Financial Statements included in "[Item 8. Financial Statements and Supplementary Data](#)," which is captioned "Contingencies," under the sub-caption "Legal Proceedings." We refer you to that discussion for important information concerning those legal proceedings, including the basis for such actions and, where known, the relief sought. We provide the following additional information concerning those legal proceedings, including the name of the lawsuit, the court in which the lawsuit is pending, and the date on which the petition commencing the lawsuit was filed.

Prescription Opiate Litigation: *In re National Prescription Opiate Litigation* (MDL No. 2804) (the "MDL"). The MDL is pending in the U.S. District Court for the Northern District of Ohio and includes over 2,150 cases as of March 4, 2022. The liability phase of a trial in one of the MDL cases began on October 4, 2021 against a number of parties, including the Company, regarding opioid dispensing claims. On November 23, 2021, the jury found in favor of the plaintiffs as to the liability of all defendants, including the Company. The abatement phase of the trial, which will determine amounts owed by the defendants, is currently scheduled to begin on May 10, 2022. The Company intends to appeal the jury verdict from the liability phase upon completion of the abatement phase of the trial. There is one case in which the Company is named as a defendant that was remanded from the MDL court to the U.S. District Court for the Eastern District of Oklahoma (*The Cherokee Nation v. CVS Pharmacy, Inc., et al.*, Case No. CIV-18-56-RAW-SPS (E.D. Okla.)). This case was brought by the Cherokee Nation. Certain motions have been filed by the parties to this case, and the case is currently stayed pending a ruling on those motions. In addition, there are over 225 state court cases pending as of March 4, 2022, some of which may be removed to federal court to seek MDL transfer. The case citations for the state cases are listed on Exhibit 99.1 to this Form 10-K.

DOJ Opioid Civil Litigation: On October 22, 2020, the Company filed a declaratory judgment action in the U.S. District Court for the Eastern District of Texas against the U.S. Department of Justice (the "DOJ") and the U.S. Drug Enforcement Administration, asking a federal court to clarify the roles and responsibilities of pharmacists and pharmacies as to the dispensing and distribution of opioids under the Controlled Substances Act (the "CSA"). The Company's action, *Walmart Inc. v. U.S. Department of Justice et al.*, USDC, Eastern Dist. of Texas, 10/22/20, was dismissed. The Company had appealed this decision to the Fifth Circuit. On December 22, 2021, the Fifth Circuit affirmed the dismissal of the action. A civil complaint pending in the U.S. District Court for the District of Delaware has been filed by the DOJ against the Company, in which the DOJ alleges violations of the CSA related to nationwide distribution and dispensing of opioids. *U.S. v. Walmart Inc., et al.*, USDC, Dist. of DE, 12/22/20. The Company filed a motion to dismiss the DOJ complaint on February 22, 2021. The DOJ filed its opposition brief on April 23, 2021 and the Company filed its reply brief on May 24, 2021. On November 19, 2021, the District Court stayed further proceedings in the DOJ complaint pending the decision of the United States Supreme Court in two other cases interpreting the CSA, which have been consolidated into *Ruan v. United States*, 142 S. Ct. 457 (2021).

Opioids Related Securities Class Actions and Derivative Litigation: Three derivative complaints and two securities class actions drawing heavily on the allegations of the DOJ complaint have been filed in Delaware naming the Company and various current and former directors and certain current and former officers as defendants. The plaintiffs in the derivative suits (in which the Company is a nominal defendant) allege, among other things, that the defendants breached their fiduciary duties in connection with oversight of opioids dispensing and distribution and that the defendants violated Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are liable for contribution under Section 10(b) of the Exchange Act in connection with the Company's disclosures about opioids. Two of the derivative suits have been filed in the U.S. District Court in Delaware and those suits have been stayed pending further developments in other Opioids litigation matters. The other derivative suit has been filed in the Chancery Court in Delaware. The securities class actions, alleging violations of Sections 10(b) and 20(a) of the Exchange Act regarding the Company's disclosures with respect to opioids, were purportedly filed on behalf of a class of investors who acquired Walmart stock from March 30, 2016 through December 22, 2020. On May 11, 2021, the U.S. District Court in Delaware consolidated the class actions and appointed a lead plaintiff and lead counsel. The defendants filed a motion to dismiss the consolidated securities class action on October 8, 2021; the lead plaintiff responded to the motion on January 10, 2022; and the defendants filed their reply brief on February 10, 2022. The defendants in the derivative suit pending in Delaware Chancery Court filed the opening brief on their motion to dismiss that case on December 21, 2021; and the plaintiffs responded by filing an amended complaint on February 22, 2022.

Derivative Lawsuits: *Abt v. Alvarez et al.*, USDC, Dist. of DE, 2/9/21; *Nguyen v. McMillon et al.*, USDC, Dist. of DE, 4/16/21; *Ontario Provincial Council of Carpenters' Pension Trust Fund et al. v. Walton et al.*, DE Court of Chancery, 9/27/21.

Securities Class Actions: *Stanton v. Walmart Inc. et al.*, USDC, Dist. of DE, 1/20/21 and *Martin v. Walmart Inc. et al.*, USDC, Dist. of DE, 3/5/21, consolidated into *In re Walmart Inc. Securities Litigation*, USDC, Dist. of DE, 5/11/21.

II. CERTAIN OTHER MATTERS:

Asda Equal Value Claims: Ms S Brierley & Others v ASDA Stores Ltd (2406372/2008 & Others - Manchester Employment Tribunal); ASDA Stores Ltd v Brierley & Ors (A2/2016/0973 - United Kingdom Court of Appeal); ASDA Stores Ltd v Ms S Brierley & Others (UKEAT/0059/16/DM - United Kingdom Employment Appeal Tribunal); ASDA Stores Ltd v Ms S Brierley & Others (UKEAT/0009/16/JOJ - United Kingdom Employment Appeal Tribunal).

Money Transfer Agent Services Proceedings: The Company has received grand jury subpoenas issued by the United States Attorney's Office for the Middle District of Pennsylvania seeking documents regarding the Company's consumer fraud program and anti-money laundering compliance related to the Company's money transfer services, where Walmart is an agent. The most recent subpoena was issued in August 2020. The Company has been responding to these subpoenas and is cooperating with the government's investigation. The Company has also responded to civil investigative demands from the United States Federal Trade Commission (the "FTC") in connection with the FTC's investigation related to money transfers and the Company's anti-fraud program in its capacity as an agent. While the Company had been engaged in discussions with the FTC regarding a potential resolution of this matter, the parties have not been able to reach a resolution. In November 2021, the FTC Bureau of Consumer Protection forwarded a draft civil complaint to the FTC seeking authority to file a complaint against the Company seeking various forms of monetary and injunctive relief. The FTC is currently considering whether to grant such authorization. The Company is unable to predict the outcome of the investigations or any related actions by the governmental entities regarding these matters at this time. While the Company does not currently believe that the outcome of these matters will have a material adverse effect on its business, financial position, results of operations or cash flows, the Company can provide no assurance as to the scope and outcome of these matters and whether its business, financial position, results of operations or cash flows will not be materially adversely affected.

Foreign Direct Investment Matters: In July 2021, the Directorate of Enforcement in India issued a show cause notice to Flipkart Private Limited and one of its subsidiaries ("Flipkart"), and to unrelated companies and individuals, including certain current and former shareholders and directors of Flipkart. The notice requests the recipients to show cause as to why further proceedings under India's Foreign Direct Investment rules and regulations (the "Rules") should not be initiated against them based on alleged violations during the period from 2009 to 2015, prior to the Company's acquisition of a majority stake in Flipkart in 2018. The notice is an initial stage of proceedings under the Rules which could, depending upon the conclusions at the end of the initial stage, lead to a hearing to consider the merits of the allegations described in the notice. If a hearing is initiated and if it is determined that violations of the Rules occurred, the regulatory authority has the authority to impose monetary and/or non-monetary relief. Flipkart has begun the process of responding to the notice and, if the matter progresses to a consideration of the merits of the allegations described in the notice is initiated, Flipkart intends to defend against the allegations vigorously. Due to the fact that this process is in an early stage, the Company is unable to predict whether the notice will lead to a hearing on the merits or, if it does, the final outcome of the resulting proceedings. While the Company does not currently believe that this matter will have a material adverse effect on its business, financial condition, results of operations or cash flows, the Company can provide no assurance as to the scope or outcome of any proceeding that might result from the notice, the amount of the proceeds the Company may receive in indemnification from individuals and entities that sold shares to the Company under the 2018 agreement pursuant to which the Company acquired its majority stake in Flipkart, or whether the Company's business, financial position, results of operations or cash flows will not be materially adversely affected.

III. ENVIRONMENTAL MATTERS: Item 103 of SEC Regulation S-K requires disclosure of certain environmental matters when a governmental authority is a party to the proceedings and such proceedings involve potential monetary sanctions that the Company reasonably believes will exceed an applied threshold not to exceed \$1 million.

In June 2021, the Company signed a tolling agreement with the Office of the Attorney General of the State of California to toll the statute of limitations for potential claims regarding Walmart's management of waste consumer products at its California facilities that are alleged to be hazardous. In December 2021, the Office of the Attorney General of the State of California filed suit against the Company, bringing enforcement claims regarding Walmart's management of waste consumer products at its California facilities that are alleged to be hazardous. The Company believes the suit is without merit and is vigorously defending this litigation matter. While the Company cannot predict the ultimate outcome of this matter, the potential for penalties or settlement costs could exceed \$1 million. Although the Company does not believe that this matter will have a material adverse effect on its business, financial position, results of operations, or cash flows, the Company can provide no assurance as to the scope and outcome of

these matters and whether its business, financial position, results of operations or cash flows will not be materially adversely affected.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5.

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Common Stock

The principal market on which Walmart's common stock is listed for trading is the New York Stock Exchange. The common stock trades under the symbol "WMT."

Holders of Record of Common Stock

As of March 16, 2022, there were 209,870 holders of record of Walmart's common stock.

Stock Performance Chart

This graph compares the cumulative total shareholder return on Walmart's common stock during the five fiscal years ended through fiscal 2022 to the cumulative total returns on the S&P 500 Retailing Index and the S&P 500 Index. The comparison assumes \$100 was invested on February 1, 2017 in shares of our common stock and in each of the indices shown and assumes that all of the dividends were reinvested.

wmt-20220131_g2.jpg

*Assumes \$100 Invested on February 1, 2017

Assumes Dividends Reinvested

Fiscal Year ended January 31, 2022

	Fiscal Years Ended January 31,					
	2017	2018	2019	2020	2021	2022
Walmart Inc.	\$ 100.00	\$ 163.83	\$ 150.78	\$ 183.78	\$ 229.31	\$ 231.82
S&P 500 Index	100.00	126.41	123.48	150.26	176.18	217.21
S&P 500 Retailing Index	100.00	148.34	159.89	190.43	278.09	296.49

Issuer Repurchases of Equity Securities

From time to time, the Company repurchases shares of our common stock under share repurchase programs authorized by the Company's Board of Directors. All repurchases made prior to February 22, 2021 were made under the plan in effect at the beginning of fiscal 2022. On February 18, 2021, the Board of Directors approved a new \$20.0 billion share repurchase program which has no expiration date or other restrictions limiting the period over which the Company can make repurchases, and beginning February 22, 2021, replaced the previous share repurchase program. As of January 31, 2022, authorization for \$10.6 billion of share repurchases remained under the share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status.

Share repurchase activity under our share repurchase programs, on a trade date basis, for each month in the quarter ended January 31, 2022, was as follows:

Fiscal Period	Total Number of Shares Repurchased	Average Price Paid per Share (in dollars)	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Repurchased Under the Plans or Programs⁽¹⁾ (in billions)
November 1-30, 2021	4,709,717	\$ 146.42	4,709,717	\$ 12.4
December 1-31, 2021	7,170,376	140.09	7,170,376	11.4
January 1-31, 2022	5,284,996	141.50	5,284,996	10.6
Total	17,165,089		17,165,089	

⁽¹⁾ Represents the approximate dollar value of shares that could have been repurchased at the end of the month.

ITEM 6.

RESERVED

ITEM 7.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

This discussion, which presents our results for the fiscal years ended January 31, 2022 ("fiscal 2022"), January 31, 2021 ("fiscal 2021") and January 31, 2020 ("fiscal 2020"), should be read in conjunction with our Consolidated Financial Statements and the accompanying notes. We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from period to period and the primary factors that accounted for those changes. We also discuss certain performance metrics that management uses to assess the Company's performance. Additionally, the discussion provides information about the financial results of each of the three segments to provide a better understanding of how each of those segments and its results of operations affect the financial position and results of operations of the Company as a whole.

Throughout this Item 7, we discuss segment operating income, comparable store and club sales and other measures. Management measures the results of the Company's segments using each segment's operating income, including certain corporate overhead allocations, as well as other measures. From time to time, we revise the measurement of each segment's operating income and other measures as determined by the information regularly reviewed by our chief operating decision maker.

Management also measures the results of comparable store and club sales, or comparable sales, a metric that indicates the performance of our existing stores and clubs by measuring the change in sales for such stores and clubs, including eCommerce sales, for a particular period from the corresponding period in the previous year. Walmart's definition of comparable sales includes sales from stores and clubs open for the previous 12 months, including remodels, relocations, expansions and conversions, as well as eCommerce sales. We measure the eCommerce sales impact by including all sales initiated digitally, including omni-channel transactions which are fulfilled through our stores and clubs. Sales at a store that has changed in format are excluded from comparable sales when the conversion of that store is accompanied by a relocation or expansion that results in a change in the store's retail square feet of more than five percent. Sales related to divested businesses are excluded from comparable sales, and sales related to acquisitions are excluded until such acquisitions have been owned for 12 months. Comparable sales are also referred to as "same-store" sales by others within the retail industry. The method of calculating comparable sales varies across the retail industry. As a result, our calculation of comparable sales is not necessarily comparable to similarly titled measures reported by other companies.

In discussing our operating results, the term currency exchange rates refers to the currency exchange rates we use to convert the operating results for countries where the functional currency is not the U.S. dollar into U.S. dollars. We calculate the effect of changes in currency exchange rates as the difference between current period activity translated using the current period's currency exchange rates and the comparable prior year period's currency exchange rates. Additionally, no currency exchange rate fluctuations are calculated for non-USD acquisitions until owned for 12 months. Throughout our discussion, we refer to the results of this calculation as the impact of currency exchange rate fluctuations. Volatility in currency exchange rates may impact the results, including net sales and operating income, of the Company and the Walmart International segment in the future.

We have taken certain strategic actions to strengthen our Walmart International portfolio for the long-term, including the following highlights over the last three years:

- In November 2020, we completed the sale of Walmart Argentina and recorded a pre-tax non-cash loss in fiscal 2021 of \$1.0 billion, primarily due to cumulative foreign currency translation losses. Refer to [Note 12](#).
- In February 2021, we completed the sale of Asda for net consideration of \$9.6 billion, for which we recognized an estimated pre-tax loss in fiscal 2021 of \$5.5 billion, and an incremental loss of \$0.2 billion in fiscal 2022 upon closing of the transaction. Refer to [Note 11](#) and [Note 12](#).
- In March 2021, we completed the sale of Seiyu for net consideration of \$1.2 billion, for which we recognized an estimated pre-tax loss in fiscal 2021 of \$1.9 billion, and an incremental loss of \$0.2 billion in fiscal 2022 upon closing of the transaction. Refer to [Note 12](#).

We operate in the highly competitive omni-channel retail industry in all of the markets we serve. We face strong sales competition from other discount, department, drug, dollar, variety and specialty stores, warehouse clubs and

supermarkets, as well as eCommerce, health and wellness, financial services, advertising, and data service businesses. Many of these competitors are national, regional or international chains or have a national or international omni-channel or eCommerce presence. We compete with a number of companies for attracting and retaining quality associates. We, along with other retail companies, are influenced by a number of factors including, but not limited to: catastrophic events, weather and other risks related to climate change, global health epidemics, including the COVID-19 pandemic, competitive pressures, consumer disposable income, consumer debt levels and buying patterns, consumer credit availability, supply chain disruptions, cost and availability of goods, currency exchange rate fluctuations, customer preferences, deflation, inflation, fuel and energy prices,

general economic conditions, insurance costs, interest rates, labor availability and costs, tax rates, the imposition of tariffs, cybersecurity attacks and unemployment. Further information on the factors that can affect our operating results and on certain risks to our Company and an investment in its securities can be found herein under "[Item 1A. Risk Factors](#)."

We expect continued uncertainty in our business and the global economy due to the duration and intensity of the COVID-19 pandemic; the duration and extent of economic stimulus measures; effectiveness and extent of administration of vaccinations and medical treatment; supply chain disruptions; and volatility in employment trends and consumer confidence which may impact our results. For a detailed discussion on results of operations by reportable segment, refer to "[Results of Operations](#)" below.

Company Performance Metrics

We are committed to helping customers save money and live better through everyday low prices, supported by everyday low costs. At times, we adjust our business strategies to maintain and strengthen our competitive positions in the countries in which we operate. We define our financial framework as:

- strong, efficient growth;
- consistent operating discipline; and
- strategic capital allocation.

As we execute on this financial framework, we believe our returns on capital will improve over time.

Strong, Efficient Growth

Our objective of prioritizing strong, efficient growth means we will focus on the most productive growth opportunities, increasing comparable store and club sales, accelerating eCommerce sales growth and expanding omni-channel initiatives that complement our flywheel strategy while slowing the rate of growth of new stores and clubs. At times, we make strategic investments which are focused on the long-term growth of the Company.

Comparable sales is a metric that indicates the performance of our existing stores and clubs by measuring the change in sales for such stores and clubs, including eCommerce sales, for a particular period over the corresponding period in the previous year. The retail industry generally reports comparable sales using the retail calendar (also known as the 4-5-4 calendar). To be consistent with the retail industry, we provide comparable sales using the retail calendar in our quarterly earnings releases. However, when we discuss our comparable sales below, we are referring to our calendar comparable sales calculated using our fiscal calendar, which may result in differences when compared to comparable sales using the retail calendar.

Calendar comparable sales, including the impact of fuel, for fiscal 2022 and 2021, were as follows:

	Fiscal Years Ended January 31,			
	2022	2021	2022	2021
	With Fuel		Fuel Impact	
Walmart U.S.	6.4%	8.7%	0.3%	(0.2)%
Sam's Club	15.0%	8.7%	5.5%	(3.4)%
Total U.S.	7.7%	8.7%	1.2%	(0.6)%

Comparable sales in the U.S., including fuel, increased 7.7% and 8.7% in fiscal 2022 and 2021, respectively, when compared to the previous fiscal year. Walmart U.S. comparable sales increased 6.4% and 8.7% in fiscal 2022 and 2021, respectively. For fiscal 2022, comparable sales growth was driven by growth in average ticket and transactions, which includes strong consumer spending from government stimulus and some higher inflation impacts in certain merchandise categories compared to recent years. In the first quarter of fiscal 2022, average ticket increased while transactions decreased as customers consolidated shopping trips and purchased larger baskets. Transaction growth turned positive in April 2021 and continued with strong growth through the rest of the year as customers' pre-pandemic behaviors largely resumed. For fiscal 2021, comparable sales growth was driven by growth in average ticket primarily resulting from meeting the increased demand due to economic conditions related to the COVID-19 pandemic while transactions decreased as customers consolidated shopping trips. Walmart U.S. eCommerce sales positively contributed approximately 0.7% and 5.4% to comparable sales for fiscal 2022 and 2021, respectively, as we continue to focus on a seamless omni-channel experience for our customers.

Sam's Club comparable sales increased 15.0% and 8.7% in fiscal 2022 and 2021, respectively. For fiscal 2022, Sam's Club comparable sales benefited from growth in transactions and average ticket and was aided by consumer spending due to government stimulus, and also includes some higher inflation impacts in certain merchandise categories compared to recent years. The growth in comparable sales was partially offset by our decision to remove tobacco from certain club locations. Sam's Club comparable sales for fiscal 2021 benefited from growth in transactions and average ticket resulting from the COVID-19 pandemic, partially offset by both our decision to remove tobacco from certain club locations and by lower fuel sales. Sam's Club eCommerce sales positively contributed approximately 1.3% and 2.2% to comparable sales for fiscal 2022 and 2021, respectively.

Consistent Operating Discipline

We operate with discipline by managing expenses, optimizing the efficiency of how we work and creating an environment in which we have sustainable lowest cost to serve. We invest in technology and process improvements to increase productivity, manage inventory and reduce costs. We measure operating discipline through expense leverage, which we define as net sales growing at a faster rate than operating, selling, general and administrative ("operating") expenses.

	Fiscal Years Ended January 31,	
	2022	2021
<i>(Amounts in millions, except unit counts)</i>		
Net sales	\$ 567,762	\$ 555,233
Percentage change from comparable period	2.3 %	6.8 %
Operating, selling, general and administrative expenses	\$ 117,812	\$ 116,288
Percentage change from comparable period	1.3 %	6.9 %
Operating, selling, general and administrative expenses as a percentage of net sales	20.8 %	20.9 %

For fiscal 2022, operating expenses as a percentage of net sales decreased 19 basis points when compared to the previous fiscal year. Operating expenses as a percentage of net sales benefited from growth in comparable sales and lower incremental COVID-19 related costs of \$2.5 billion as compared to the previous year, partially offset by increased wage investments primarily in the Walmart U.S. segment.

For fiscal 2021, operating expenses as a percentage of net sales was flat when compared to the previous fiscal year. Operating expenses as a percentage of net sales benefited from strong growth in comparable sales, offset by \$4.0 billion of incremental costs related to the COVID-19 pandemic.

Strategic Capital Allocation

Our strategy includes improving our customer-facing initiatives in stores and clubs and creating a seamless omni-channel experience for our customers. As such, we continue to allocate more capital to supply chain, omni-channel initiatives, technology and store remodels and less to new store and club openings. The following table provides additional detail:

	Fiscal Years Ended January 31,	
	2022	2021
<i>(Amounts in millions)</i>		
Allocation of Capital Expenditures		
Supply chain, omni-channel, technology and other	\$ 7,197	\$ 5,681
Remodels	3,278	2,013
New stores and clubs, including expansions and relocations	134	134
Total U.S.	\$ 10,609	\$ 7,828
Walmart International	2,497	2,436
Total capital expenditures	<u>\$ 13,106</u>	<u>\$ 10,264</u>

Returns

As we execute our financial framework, we believe our return on capital will improve over time. We measure return on capital with our return on assets, return on investment and free cash flow metrics. We also provide returns in the form of share repurchases and dividends, which are discussed in the [Liquidity and Capital Resources](#) section.

Return on Assets and Return on Investment

We include Return on Assets ("ROA"), the most directly comparable measure based on our financial statements presented in accordance with generally accepted accounting principles in the U.S. ("GAAP"), and Return on Investment ("ROI") as metrics to assess returns on assets. While ROI is considered a non-GAAP financial measure, management believes ROI is a meaningful metric to share with investors because it helps investors assess how effectively Walmart is deploying its assets. Trends in ROI can fluctuate over time as management balances long-term strategic initiatives with possible short-term impacts. ROA was 5.6% for both fiscal 2022 and 2021, respectively. ROI was 14.9% and 14.0% for fiscal 2022 and 2021, respectively, which increased primarily due to the increase in operating income.

We define ROI as adjusted operating income (operating income plus interest income, depreciation and amortization, and rent expense) for the trailing twelve months divided by average invested capital during that period. We consider average invested capital to be the average of our beginning and ending total assets, plus average accumulated depreciation and average amortization, less average accounts payable and average accrued liabilities for that period.

Our calculation of ROI is considered a non-GAAP financial measure because we calculate ROI using financial measures that exclude and include amounts that are included and excluded in the most directly comparable GAAP financial measure. For example, we exclude the impact of depreciation and amortization from our reported operating income in calculating the numerator of our calculation of ROI. As mentioned above, we consider ROA to be the financial measure computed in accordance with GAAP most directly comparable to our calculation of ROI. ROI differs from ROA (which is consolidated net income for the period divided by average total assets for the period) because ROI: adjusts operating income to exclude certain

expense items and adds interest income; and adjusts total assets for the impact of accumulated depreciation and amortization, accounts payable and accrued liabilities to arrive at total invested capital. Because of the adjustments mentioned above, we believe ROI more accurately measures how we are deploying our key assets and is more meaningful to investors than ROA. Although ROI is a standard financial measure, numerous methods exist for calculating a company's ROI. As a result, the method used by management to calculate our ROI may differ from the methods used by other companies to calculate their ROI.

The calculation of ROA and ROI, along with a reconciliation of ROI to the calculation of ROA, the most comparable GAAP financial measure, is as follows:

(Amounts in millions)	Fiscal Years Ended January 31,	
	2022	2021
CALCULATION OF RETURN ON ASSETS		
Numerator		
Consolidated net income	\$ 13,940	\$ 13,706
Denominator		
Average total assets ⁽¹⁾	\$ 248,678	\$ 244,496
Return on assets (ROA)	5.6 %	5.6 %
CALCULATION OF RETURN ON INVESTMENT		
Numerator		
Operating income	\$ 25,942	\$ 22,548
+ Interest income	158	121
+ Depreciation and amortization	10,658	11,152
+ Rent	2,274	2,626
ROI operating income	\$ 39,032	\$ 36,447
Denominator		
Average total assets ⁽¹⁾	\$ 248,678	\$ 244,496
+ Average accumulated depreciation and amortization ⁽¹⁾	98,199	94,351
- Average accounts payable ⁽¹⁾	52,201	48,057
- Average accrued liabilities ⁽¹⁾	32,013	30,131
Average invested capital	\$ 262,663	\$ 260,659
Return on investment (ROI)	14.9 %	14.0 %

⁽¹⁾ The average is based on the addition of the account balance at the end of the current period to the account balance at the end of the prior period and dividing by 2.

	As of January 31,		
	2022	2021	2020
Certain Balance Sheet Data			
Total assets	\$ 244,860	\$ 252,496	\$ 236,495
Accumulated depreciation and amortization	102,211	94,187	94,514
Accounts payable	55,261	49,141	46,973
Accrued liabilities	26,060	37,966	22,296

Free Cash Flow

Free cash flow is considered a non-GAAP financial measure. Management believes, however, that free cash flow, which measures our ability to generate additional cash from our business operations, is an important financial measure for use in evaluating the Company's financial performance. Free cash flow should be considered in addition to, rather than as a substitute for, consolidated net income as a measure of our performance and net cash provided by operating activities as a measure of our liquidity. See "[Liquidity and Capital Resources](#)" for discussions of GAAP

metrics including net cash provided by operating activities, net cash used in investing activities and net cash used in financing activities.

We define free cash flow as net cash provided by operating activities in a period minus payments for property and equipment made in that period. We had net cash provided by operating activities of \$24.2 billion, \$36.1 billion and \$25.3 billion for fiscal 2022, 2021 and 2020, respectively. We generated free cash flow of \$11.1 billion, \$25.8 billion and \$14.6 billion for fiscal 2022, 2021 and 2020, respectively. Net cash provided by operating activities for fiscal 2022 decreased when compared to fiscal 2021 primarily due to an increase in inventory costs and purchases to support strong sales and lapping the impact of accelerated inventory sell-through in fiscal 2021, as well as timing and payment of wages. Free cash flow for fiscal 2022 decreased when compared to fiscal 2021 due to the same reasons as the decrease in net cash provided by operating activities, as well as \$2.8 billion in increased capital expenditures. Net cash provided by operating activities for fiscal 2021 increased when compared to fiscal 2020 primarily due to the impact of the global health crisis which accelerated inventory sell-through, as well as the timing and payment of inventory purchases, incremental COVID-19 related expenses and certain benefit payments. Free cash flow for

fiscal 2021 increased when compared to fiscal 2020 due to the same reasons as the increase in net cash provided by operating activities, as well as \$0.4 billion in decreased capital expenditures.

Walmart's definition of free cash flow is limited in that it does not represent residual cash flows available for discretionary expenditures due to the fact that the measure does not deduct the payments required for debt service and other contractual obligations or payments made for business acquisitions. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our [Consolidated Statements of Cash Flows](#).

Although other companies report their free cash flow, numerous methods may exist for calculating a company's free cash flow. As a result, the method used by management to calculate our free cash flow may differ from the methods used by other companies to calculate their free cash flow.

The following table sets forth a reconciliation of free cash flow, a non-GAAP financial measure, to net cash provided by operating activities, which we believe to be the GAAP financial measure most directly comparable to free cash flow, as well as information regarding net cash used in investing activities and net cash used in financing activities.

	Fiscal Years Ended January 31,		
	2022	2021	2020
<i>(Amounts in millions)</i>			
Net cash provided by operating activities	\$ 24,181	\$ 36,074	\$ 25,255
Payments for property and equipment	(13,106)	(10,264)	(10,705)
Free cash flow	\$ 11,075	\$ 25,810	\$ 14,550
Net cash used in investing activities ⁽¹⁾	\$ (6,015)	\$ (10,071)	\$ (9,128)
Net cash used in financing activities	(22,828)	(16,117)	(14,299)

⁽¹⁾ "Net cash used in investing activities" includes payments for property and equipment, which is also included in our computation of free cash flow.

Results of Operations

Consolidated Results of Operations

	Fiscal Years Ended January 31,		
	2022	2021	2020
<i>(Amounts in millions, except unit counts)</i>			
Total revenues	\$ 572,754	\$ 559,151	\$ 523,964
Percentage change from comparable period	2.4 %	6.7 %	1.9 %
Net sales	\$ 567,762	\$ 555,233	\$ 519,926
Percentage change from comparable period	2.3 %	6.8 %	1.9 %
Total U.S. calendar comparable sales increase	7.7 %	8.7 %	2.7 %
Gross profit rate	24.4 %	24.3 %	24.1 %
Operating income	\$ 25,942	\$ 22,548	\$ 20,568
Operating income as a percentage of net sales	4.6 %	4.1 %	4.0 %
Loss on extinguishment of debt	\$ 2,410	\$ —	\$ —
Other (gains) and losses	\$ 3,000	\$ (210)	\$ (1,958)
Consolidated net income	\$ 13,940	\$ 13,706	\$ 15,201
Unit counts at period end ⁽¹⁾	10,593	11,443	11,501
Retail square feet at period end ⁽¹⁾	1,060	1,121	1,129

⁽¹⁾ Unit counts and associated retail square feet are presented for stores and clubs generally open as of period end, and reflects the removal of stores in the U.K. and Japan subsequent to closing the divestitures in fiscal 2022. Permanently closed locations are not included.

Our total revenues, which includes net sales and membership and other income, increased \$13.6 billion or 2.4% and \$35.2 billion or 6.7% for fiscal 2022 and 2021, respectively, when compared to the previous fiscal year. These increases in revenues were primarily due to increases in net sales, which increased \$12.5 billion or 2.3% and \$35.3 billion or 6.8% for fiscal 2022 and 2021, respectively, when compared to the previous fiscal year. For fiscal 2022, the increase was primarily due to strong positive comparable sales for the Walmart U.S. and Sam's Club segments which benefited from strong U.S. consumer spending and some inflation, along with positive comparable sales in most of

our remaining international markets. The increase was partially offset by a \$32.6 billion net sales decrease primarily related to the divestiture of our operations in the U.K. and Japan, which closed in the first quarter of fiscal 2022. Net sales also benefited from a \$4.5 billion positive impact of fluctuations in currency exchange rates during fiscal 2022. For fiscal 2021, the increase was primarily due to strong positive comparable sales for the Walmart U.S. and Sam's Club segments as well as positive comparable sales in the majority of our international markets resulting from increased demand stemming from the COVID-19 pandemic. Overall net sales growth was strong despite certain operating limitations in several international markets in the second quarter of fiscal 2021 due to government regulations and precautionary measures taken as a result of the COVID-19 pandemic. The net sales increase was partially offset by a negative impact from fluctuations in currency exchange rates of \$5.0 billion.

Our gross profit rate increased 14 and 20 basis points for fiscal 2022 and 2021, respectively, when compared to the previous fiscal year. For fiscal 2022, the increase was primarily due to price management in the Walmart U.S. segment driven by cost

inflation as well as merchandise mix, partially offset by increased supply chain costs. For fiscal 2021, the increase was primarily due to strategic sourcing initiatives, strong sales in higher margin categories, and fewer markdowns. This was partially offset in the Walmart U.S. segment by carryover of prior year price investment as well as the temporary closure of our Auto Care Centers and Vision Centers in response to the COVID-19 pandemic.

For fiscal 2022, operating expenses as a percentage of net sales decreased 19 basis points when compared to the previous fiscal year. Operating expenses as a percentage of net sales benefited from growth in comparable sales and lower incremental COVID-19 related costs of \$2.5 billion as compared to the previous year, partially offset by increased wage investments primarily in the Walmart U.S. segment. For fiscal 2021, operating expenses as a percentage of net sales was flat when compared to the previous fiscal year. Operating expenses as a percentage of net sales benefited from strong growth in comparable sales, offset by \$4.0 billion of incremental costs related to the COVID-19 pandemic.

Loss on extinguishment of debt was \$2.4 billion in fiscal 2022 due to the early retirement of certain higher rate long-term debt to reduce interest expense in future periods.

Other gains and losses consisted of a net loss of \$3.0 billion and a net gain of \$0.2 billion for fiscal 2022 and 2021, respectively. The loss in fiscal 2022 primarily reflects net losses associated with the fair value changes of our equity investments, as well as \$0.4 billion in incremental losses associated with the divestiture of certain international operations which closed in the first quarter of fiscal 2022. The gain in fiscal 2021 primarily reflects \$8.7 billion in net gains associated with the fair value changes of our equity investments, partially offset by the \$8.3 billion pre-tax loss related to the divestiture of certain international operations classified as held for sale or sold in fiscal 2021.

Our effective income tax rate was 25.4% for fiscal 2022, 33.3% for fiscal 2021, and 24.4% for fiscal 2020. The decrease in our effective tax rate for fiscal 2022 as compared to fiscal 2021, and the increase in our effective tax rate for fiscal 2021 as compared to fiscal 2020, is primarily due to the \$8.3 billion loss related to the divestiture of certain international operations classified as held for sale or sold in fiscal 2021, which provided minimal realizable tax benefit. Our effective income tax rate may also fluctuate as a result of various factors, including changes in our assessment of certain tax contingencies, valuation allowances, changes in tax law, outcomes of administrative audits, the impact of discrete items and the mix and size of earnings among our U.S. operations and international operations, which are subject to statutory rates that are generally higher than the U.S. statutory rate. The reconciliation from the U.S. statutory rate to the effective income tax rates for fiscal 2022, 2021 and 2020 is presented in [Note 9](#).

As a result of the factors discussed above, we reported \$13.9 billion and \$13.7 billion of consolidated net income for fiscal 2022 and 2021, respectively, which represents an increase of \$0.2 billion and a decrease of \$1.5 billion for fiscal 2022 and 2021, respectively, when compared to the previous fiscal year. Diluted net income per common share attributable to Walmart ("EPS") was \$4.87, \$4.75 and \$5.19 for fiscal 2022, 2021 and 2020, respectively.

Walmart U.S. Segment

	Fiscal Years Ended January 31,		
	2022	2021	2020
<i>(Amounts in millions, except unit counts)</i>			
Net sales	\$ 393,247	\$ 369,963	\$ 341,004
Percentage change from comparable period	6.3 %	8.5 %	2.8 %
Calendar comparable sales increase	6.4 %	8.7 %	2.9 %
Operating income	\$ 21,587	\$ 19,116	\$ 17,380
Operating income as a percentage of net sales	5.5 %	5.2 %	5.1 %
Unit counts at period end	4,742	4,743	4,756
Retail square feet at period end	703	703	703

Net sales for the Walmart U.S. segment increased \$23.3 billion or 6.3% and \$29.0 billion or 8.5% for fiscal 2022 and 2021, respectively, when compared to the previous fiscal year. The increases in net sales were primarily due to increases in comparable sales of 6.4% and 8.7% for fiscal 2022 and 2021, respectively. Comparable sales in fiscal 2022 were driven by growth in average ticket and transactions, which includes strong consumer spending from government stimulus and some higher inflation impacts in certain merchandise categories compared to recent years. In the first quarter of fiscal 2022, average ticket increased while transactions decreased as customers consolidated shopping trips and purchased larger baskets. Transaction growth turned positive in April 2021 and continued with strong growth through the rest of the year as customers' pre-pandemic behaviors largely resumed. Comparable sales in fiscal 2021 were driven by growth in average ticket primarily resulting from meeting the increased demand due to

economic conditions related to the COVID-19 pandemic while transactions decreased as customers consolidated shopping trips. Walmart U.S. eCommerce sales positively contributed approximately 0.7% and 5.4% to comparable sales for fiscal 2022 and 2021, respectively, as we continue to focus on a seamless omni-channel experience for our customers.

Gross profit rate increased 51 basis points for fiscal 2022 and was flat for fiscal 2021, when compared to the respective previous fiscal year. The increase in fiscal 2022 gross profit rate was primarily due to price management driven by cost inflation as well merchandise mix, which includes lapping the temporary closures of our Auto Care and Vision Centers and

growth in our advertising business, partially offset by increased supply chain costs. Gross profit rate for fiscal 2021 benefited from strategic sourcing initiatives and fewer markdowns, but was offset by a change in merchandise mix, the carryover effect of prior price investment and the temporary closure of our Auto Care and Vision Centers in response to the COVID-19 pandemic.

Operating expenses as a percentage of segment net sales increased 31 basis points for fiscal 2022 when compared to the previous fiscal year. Despite the strong sales growth described above, fiscal 2022 operating expenses as a percentage of segment net sales increased primarily due to investments in wages, partially offset by lower incremental COVID-19 related costs of \$1.9 billion. For fiscal 2021, operating expenses as a percentage of segment net sales decreased 15 basis points primarily due to strong sales, which were partially offset by \$3.2 billion of incremental costs related to the COVID-19 pandemic including special bonuses, expanded sick and emergency leave pay, costs associated with outfitting our stores and associates with masks, gloves and sanitizer, and expanded cleaning practices.

As a result of the factors discussed above, segment operating income increased \$2.5 billion and increased \$1.7 billion for fiscal 2022 and 2021, respectively, when compared to the previous fiscal year.

Walmart International Segment

	Fiscal Years Ended January 31,		
	2022	2021	2020
(Amounts in millions, except unit counts)			
Net sales	\$ 100,959	\$ 121,360	\$ 120,130
Percentage change from comparable period	(16.8)%	1.0 %	(0.6)%
Operating income	\$ 3,758	\$ 3,660	\$ 3,370
Operating income as a percentage of net sales	3.7 %	3.0 %	2.8 %
Unit counts at period end	5,251	6,101	6,146
Retail square feet at period end	277	337	345

Net sales for the Walmart International segment decreased \$20.4 billion or 16.8% and increased \$1.2 billion or 1.0% for fiscal 2022 and 2021, respectively, when compared to the previous fiscal year. For fiscal 2022, the reduction in net sales was driven by a \$32.6 billion decrease primarily related to the divestitures of Asda and Seiyu, which closed during the first quarter of fiscal 2022. This decrease was partially offset by positive comparable sales in most of our remaining markets, as well as positive fluctuations in currency exchange rates of \$4.5 billion. For fiscal 2021, the increase was primarily due to positive comparable sales growth in the majority of our markets driven by changes in consumer behavior in response to the COVID-19 pandemic, partially offset by negative fluctuations in currency exchange rates of \$5.0 billion. The pandemic led to significant economic pressures and channel and mix shifts due to changes in consumer behavior, including accelerated growth in eCommerce in several markets. While several of our markets experienced extensive store and operational closures in the second quarter of fiscal 2021 as a result of government mandates, most closed stores and warehouses had resumed operations by the third quarter of fiscal 2021.

Gross profit rate decreased 55 basis points and increased 50 basis points for fiscal 2022 and 2021, respectively, when compared to the previous fiscal year. For fiscal 2022, the decrease was primarily driven by shifts into lower margin formats and the impact related to our divested markets. For fiscal 2021, the increase was primarily due to Flipkart's improved margin mix and reduced fuel sales in the U.K.

Operating expenses as a percentage of segment net sales decreased 71 basis points and increased 14 basis points for fiscal 2022 and 2021, respectively, when compared to the previous fiscal year. The decrease in operating expenses as a percentage of segment net sales for fiscal 2022 was primarily due to impacts from the divested markets and \$0.4 billion of lower incremental COVID-19 related costs. Operating expenses as a percentage of net sales benefited from depreciation and amortization expense not having been recorded for our operations in the U.K. and Japan subsequent to their held for sale classification at the end of fiscal 2021 and prior to closing during the first quarter of fiscal 2022. For fiscal 2021, the increase was primarily due to \$0.5 billion of incremental costs related to the COVID-19 pandemic, partially offset by positive comparable sales in the majority of our markets and lapping a \$0.4 billion non-cash impairment charge recorded in fiscal 2020.

Operating income for fiscal 2022 included a \$0.3 billion impact from positive fluctuations in currency exchange rates, and fiscal 2021 included a \$0.2 billion impact from negative fluctuations in currency exchange rates. As a result of the factors discussed above, segment operating income increased \$0.1 billion and \$0.3 billion for fiscal 2022 and 2021, respectively, when compared to the previous fiscal year.

Sam's Club Segment

(Amounts in millions, except unit counts)	Fiscal Years Ended January 31,		
	2022	2021	2020
Including Fuel			
Net sales	\$ 73,556	\$ 63,910	\$ 58,792
Percentage change from comparable period	15.1 %	8.7 %	1.6 %
Calendar comparable sales increase	15.0 %	8.7 %	1.6 %
Operating income	\$ 2,259	\$ 1,906	\$ 1,642
Operating income as a percentage of net sales	3.1 %	3.0 %	2.8 %
Unit counts at period end	600	599	599
Retail square feet at period end	80	80	80
Excluding Fuel ⁽¹⁾			
Net sales	\$ 64,860	\$ 59,184	\$ 52,792
Percentage change from comparable period	9.6 %	12.1 %	0.9 %
Operating income	\$ 1,923	\$ 1,645	\$ 1,486
Operating income as a percentage of net sales	3.0 %	2.8 %	2.8 %

⁽¹⁾ We believe the "Excluding Fuel" information is useful to investors because it permits investors to understand the effect of the Sam's Club segment's fuel sales on its results of operations, which are impacted by the volatility of fuel prices. Volatility in fuel prices may continue to impact the operating results of the Sam's Club segment in the future. Management uses such information to better measure underlying operating results in the segment.

Net sales for the Sam's Club segment increased \$9.6 billion or 15.1% and \$5.1 billion or 8.7% for fiscal 2022 and 2021, respectively, when compared to the previous fiscal year. For fiscal 2022, the increase was primarily due to comparable sales growth, including fuel, of 15.0%. Comparable sales benefited from growth in transactions and average ticket due to increased consumer spending, which was aided by government stimulus, and also includes some higher inflation impacts in certain merchandise categories compared to recent years. The growth in comparable sales was partially offset by our decision to remove tobacco from certain club locations. Sam's Club eCommerce sales positively contributed approximately 1.3% to comparable sales. For fiscal 2021, the increase was primarily due to comparable sales, including fuel, of 8.7%. Comparable sales benefited from growth in transactions and average ticket resulting from the COVID-19 pandemic, partially offset by our decision to remove tobacco from certain club locations and by lower fuel sales. Sam's Club eCommerce sales positively contributed approximately 2.2% to comparable sales.

Gross profit rate decreased 68 basis points and increased 65 basis points for fiscal 2022 and 2021, respectively, when compared to the previous fiscal year. For fiscal 2022, the decrease in gross profit rate was primarily due to increased fuel sales which have lower margins, cost inflation, and higher supply chain costs, partially offset by favorable sales mix, including reduced tobacco sales. For fiscal 2021, gross profit rate increased due to favorable sales mix, including lower fuel and tobacco sales, and improvement in inventory losses which was partially offset by price investment and higher eCommerce fulfillment costs.

Membership and other income increased 13.1% and 6.8% for fiscal 2022 and 2021, respectively, when compared to the previous fiscal year. For fiscal 2022, the increase was primarily due to growth in total members and increased Plus Member penetration. For fiscal 2021, the increase was primarily due to growth in total members, which benefited from higher overall renewal rates and higher Plus Member penetration.

Operating expenses as a percentage of segment net sales decreased 82 basis points and increased 42 basis points for fiscal 2022 and 2021, respectively, when compared to the previous fiscal year. Fiscal 2022 operating expenses as a percentage of net sales decreased primarily due to higher sales as well as a benefit from \$0.2 billion of lower incremental COVID-19 related costs, partially offset by reduced tobacco sales. Despite the increased sales growth described above, fiscal 2021 operating expenses as a percentage of net sales increased primarily due to \$0.3 billion of incremental costs related to the pandemic, which included additional costs such as special bonuses, expanded cleaning practices and security, expanded sick and emergency leave pay, and outfitting our associates with masks and gloves. Additionally, the increase in operating expense as a percentage of segment net sales was affected by reduced tobacco and fuel sales.

As a result of the factors discussed above, segment operating income increased \$0.4 billion and \$0.3 billion for fiscal 2022 and 2021, respectively, when compared to the previous fiscal year.

Liquidity and Capital Resources

Liquidity

The strength and stability of our operations have historically supplied us with a significant source of liquidity. Our cash flows provided by operating activities, supplemented with our long-term debt and short-term borrowings, have been sufficient to fund our operations while allowing us to invest in activities that support the long-term growth of our operations. Generally, some or all of the remaining available cash flow has been used to fund dividends on our common stock and share repurchases. We believe our sources of liquidity will continue to be sufficient to fund operations, finance our global investment activities, pay dividends and fund our share repurchases for at least the next 12 months and thereafter for the foreseeable future.

Net Cash Provided by Operating Activities

(Amounts in millions)	Fiscal Years Ended January 31,		
	2022	2021	2020
Net cash provided by operating activities	\$ 24,181	\$ 36,074	\$ 25,255

Net cash provided by operating activities was \$24.2 billion, \$36.1 billion and \$25.3 billion for fiscal 2022, 2021 and 2020, respectively. Net cash provided by operating activities for fiscal 2022 decreased when compared to the previous fiscal year primarily due to an increase in inventory costs and purchases to support strong sales and lapping the impact of accelerated inventory sell-through in fiscal 2021, as well as timing and payment of wages. The increase in net cash provided by operating activities for fiscal 2021, when compared to the previous fiscal year, was primarily due to the impact of the global health crisis which accelerated inventory sell-through, as well as the timing and payment of inventory purchases, incremental COVID-19 related expenses and certain benefit payments.

Cash Equivalents and Working Capital Deficit

Cash and cash equivalents were \$14.8 billion and \$17.7 billion as of January 31, 2022 and 2021, respectively. Our working capital deficit, defined as total current assets less total current liabilities, was \$6.3 billion and \$2.6 billion as of January 31, 2022 and 2021, respectively. We generally operate with a working capital deficit due to our efficient use of cash in funding operations, consistent access to the capital markets and returns provided to our shareholders in the form of payments of cash dividends and share repurchases.

We use intercompany financing arrangements in an effort to ensure cash can be made available in the country in which it is needed with the minimum cost possible. Additionally, from time-to-time, we repatriate earnings and related cash from jurisdictions outside of the U.S. Historically, U.S. taxes were due upon repatriation of foreign earnings. Due to the enactment of U.S. tax reform, repatriations of foreign earnings will generally be free of U.S. federal tax, but may incur other taxes such as withholding or state taxes. While we are currently evaluating recent regulations issued from the Internal Revenue Service ("IRS") and the U.S. Treasury Department, we do not expect current local laws, other existing limitations on anticipated future repatriations of cash amounts held outside the U.S. to have a material effect on our overall liquidity, financial position or results of operations.

As of January 31, 2022 and 2021, cash and cash equivalents of \$4.3 billion and \$2.8 billion, respectively, may not be freely transferable to the U.S. due to local laws or other restrictions. Of the \$4.3 billion as of January 31, 2022, approximately \$2.2 billion can only be accessed through dividends or intercompany financing arrangements subject to approval of the Flipkart minority shareholders; however, this cash is expected to be utilized by Flipkart.

Net Cash Used in Investing Activities

(Amounts in millions)	Fiscal Years Ended January 31,		
	2022	2021	2020
Net cash used in investing activities	\$ (6,015)	\$ (10,071)	\$ (9,128)

Net cash used in investing activities was \$6.0 billion, \$10.1 billion and \$9.1 billion for fiscal 2022, 2021 and 2020, respectively, and generally consisted of capital expenditures. Net cash used in investing activities decreased \$4.1 billion for fiscal 2022 when compared to the previous fiscal year primarily due to the net proceeds received from the divestitures of Asda and Seiyu, partially offset by increased capital expenditures. Net cash used in investing activities increased \$0.9 billion for fiscal 2021 when compared to the previous fiscal year, primarily as a result of lapping the net proceeds received from the sale of our banking operations in Walmart Canada and the change in other investing activities, partially offset by decreased capital expenditures.

Capital expenditures

Refer to the "[Strategic Capital Allocation](#)" section in our [Company Performance Metrics](#) for capital expenditure detail for fiscal 2022 and 2021. For the fiscal year ending January 31, 2023 ("fiscal 2023"), we project capital expenditures will be approximately \$18 billion, with a focus on supply chain, automation, customer-facing initiatives and technology.

Net Cash Used in Financing Activities

<i>(Amounts in millions)</i>	Fiscal Years Ended January 31,		
	2022	2021	2020
Net cash used in financing activities	\$ (22,828)	\$ (16,117)	\$ (14,299)

Net cash from financing activities generally consists of transactions related to our short-term and long-term debt, financing obligations, dividends paid and the repurchase of Company stock. Transactions with noncontrolling interest shareholders are also classified as cash flows from financing activities. Fiscal 2022 net cash used in financing activities increased \$6.7 billion when compared to the previous fiscal year. The increase is primarily due to repayments of long-term debt and related payment

of premiums for the early extinguishment of certain notes, as well as increased share repurchases, partially offset by new long-term debt issuances in the current year and equity funding from the sale of subsidiary stock. Fiscal 2021 net cash used in financing activities increased \$1.8 billion for fiscal 2021 when compared to the previous fiscal year. The increase was primarily due to the timing of issuances and repayments of long-term debt, partially offset by both a reduction in cash used to pay down short-term borrowings as well as share repurchases.

Sale of Subsidiary Stock

During fiscal 2022, the Company received \$3.2 billion primarily related to a new equity funding for the Company's majority-owned Flipkart subsidiary, which reduced the Company's ownership from approximately 83% as of January 31, 2021 to approximately 75%.

Short-term Borrowings

We generally utilize the liquidity provided by short-term borrowings to provide funding for our operations, dividend payments, share repurchases, capital expenditures and other cash requirements. The following table includes additional information related to the Company's short-term borrowings for fiscal 2022, 2021 and 2020:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2022	2021	2020
Maximum amount outstanding at any month-end	\$ 716	\$ 4,048	\$ 13,315
Average daily short-term borrowings	626	1,577	7,120
Annual weighted-average interest rate	3.7 %	3.1 %	2.5 %

Short-term borrowings as of January 31, 2022 and 2021 were \$0.4 billion and \$0.2 billion, respectively, with weighted-average interest rates of 2.9% and 1.9%, respectively. We also have \$15.0 billion of various undrawn committed lines of credit in the U.S. as of January 31, 2022 that provide additional liquidity, if needed. Additionally, we maintain access to various credit facilities outside of the U.S. to further support our Walmart International segment operations, as needed.

As of January 31, 2022, we have \$1.8 billion of syndicated and fronted letters of credit available, of which \$1.7 billion was drawn and represents an unrecorded current obligation.

Long-term Debt

The following table provides the changes in our long-term debt for fiscal 2022:

(Amounts in millions)	Long-term debt due within one year	Long-term debt	Total
Balances as of February 1, 2021	\$ 3,115	\$ 41,194	\$ 44,309
Proceeds from issuance of long-term debt	—	6,945	6,945
Repayments of long-term debt	(3,010)	(10,000)	(13,010)
Reclassifications of long-term debt	2,687	(2,687)	—
Currency and other adjustments	11	(588)	(577)
Balances as of January 31, 2022	<u>\$ 2,803</u>	<u>\$ 34,864</u>	<u>\$ 37,667</u>

Our total outstanding long-term debt decreased \$6.6 billion during fiscal 2022, primarily due to the extinguishment and maturities of certain long-term debt, partially offset by the issuance of new long-term debt in September 2021. Refer to [Note 6](#) to our Consolidated Financial Statements for details on the maturities, extinguishment and issuances of long-term debt. The early extinguishment of certain long-term debt allowed us to retire higher rate debt to reduce interest expense in future periods. In connection with this early extinguishment of debt, the Company paid premiums of \$2.3 billion, which represents the majority of the \$2.4 billion loss recorded on the transaction during fiscal 2022.

Estimated contractual interest payments associated with our long-term debt amount to \$16.0 billion, with approximately \$1.3 billion expected to be paid in fiscal 2023. Estimated interest payments are based on our principal amounts and expected maturities of all debt outstanding as of January 31, 2022 and assumes interest rates remain at current levels for our variable rate instruments.

Dividends

Our total dividend payments were \$6.2 billion, \$6.1 billion and \$6.0 billion for fiscal 2022, 2021 and 2020, respectively. Effective February 17, 2022, the Board of Directors approved the fiscal 2023 annual dividend of \$2.24 per share, an increase over the fiscal 2022 annual dividend of \$2.20 per share. For fiscal 2023, the annual dividend will be paid in four quarterly installments of \$0.56 per share, according to the following record and payable dates:

Record Date	Payable Date
March 18, 2022	April 4, 2022
May 6, 2022	May 31, 2022
August 12, 2022	September 6, 2022
December 9, 2022	January 3, 2023

Company Share Repurchase Program

From time to time, the Company repurchases shares of its common stock under share repurchase programs authorized by the Company's Board of Directors. All repurchases made prior to February 22, 2021 were made under the plan in effect at the beginning of fiscal 2022. On February 18, 2021, the Board of Directors approved a new \$20.0 billion share repurchase program which has no expiration date or other restrictions limiting the period over which the Company can make repurchases, and beginning February 22, 2021, replaced the previous share repurchase program. As of January 31, 2022, authorization for \$10.6 billion of share repurchases remained under the share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status.

We regularly review share repurchase activity and consider several factors in determining when to execute share repurchases, including, among other things, current cash needs, capacity for leverage, cost of borrowings, our results of operations and the market price of our common stock. We anticipate that a majority of the ongoing share repurchase program will be funded through the Company's free cash flow. In fiscal 2023, we plan to spend at least \$10 billion in share repurchases.

The following table provides, on a settlement date basis, the number of shares repurchased, average price paid per share and total amount paid for share repurchases for fiscal 2022, 2021 and 2020:

(Amounts in millions, except per share data)	Fiscal Years Ended January 31,		
	2022	2021	2020
Total number of shares repurchased	69.7	19.4	53.9
Average price paid per share	\$ 140.45	\$ 135.20	\$ 105.98
Total amount paid for share repurchases	\$ 9,787	\$ 2,625	\$ 5,717

Material Cash Requirements

Material cash requirements from operating activities primarily consist of inventory purchases, employee related costs, taxes, interest and other general operating expenses, which we expect to be primarily satisfied by our cash from operations. Other material cash requirements from known contractual and other obligations include short-term borrowings, long-term debt and related interest payments, leases and purchase obligations. See [Note 6](#) and [Note 7](#) to our Consolidated Financial Statements for information regarding outstanding short-term borrowings and long-term debt, and leases, respectively.

As of January 31, 2022, the Company has \$27.9 billion of unrecorded purchase obligations outstanding, of which \$9.3 billion is due within one year. Purchase obligations include legally binding contracts, such as firm commitments for inventory and utility purchases, as well as commitments to make capital expenditures, software acquisition and license commitments and legally binding service contracts. Contractual obligations for the purchase of goods or services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Contracts that specify the Company will purchase all or a portion of its requirements of a specific product or service from a supplier, but do not include a fixed or minimum quantity, are excluded from the obligations quantified above. Accordingly, purchase orders for inventory are also excluded as purchase orders represent authorizations to purchase rather than binding agreements. Our purchase orders are based on our current inventory needs and are fulfilled by our suppliers within short time periods. We also enter into contracts for outsourced services; however, the obligations under these contracts are not significant and the contracts generally contain clauses allowing for cancellation without significant penalty. Timing of payments and actual amounts paid may be different depending on the timing of receipt of goods or services or changes to agreed-upon amounts for some obligations.

Capital Resources

We believe our cash flows from operations, current cash position, short-term borrowings and access to capital markets will continue to be sufficient to meet our anticipated cash requirements and contractual obligations, which includes funding seasonal buildups in merchandise inventories and funding our capital expenditures, acquisitions, dividend payments and share repurchases.

We have strong commercial paper and long-term debt ratings that have enabled and should continue to enable us to refinance our debt as it becomes due at favorable rates in capital markets. As of January 31, 2022, the ratings assigned to our commercial paper and rated series of our outstanding long-term debt were as follows:

Rating agency	Commercial paper
Standard & Poor's	A-1+
Moody's Investors Service	P-1
Fitch Ratings	F1+

Credit rating agencies review their ratings periodically and, therefore, the credit ratings assigned to us by each agency may be subject to revision at any time. Accordingly, we are not able to predict whether our current credit ratings will remain consistent over time. Factors that could affect our credit ratings include changes in our operating performance, the general economic environment, conditions in the retail industry, our financial position, including our total debt and capitalization, and changes in our business strategy. Any downgrade of our credit ratings by a credit rating agency could increase our future borrowing costs or impair our ability to access capital and credit markets on terms commercially acceptable to us. In addition, any downgrade of our current short-term credit ratings could impair our ability to access the commercial paper markets with the same flexibility that we have experienced historically, potentially requiring us to rely more heavily on more expensive types of debt financing. The credit rating agency ratings are not recommendations to buy, sell or hold our commercial paper or debt securities. Each rating may be subject to revision or withdrawal at any time by the assigning rating organization and should be evaluated independently of any other rating. Moreover, each credit rating is specific to the security to which it applies.

Other Matters

In [Note 10](#) to our Consolidated Financial Statements, which is captioned "Contingencies" and appears in [Part II](#) of this Annual Report on Form 10-K under the caption "[Item 8. Financial Statements and Supplementary Data](#)," we discuss, under the sub-caption "*Opioids Litigation*," the Prescription Opiate Litigation and other matters, including certain risks arising therefrom. In that [Note 10](#), we also discuss, under the sub-caption "*Asda Equal Value Claims*," the Company's indemnification obligation for the Asda Equal Value Claims matter. We discuss various legal proceedings related to the Federal and State Prescription Opiate Litigation, DOJ Opioid Civil Litigation and Opioids Related Securities Class Actions and Derivative Litigation in [Part I](#) of this Annual Report on Form 10-K under the caption "[Item 3. Legal Proceedings](#)," under the sub-caption "I. Supplemental Information." We also discuss items related to the Asda Equal Value Claims matter, the Money Transfer Agent Services Proceedings matter and the Foreign Direct Investment matters in [Part I](#) of this Annual Report on Form 10-K under the caption "[Item 3. Legal Proceedings](#)," under the sub-caption "II. Certain Other Matters." We also discuss an environmental matter with the State of California in [Part I](#) of this Annual Report on Form 10-K under the caption "[Item 3. Legal Proceedings](#)," under the sub-caption "III. Environmental Matters." The foregoing matters and other matters described elsewhere in this Annual Report on Form 10-K represent contingent liabilities of the Company that may or may not result in the incurrence of a material liability by the Company upon their final resolution.

Summary of Critical Accounting Estimates

Management strives to report our financial results in a clear and understandable manner, although in some cases accounting and disclosure rules are complex and require us to use technical terminology. In preparing the Company's Consolidated Financial Statements, we follow accounting principles generally accepted in the U.S. These principles require us to make certain estimates and apply judgments that affect our financial position and results of operations as reflected in our financial statements. These judgments and estimates are based on past events and expectations of future outcomes. Actual results may differ from our estimates.

Management continually reviews our accounting policies, how they are applied and how they are reported and disclosed in our financial statements. Following is a summary of our critical accounting estimates and how they are applied in preparation of the financial statements.

Inventories

We value inventories at the lower of cost or market as determined primarily by the retail inventory method of accounting, using the last-in, first-out ("LIFO") method for Walmart U.S. segment's inventories. The inventory at the Sam's Club segment is valued using the weighted-average cost LIFO method. When necessary, we record a LIFO provision for the estimated annual effect of inflation, and these estimates are adjusted to actual results determined at year-end. Our LIFO provision is calculated based on inventory levels, markup rates and internally generated retail price indices. As a measure of sensitivity, a 1% increase to our retail price indices would not have resulted in a decrease to the carrying value of inventory. As of January 31, 2022 and 2021, our inventories valued at LIFO approximated those inventories as if they were valued at first-in, first-out ("FIFO").

Impairment of Assets

We evaluate long-lived assets for indicators of impairment whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. Management's judgments regarding the existence of impairment indicators are based on market conditions and financial performance. The evaluation of long-lived assets is performed at the lowest level of identifiable cash flows, which is generally at the individual store level. The variability of these factors depends on a number of conditions, including uncertainty about future events and changes in demographics. Thus, our accounting estimates may change from period to period. These factors could cause management to conclude that indicators of impairment exist and require impairment tests be performed, which could result in management determining the value of long-lived assets is impaired, resulting in a write-down of the related long-lived assets. Impairment charges on assets held and used were immaterial in fiscal 2022, 2021 and 2020. As a measure of sensitivity, fiscal 2022 impairment would not change materially with a 10% decrease in the undiscounted cash flows for the stores or clubs with indicators of impairment.

In fiscal 2021, the Company's operations in Argentina, the United Kingdom and Japan met the held for sale criteria. As a result, the individual disposal groups were measured at fair value, less costs to sell, which resulted in impairment charges that were included in the total estimated pre-tax loss of \$8.3 billion recorded in fiscal 2021, as well as \$0.4 billion in incremental charges associated with the United Kingdom and Japan divestitures upon closing of the transactions during the first quarter of fiscal 2022. Refer to [Note 12](#).

Business Combinations, Goodwill, and Acquired Intangible Assets

We account for business combinations using the acquisition method of accounting, which requires that once control is obtained, all the assets acquired and liabilities assumed, including amounts attributable to noncontrolling interests, are recorded at their respective fair values at the date of acquisition. The determination of fair values of identifiable assets and liabilities requires estimates and the use of valuation techniques when market value is not readily available. For intangible assets acquired in a business combination, we typically use the income method. Significant estimates in valuing certain intangible assets include, but are not limited to, the amount and timing of future cash flows, growth rates, discount rates and useful lives. The excess of the purchase price over fair values of identifiable assets and liabilities is recorded as goodwill.

Goodwill is typically assigned to the reporting unit which consolidates the acquisition. Components within the same reportable segment are aggregated and deemed a single reporting unit if the components have similar economic characteristics. As of January 31, 2022, our reporting units consisted of Walmart U.S., Walmart International and Sam's Club. Goodwill and other indefinite-lived acquired intangible assets are not amortized but are evaluated for impairment annually or whenever events or changes in circumstances indicate that the value of a certain asset may be impaired. Generally, this evaluation begins with a qualitative assessment to determine whether a quantitative impairment test is necessary. If we determine, after performing an assessment based on the qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative impairment test would be performed. The quantitative test for impairment requires management to make judgments relating to future cash flows, growth rates and economic and market conditions. These evaluations are based on determining the fair value of a reporting unit or asset using a valuation method such as discounted cash flow or a relative, market-based approach. Historically, our reporting units have generated sufficient returns to recover the cost of goodwill, as the fair value significantly exceeded the carrying value. Our indefinite-lived acquired intangible assets have also historically generated sufficient returns to recover their cost. Because of the nature of the factors used in these tests, if different conditions occur in future periods, future operating results could be materially impacted. Due to certain strategic restructuring decisions, we recorded approximately \$0.7 billion in impairment in fiscal 2020 related to acquired trade names and acquired developed software.

Contingencies

We are involved in a number of legal proceedings. We record a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. We also perform an assessment of the materiality of loss contingencies where a loss is either not probable or it is reasonably possible that a loss could be incurred in excess of amounts accrued. If a loss or an additional loss has at least a reasonable possibility of occurring and the impact on the financial statements would be material, we provide disclosure of the loss contingency in the footnotes to our financial statements. We review all contingencies at least quarterly to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or the range of the loss can be made. Although we are not able to predict the outcome or reasonably estimate a range of possible losses in certain matters described in [Note 10](#) to our

Consolidated Financial Statements and have not recorded an associated accrual related to these matters, an adverse judgment or negotiated resolution in any of these matters could have a material adverse effect on our business, reputation, financial position, results of operations or cash flows.

Income Taxes

Income taxes have a significant effect on our net earnings. We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Accordingly, the determination of our provision for income taxes requires judgment, the use of estimates in certain cases and the interpretation and application of complex tax laws. Our effective income tax rate is affected by many factors, including changes in our assessment of certain tax contingencies, increases and decreases in valuation allowances, changes in tax law, outcomes of administrative audits, the impact of discrete items and the mix of earnings among our U.S. and international operations where the statutory rates are generally higher than the U.S. statutory rate, and may fluctuate as a result.

Our tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions. The benefits of uncertain tax positions are recorded in our financial statements only after determining a more likely than not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities. When facts and circumstances change, we reassess these probabilities and record any changes in the financial statements as appropriate. We account for uncertain tax positions by determining the minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. This determination requires the use of judgment in evaluating our tax positions and assessing the timing and amounts of deductible and taxable items.

Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. Deferred tax assets are evaluated for future realization and reduced by a valuation allowance to the extent that a portion is not more likely than not to be realized. Many factors are considered when assessing whether it is more likely than not that the deferred tax assets will be realized, including recent cumulative earnings, expectations of future taxable income, carryforward periods and other relevant quantitative and qualitative factors. The recoverability of the deferred tax assets is evaluated by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. This evaluation relies on estimates.

As guidance is issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, any resulting changes to our estimates will be treated in accordance with the relevant accounting guidance.

ITEM 7A.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

In addition to the risks inherent in our operations, we are exposed to certain market risks, including changes in interest rates, currency exchange rates and the fair value of certain equity investments.

The analysis presented below for each of our market risk sensitive instruments is based on a hypothetical scenario used to calibrate potential risk and does not represent our view of future market changes. The effect of a change in a particular assumption is calculated without adjusting any other assumption. In reality, however, a change in one factor could cause a change in another, which may magnify or negate other sensitivities.

Interest Rate Risk

We are exposed to changes in interest rates as a result of our short-term borrowings and long-term debt. We hedge a portion of our interest rate risk by managing the mix of fixed and variable rate debt and by entering into interest rate swaps. For fiscal 2022, the net fair value of our interest rate swaps decreased \$0.2 billion primarily due to fluctuations in market interest rates.

The table below provides information about our financial instruments that are sensitive to changes in interest rates. For long-term debt, the table represents the principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps, the table represents the contractual cash flows and weighted-average interest rates by the contractual maturity date, unless otherwise noted. The notional amounts are used to calculate contractual cash flows to be exchanged under the contracts. The weighted-average variable rates are based upon prevailing market rates as of January 31, 2022.

(Amounts in millions)	Expected Maturity Date						
	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Thereafter	Total
Liabilities							
Short-term borrowings:							
Variable rate	\$ 410	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 410
Weighted-average interest rate	2.9 %	— %	— %	— %	— %	— %	2.9 %
Long-term debt ⁽¹⁾ :							
Fixed rate	\$ 2,803	\$ 4,224	\$ 3,565	\$ 857	\$ 2,757	\$ 23,461	\$ 37,667
Weighted-average interest rate	1.7 %	3.2 %	2.9 %	3.6 %	2.0 %	4.1 %	3.6 %
Interest rate derivatives							
Interest rate swaps:							
Fixed to variable	\$ —	\$ 1,750	\$ 1,500	\$ —	\$ —	\$ 4,771	\$ 8,021
Weighted-average pay rate	— %	0.7 %	1.4 %	— %	— %	1.3 %	1.2 %
Weighted-average receive rate	— %	2.6 %	3.3 %	— %	— %	2.5 %	2.7 %

⁽¹⁾ Includes deferred loan costs, discounts, fair value hedges, foreign-held debt and secured debt.

As of January 31, 2022, our variable rate borrowings, including the effect of our commercial paper and interest rate swaps, represented 22% of our total short-term and long-term debt. Based on January 31, 2022 debt levels, a 100 basis point change in prevailing market rates would cause our annual interest costs to change by approximately \$0.1 billion.

Foreign Currency Risk

We are exposed to fluctuations in currency exchange rates as a result of our investments and operations in countries other than the U.S., as well as our foreign-currency-denominated long-term debt. For fiscal 2022, movements in currency exchange rates and the related impact on the translation of the balance sheets resulted in the \$0.6 billion net loss in the currency translation and other category of accumulated other comprehensive loss.

We hedge a portion of our foreign currency risk by entering into currency swaps. The aggregate fair value of these swaps was in a liability position of \$1.0 billion and \$0.1 billion as of January 31, 2022 and January 31, 2021, respectively. The change in the fair value of these swaps was due to fluctuations in currency exchange rates, primarily due to the strengthening of the U.S. dollar relative to certain currencies in fiscal 2022. The hypothetical result of a uniform 10% weakening in the value of the U.S. dollar relative to other currencies underlying these swaps would have resulted in a change in the value of the swaps of \$1.0 billion. A hypothetical 10% change in interest rates underlying these swaps from the market rates in effect as of January 31, 2022 would have resulted in a change in the value of the swaps of \$40 million.

In certain countries, we also enter into immaterial foreign currency forward contracts to hedge the purchase and payment of purchase commitments denominated in non-functional currencies.

Investment Risk

We are exposed to investment risk primarily related to changes in the stock price of our equity investments with readily determinable fair values. The change in fair value is recorded within other gains and losses and resulted in a loss of \$2.4 billion in fiscal 2022 due to net decreases in the stock price of those equity investments. As of January 31, 2022, the fair value of our equity investments with readily determinable fair values was \$11.9 billion. As of January 31, 2022, a hypothetical 10% change in the stock price of such investments would have changed the fair value of such investments by approximately \$1.2 billion.

ITEM 8.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA**

**Consolidated Financial Statements of Walmart Inc.
For the Fiscal Year Ended January 31, 2022**

Table of Contents

Report of Independent Registered Public Accounting Firm (PCAOB ID: 42)
Report of Independent Registered Public Accounting Firm on Internal Control Reporting
Consolidated Statements of Income
Consolidated Statements of Comprehensive Income
Consolidated Balance Sheets
Consolidated Statements of Shareholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Walmart Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Walmart Inc. (the Company) as of January 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2022, and the related notes (collectively referred to as the "Consolidated Financial Statements"). In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company at January 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 18, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the Consolidated Financial Statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Contingencies

Description of the Matter

As described in Note 10 to the Consolidated Financial Statements, at January 31, 2022, the Company is involved in a number of legal proceedings and has made accruals with respect to these matters, where appropriate. For some matters, a liability is not probable, or the amount cannot be reasonably estimated and therefore an accrual has not been made. Where a liability is reasonably possible and may be material, such matters have been disclosed. Management assessed the probability of occurrence and the estimation of any potential loss based on the ability to predict the number of claims that may be filed or whether any loss or range of loss can be reasonably estimated. For example, in assessing the probability of occurrence in a particular legal proceeding, management exercises judgment to determine if it can predict the number of claims that may be filed and whether it can reasonably estimate any loss or range of loss that may arise from that proceeding.

Auditing management's accounting for, and disclosure of, loss contingencies was complex and highly judgmental as it involved our assessment of the significant judgments made by management when assessing the probability of occurrence for contingencies or when determining whether an estimate of the loss or range of loss could be made.

How We
Addressed the
Matter in Our
Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the identification and evaluation of contingencies. For example, we tested controls over the Company's assessment of the likelihood of loss and the Company's determinations regarding the measurement of loss.

To test the Company's assessment of the probability of occurrence or determination of an estimate of loss, or range of loss, among other procedures, we read the minutes of the meetings of the Board of Directors and committees of the Board of Directors, reviewed opinions provided to the Company by certain outside legal counsel, read letters received directly by us from internal and external counsel, and evaluated the current status of contingencies based on discussions with internal legal counsel. We also evaluated the appropriateness of the related disclosures.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1969.

Rogers, Arkansas
March 18, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Walmart Inc.

Opinion on Internal Control over Financial Reporting

We have audited Walmart Inc.'s internal control over financial reporting as of January 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Walmart Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Walmart Inc. as of January 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2022, and the related notes and our report dated March 18, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Rogers, Arkansas
March 18, 2022

Walmart Inc.
Consolidated Statements of Income

	Fiscal Years Ended January 31,		
	2022	2021	2020
<i>(Amounts in millions, except per share data)</i>			
Revenues:			
Net sales	\$ 567,762	\$ 555,233	\$ 519,926
Membership and other income	4,992	3,918	4,038
Total revenues	572,754	559,151	523,964
Costs and expenses:			
Cost of sales	429,000	420,315	394,605
Operating, selling, general and administrative expenses	117,812	116,288	108,791
Operating income	25,942	22,548	20,568
Interest:			
Debt	1,674	1,976	2,262
Finance lease	320	339	337
Interest income	(158)	(121)	(189)
Interest, net	1,836	2,194	2,410
Loss on extinguishment of debt	2,410	—	—
Other (gains) and losses	3,000	(210)	(1,958)
Income before income taxes	18,696	20,564	20,116
Provision for income taxes	4,756	6,858	4,915
Consolidated net income	13,940	13,706	15,201
Consolidated net income attributable to noncontrolling interest	(267)	(196)	(320)
Consolidated net income attributable to Walmart	<u>\$ 13,673</u>	<u>\$ 13,510</u>	<u>\$ 14,881</u>
Net income per common share:			
Basic net income per common share attributable to Walmart	\$ 4.90	\$ 4.77	\$ 5.22
Diluted net income per common share attributable to Walmart	4.87	4.75	5.19
Weighted-average common shares outstanding:			
Basic	2,792	2,831	2,850
Diluted	2,805	2,847	2,868
Dividends declared per common share	\$ 2.20	\$ 2.16	\$ 2.12

See accompanying notes.

Walmart Inc.
Consolidated Statements of Comprehensive Income

<i>(Amounts in millions)</i>	Fiscal Years Ended January 31,		
	2022	2021	2020
Consolidated net income	\$ 13,940	\$ 13,706	\$ 15,201
Consolidated net income attributable to noncontrolling interest	(267)	(196)	(320)
Consolidated net income attributable to Walmart	13,673	13,510	14,881
Other comprehensive income (loss), net of income taxes			
Currency translation and other	2,442	842	286
Net investment hedges	(1,202)	(221)	122
Cash flow hedges	(444)	235	(399)
Minimum pension liability	1,974	(30)	(1,244)
Other comprehensive income (loss), net of income taxes	2,770	826	(1,235)
Other comprehensive (income) loss attributable to noncontrolling interest	230	213	(28)
Other comprehensive income (loss) attributable to Walmart	3,000	1,039	(1,263)
Comprehensive income, net of income taxes	16,710	14,532	13,966
Comprehensive (income) loss attributable to noncontrolling interest	(37)	17	(348)
Comprehensive income attributable to Walmart	\$ 16,673	\$ 14,549	\$ 13,618

See accompanying notes.

Walmart Inc.
Consolidated Balance Sheets

(Amounts in millions)	As of January 31,	
	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,760	\$ 17,741
Receivables, net	8,280	6,516
Inventories	56,511	44,949
Prepaid expenses and other	1,519	20,861
Total current assets	81,070	90,067
Property and equipment, net	94,515	92,201
Operating lease right-of-use assets	13,758	13,642
Finance lease right-of-use assets, net	4,351	4,005
Goodwill	29,014	28,983
Other long-term assets	22,152	23,598
Total assets	\$ 244,860	\$ 252,496
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	\$ 410	\$ 224
Accounts payable	55,261	49,141
Accrued liabilities	26,060	37,966
Accrued income taxes	851	242
Long-term debt due within one year	2,803	3,115
Operating lease obligations due within one year	1,483	1,466
Finance lease obligations due within one year	511	491
Total current liabilities	87,379	92,645
Long-term debt	34,864	41,194
Long-term operating lease obligations	13,009	12,909
Long-term finance lease obligations	4,243	3,847
Deferred income taxes and other	13,474	14,370
Commitments and contingencies		
Equity:		
Common stock	276	282
Capital in excess of par value	4,839	3,646
Retained earnings	86,904	88,763
Accumulated other comprehensive loss	(8,766)	(11,766)
Total Walmart shareholders' equity	83,253	80,925
Noncontrolling interest	8,638	6,606
Total equity	91,891	87,531
Total liabilities and equity	\$ 244,860	\$ 252,496

See accompanying notes.

Walmart Inc.
Consolidated Statements of Shareholders' Equity

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Other Comprehensive Income (Loss)	Accumulated Shareholder Equity	Total Noncontrolling Interest	Total Equity
	Shares	Amount						
<i>(Amounts in millions)</i>								
Balances as of February 1, 2019	2,878	\$ 288	\$ 2,965	\$ 80,785	\$ (11,542)	\$ 72,496	\$ 7,138	\$ 79,634
Adoption of new accounting standards, net of income taxes	—	—	—	(266)	—	(266)	(34)	(300)
Consolidated net income	—	—	—	14,881	—	14,881	320	15,201
Other comprehensive income (loss), net of income taxes	—	—	—	—	(1,263)	(1,263)	28	(1,235)
Cash dividends declared (\$2.12 per share)	—	—	—	(6,048)	—	(6,048)	—	(6,048)
Purchase of Company stock	(53)	(5)	(199)	(5,435)	—	(5,639)	—	(5,639)
Cash dividend declared to noncontrolling interest	—	—	—	—	—	—	(475)	(475)
Sale of subsidiary stock	—	—	37	—	—	37	15	52
Other	7	1	444	26	—	471	(109)	362
Balances as of January 31, 2020	2,832	284	3,247	83,943	(12,805)	74,669	6,883	81,552
Consolidated net income	—	—	—	13,510	—	13,510	196	13,706
Other comprehensive income (loss), net of income taxes	—	—	—	—	1,039	1,039	(213)	826
Cash dividends declared (\$2.16 per share)	—	—	—	(6,116)	—	(6,116)	—	(6,116)
Purchase of Company stock	(20)	(2)	(97)	(2,559)	—	(2,658)	—	(2,658)
Cash dividend declared to noncontrolling interest	—	—	—	—	—	—	(365)	(365)
Sale of subsidiary stock	—	—	29	—	—	29	111	140
Other	9	—	467	(15)	—	452	(6)	446
Balances as of January 31, 2021	2,821	282	3,646	88,763	(11,766)	80,925	6,606	87,531
Consolidated net income	—	—	—	13,673	—	13,673	267	13,940
Other comprehensive income (loss), net of income taxes	—	—	—	—	3,000	3,000	(230)	2,770
Cash dividends declared (\$2.20 per share)	—	—	—	(6,152)	—	(6,152)	—	(6,152)
Purchase of Company stock	(70)	(7)	(426)	(9,375)	—	(9,808)	—	(9,808)
Cash dividend declared to noncontrolling interest	—	—	—	—	—	—	(416)	(416)
Sale of subsidiary stock	—	—	952	—	—	952	2,287	3,239
Other	10	1	667	(5)	—	663	124	787
Balances as of January 31, 2022	2,761	\$ 276	\$ 4,839	\$ 86,904	\$ (8,766)	\$ 83,253	\$ 8,638	\$ 91,891

See accompanying notes.

Walmart Inc.
Consolidated Statements of Cash Flows

(Amounts in millions)

	Fiscal Years Ended January 31,		
	2022	2021	2020
Cash flows from operating activities:			
Consolidated net income	\$ 13,940	\$ 13,706	\$ 15,201
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation and amortization	10,658	11,152	10,987
Net unrealized and realized (gains) and losses	2,440	(8,589)	(1,886)
Losses on disposal of business operations	433	8,401	15
Asda pension contribution	—	—	(1,036)
Deferred income taxes	(755)	1,911	320
Loss on extinguishment of debt	2,410	—	—
Other operating activities	1,652	1,521	1,981
Changes in certain assets and liabilities, net of effects of acquisitions and dispositions:			
Receivables, net	(1,796)	(1,086)	154
Inventories	(11,764)	(2,395)	(300)
Accounts payable	5,520	6,966	(274)
Accrued liabilities	1,404	4,623	186
Accrued income taxes	39	(136)	(93)
Net cash provided by operating activities	24,181	36,074	25,255
Cash flows from investing activities:			
Payments for property and equipment	(13,106)	(10,264)	(10,705)
Proceeds from the disposal of property and equipment	394	215	321
Proceeds from disposal of certain operations, net of divested cash	7,935	56	833
Payments for business acquisitions, net of cash acquired	(359)	(180)	(56)
Other investing activities	(879)	102	479
Net cash used in investing activities	(6,015)	(10,071)	(9,128)
Cash flows from financing activities:			
Net change in short-term borrowings	193	(324)	(4,656)
Proceeds from issuance of long-term debt	6,945	—	5,492
Repayments of long-term debt	(13,010)	(5,382)	(1,907)
Premiums paid to extinguish debt	(2,317)	—	—
Dividends paid	(6,152)	(6,116)	(6,048)
Purchase of Company stock	(9,787)	(2,625)	(5,717)
Dividends paid to noncontrolling interest	(424)	(434)	(555)
Sale of subsidiary stock	3,239	140	52
Other financing activities	(1,515)	(1,376)	(960)
Net cash used in financing activities	(22,828)	(16,117)	(14,299)
Effect of exchange rates on cash, cash equivalents and restricted cash	(140)	235	(69)
Net increase (decrease) in cash, cash equivalents and restricted cash	(4,802)	10,121	1,759
Change in cash and cash equivalents reclassified from (to) assets held for sale	1,848	(1,848)	—
Cash, cash equivalents and restricted cash at beginning of year	17,788	9,515	7,756
Cash, cash equivalents and restricted cash at end of year	\$ 14,834	\$ 17,788	\$ 9,515
Supplemental disclosure of cash flow information:			
Income taxes paid	\$ 5,918	\$ 5,271	\$ 3,616
Interest paid	2,237	2,216	2,464

See accompanying notes.

Walmart Inc.
Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

General

Walmart Inc. ("Walmart" or the "Company") helps people around the world save money and live better – anytime and anywhere – by providing the opportunity to shop in both retail stores and through eCommerce. Through innovation, the Company is striving to continuously improve a customer-centric experience that seamlessly integrates eCommerce and retail stores in an omni-channel offering that saves time for its customers.

The Company's operations comprise three reportable segments: Walmart U.S., Walmart International and Sam's Club.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Walmart and its subsidiaries as of and for the fiscal years ended January 31, 2022 ("fiscal 2022"), January 31, 2021 ("fiscal 2021") and January 31, 2020 ("fiscal 2020"). Intercompany accounts and transactions have been eliminated in consolidation. Certain previously reported amounts have been reclassified to conform to the current year presentation. The Company consolidates variable interest entities where it has been determined that the Company is the primary beneficiary of those entities' operations. Investments for which the Company exercises significant influence but does not have control are accounted for under the equity method. These variable interest entities and equity method investments are immaterial to the Company's Consolidated Financial Statements.

The Company's Consolidated Financial Statements are based on a fiscal year ending on January 31 for the United States ("U.S.") and Canadian operations. The Company consolidates all other operations generally using a one-month lag and based on a calendar year. There were no significant intervening events during the month of January 2022 related to the operations consolidated using a lag that materially affected the Consolidated Financial Statements.

Use of Estimates

The Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles. Those principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Management's estimates and assumptions also affect the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

The Company considers investments with a maturity when purchased of three months or less to be cash equivalents. All credit card, debit card and electronic transfer transactions that process in less than seven days are classified as cash and cash equivalents. The amounts due from banks for these transactions classified as cash and cash equivalents totaled \$1.7 billion and \$4.1 billion as of January 31, 2022 and 2021, respectively.

The Company's cash balances are held in various locations around the world. Of the Company's \$14.8 billion and \$17.7 billion in cash and cash equivalents as of January 31, 2022 and January 31, 2021, approximately 50% and 40% were held outside of the U.S., respectively. Cash and cash equivalents held outside of the U.S. are generally utilized to support liquidity needs in the Company's non-U.S. operations.

The Company uses intercompany financing arrangements in an effort to ensure cash can be made available in the country in which it is needed with the minimum cost possible.

As of January 31, 2022 and 2021, cash and cash equivalents of approximately \$4.3 billion and \$2.8 billion, respectively, may not be freely transferable to the U.S. due to local laws or other restrictions. Of the \$4.3 billion as of January 31, 2022, approximately \$2.2 billion can only be accessed through dividends or intercompany financing arrangements subject to approval of Flipkart Private Limited ("Flipkart") minority shareholders.

Receivables

Receivables are stated at their carrying values, net of a reserve for doubtful accounts, and are primarily due from the following: customers, which includes pharmacy insurance companies as well as advertisers, and banks for customer credit, debit cards and electronic transfer transactions that take in excess of seven days to process; suppliers for marketing or incentive programs; governments for income taxes; and real estate transactions. As of January 31, 2022

and January 31, 2021, net receivables from transactions with customers were \$3.4 billion and \$2.7 billion, respectively.

Inventories

The Company values inventories at the lower of cost or market as determined primarily by the retail inventory method of accounting, using the last-in, first-out ("LIFO") method for the Walmart U.S. segment's inventories. The inventory for the Walmart International segment is generally valued in most markets by the retail inventory method of accounting, using the first-in, first-out ("FIFO") method. The retail inventory method of accounting results in inventory being valued at the lower of cost or market, since permanent markdowns are immediately recorded as a reduction of the retail value of inventory. The inventory at the Sam's Club segment is valued using the weighted-average cost LIFO method. As of January 31, 2022 and 2021, inventories valued at LIFO approximated those inventories as if they were valued at first-in, first-out ("FIFO").

Held for Sale

Components and businesses that meet accounting requirements to be classified as held for sale are presented as single asset and liability amounts in the Company's financial statements with a valuation allowance, if necessary, to recognize the net carrying amount at the lower of cost or fair value, less costs to sell. The Company reviews its businesses and assets held for sale each reporting period to determine whether the existing carrying amounts are fully recoverable in comparison to estimated fair values. As of January 31, 2022, assets and liabilities held for sale were immaterial. As of January 31, 2021, \$19.2 billion assets held for sale and \$12.7 billion liabilities held for sale were classified in prepaid expenses and other and accrued liabilities in the Consolidated Balance Sheets, respectively, reflecting the Company's operations in the U.K. and Japan classified as held for sale which subsequently closed during fiscal 2022. Refer to [Note 12](#) for additional details.

Property and Equipment

Property and equipment are initially recorded at cost. Gains or losses on disposition are recognized as earned or incurred. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are expensed as incurred. The following table summarizes the Company's property and equipment balances and includes the estimated useful lives that are generally used to depreciate the assets on a straight-line basis:

(Amounts in millions)	Estimated Useful Lives	As of January 31,	
		2022	2021
Land	N/A	\$ 19,204	\$ 19,308
Buildings and improvements	3 - 40 years	100,376	97,582
Fixtures and equipment	1 - 30 years	60,282	56,639
Transportation equipment	3 - 15 years	2,263	2,301
Construction in progress	N/A	7,199	4,741
Property and equipment		189,324	180,571
Accumulated depreciation		(94,809)	(88,370)
Property and equipment, net		<u>\$ 94,515</u>	<u>\$ 92,201</u>

Leasehold improvements are depreciated or amortized over the shorter of the estimated useful life of the asset or the remaining expected lease term. Total depreciation and amortization expense for property and equipment, property under finance leases and intangible assets for fiscal 2022, 2021 and 2020 was \$10.7 billion, \$11.2 billion and \$11.0 billion, respectively.

Leases

For any new or modified lease, the Company, at the inception of the contract, determines whether a contract is or contains a lease. The Company records right-of-use ("ROU") assets and lease obligations for its finance and operating leases, which are initially recognized based on the discounted future lease payments over the term of the lease. If the rate implicit in the Company's leases is not easily determinable, the Company's applicable incremental borrowing rate is used in calculating the present value of the sum of the lease payments.

Lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. The Company has elected not to recognize ROU asset and lease obligations for its short-term leases, which are defined as leases with an initial term of 12 months or less.

For a majority of all classes of underlying assets, the Company has elected to not separate lease from non-lease components. For leases in which the lease and non-lease components have been combined, the variable lease expense includes expenses such as common area maintenance, utilities, and repairs and maintenance.

Impairment of Long-Lived Assets

Management reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows, which is at the individual store or club level. Undiscounted cash flows expected to be generated by the related assets are estimated over the assets' useful lives based on updated projections. If the evaluation indicates that the carrying amount of the assets may not be recoverable, any potential impairment is measured based upon the fair value of the related asset or asset group as determined by an appropriate market appraisal or other valuation technique.

Goodwill and Other Acquired Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations and is allocated to the appropriate reporting unit when acquired. Other acquired intangible assets are stated at the fair value acquired as determined by a valuation technique commensurate with the intended use of the related asset. Goodwill and indefinite-lived intangible assets are not amortized; rather, they are evaluated for impairment annually and whenever events or changes in circumstances indicate that the value of the asset may be impaired. Definite-lived intangible assets are considered long-lived assets and are amortized on a straight-line basis over the periods that expected economic benefits will be provided.

Goodwill is typically assigned to the reporting unit which consolidates the acquisition. Components within the same reportable segment are aggregated and deemed a single reporting unit if the components have similar economic characteristics. As of January 31, 2022, the Company's reporting units consisted of Walmart U.S., Walmart International and Sam's Club. Goodwill is evaluated for impairment using either a qualitative or quantitative approach for each of the Company's reporting units. Generally, a qualitative assessment is first performed to determine whether a quantitative goodwill impairment test is necessary. If management determines, after performing an assessment based on the qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative goodwill impairment test would be required. The quantitative test for goodwill impairment is performed by determining the fair value of the related reporting units. Fair value is measured based on the discounted cash flow method and relative market-based approaches. Management has performed its evaluation and determined the fair value of each reporting unit is significantly greater than the carrying amount and, accordingly, the Company has not recorded any impairment charges related to goodwill.

The following table reflects goodwill activity, by reportable segment, for fiscal 2022 and 2021:

(Amounts in millions)	Walmart			
	Walmart U.S.	International	Sam's Club	Total
Balances as of February 1, 2020	\$ 2,593	\$ 28,167	\$ 313	\$ 31,073
Changes in currency translation and other	—	10	—	10
Acquisitions	103	—	8	111
Amounts reclassified related to operations held for sale ⁽¹⁾	—	(2,211)	—	(2,211)
Balances as of January 31, 2021	2,696	25,966	321	28,983
Changes in currency translation and other	—	(415)	—	(415)
Acquisitions	245	201	—	446
Balances as of January 31, 2022	\$ 2,941	\$ 25,752	\$ 321	\$ 29,014

⁽¹⁾ Represents goodwill associated with operations in the U.K. and Japan which were classified as held for sale as of January 31, 2021. Refer to [Note 12](#).

Intangible assets are recorded in other long-term assets in the Company's Consolidated Balance Sheets. As of January 31, 2022 and 2021, the Company had \$4.8 billion and \$4.9 billion, respectively, in indefinite-lived intangible assets which primarily consists of acquired trade names. There were no significant impairment charges related to intangible assets for fiscal 2022 or 2021. During fiscal 2020, the Company incurred approximately \$0.7 billion in impairment charges related to its intangible assets. Refer to [Note 8](#) for additional information.

Fair Value Measurement

The Company records and discloses certain financial and non-financial assets and liabilities at fair value. The fair value of an asset is the price at which the asset could be sold in an orderly transaction between unrelated, knowledgeable and willing parties able to engage in the transaction. The fair value of a liability is the amount that would be paid to transfer the liability to a new obligor in a transaction between such parties, not the amount that would be paid to settle the liability with the creditor. Refer to [Note 8](#) for more information.

Investments

Investments in equity and debt securities are recorded in other long-term assets in the Consolidated Balance Sheets. Changes in fair value of equity securities measured on a recurring basis are recognized in other gains and losses in the Consolidated Statements of Income. Refer to [Note 8](#) for details. Equity investments without readily determinable fair values are carried at cost and adjusted for any observable price changes or impairments within other gains and losses in the Consolidated Statements

of Income. Investments in debt securities classified as trading are reported at fair value with interest income recorded in interest income in the Consolidated Statements of Income. As of January 31, 2022, the Company had \$1.0 billion in debt securities classified as trading.

Indemnification Liabilities

The Company has provided certain indemnifications in connection with its divestitures and has recorded indemnification liabilities equal to the estimated fair value of the obligations upon inception. As of January 31, 2022 and January 31, 2021, the Company had \$0.7 billion and \$0.6 billion, respectively, of certain legal and tax indemnification liabilities recorded within deferred income taxes and other in the Consolidated Balance Sheets. The maximum amount of potential future payments under these indemnities was \$3.5 billion, based on exchange rates as of January 31, 2022.

Self Insurance Reserves

The Company self-insures a number of risks, including, but not limited to, workers' compensation, general liability, auto liability, product liability and certain employee-related healthcare benefits. Standard actuarial procedures and data analysis are used to estimate the liabilities associated with these risks on an undiscounted basis. The recorded liabilities reflect the ultimate cost for claims incurred but not paid and any estimable administrative run-out expenses related to the processing of these outstanding claim payments. On a regular basis, the liabilities are evaluated for appropriateness with claims reserve valuations. To limit exposure to some risks, the Company maintains insurance coverage with varying limits and retentions, including stop-loss insurance coverage for workers' compensation, general liability and auto liability.

Derivatives

The Company uses derivatives for hedging purposes to manage its exposure to changes in interest and currency exchange rates, as well as to maintain an appropriate mix of fixed- and variable-rate debt. Use of derivatives in hedging programs subjects the Company to certain risks, such as market and credit risks. The Company may be exposed to credit-related losses in the event of nonperformance by its counterparties to derivatives. Credit risk is monitored through established approval procedures, including setting concentration limits by counterparty, reviewing credit ratings and requiring collateral from the counterparty. The Company enters into derivatives with counterparties rated generally "A-" or better by nationally recognized credit rating agencies. The Company is subject to master netting arrangements which provides set-off and close-out netting of exposures with counterparties, but the Company does not offset derivative assets and liabilities in its Consolidated Balance Sheets. The Company's collateral arrangements require the counterparty in a net liability position in excess of pre-determined thresholds, after considering the effects of netting arrangements, to pledge cash collateral. Cash collateral received from counterparties and cash collateral provided to counterparties under these arrangements was not significant as of January 31, 2022 and 2021.

In order to qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge. If a derivative is recorded using hedge accounting, depending on the nature of the hedge, derivative gains and losses are recorded through the same financial statement line item in earnings or are recognized in accumulated other comprehensive loss until the hedged item is recognized in earnings. Derivatives that do not meet the criteria for hedge accounting, or contracts for which the Company has not elected hedge accounting, are recorded at fair value with unrealized gains or losses reported in earnings. Derivatives with an unrealized gain are recorded in the Company's Consolidated Balance Sheets as either current or non-current assets, based on maturity date, and derivatives with an unrealized loss are recorded as either current or non-current liabilities, based on maturity date. Refer to [Note 8](#) for the presentation of the Company's derivative assets and liabilities.

Fair Value Hedges

The Company is a party to receive fixed-rate, pay variable-rate interest rate swaps that the Company uses to hedge the fair value of fixed-rate debt. All interest rate swaps designated as fair value hedges of the related long-term debt meet the shortcut method requirements under U.S. GAAP. Accordingly, changes in the fair values of these interest rate swaps are considered to exactly offset changes in the fair value of the underlying long-term debt. These derivatives will mature on dates ranging from April 2023 to September 2031.

Cash Flow Hedges

The Company is a party to receive fixed-rate, pay fixed-rate cross currency interest rate swaps used to hedge the currency exposure associated with the forecasted payments of principal and interest of certain non-U.S. denominated debt. The Company records changes in the fair value of these swaps in accumulated other comprehensive loss which is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. These derivatives will mature on dates ranging from April 2022 to January 2039.

Net Investment Hedges

Prior to the divestiture of the Company's operations in the United Kingdom and Japan as discussed in [Note 12](#), the Company was a party to receive fixed-rate, pay fixed-rate cross currency interest rate swaps used to hedge the currency exposure associated with net investments of these foreign operations. Changes in fair value attributable to the hedged risk were recorded in accumulated other comprehensive loss. The Company also previously designated certain foreign currency denominated long-term debt as a hedge of currency exposure associated with the net investment of these divested operations and recorded foreign currency gain or loss associated with designated long-term debt in accumulated other comprehensive loss. Upon closing of the sale of the Company's operations in the U.K. and Japan during the first quarter of fiscal 2022, these amounts were released from accumulated other comprehensive loss as discussed in [Note 4](#). As of January 31, 2021, the Company had \$3.3 billion of outstanding long-term debt designated as net investment hedges.

Income Taxes

Income taxes are accounted for under the balance sheet method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences"). Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date.

Deferred tax assets are evaluated for future realization and reduced by a valuation allowance to the extent that a portion is not more likely than not to be realized. Many factors are considered when assessing whether it is more likely than not that the deferred tax assets will be realized, including recent cumulative earnings, expectations of future taxable income, carryforward periods, and other relevant quantitative and qualitative factors. The recoverability of the deferred tax assets is evaluated by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely on estimates.

In determining the provision for income taxes, an annual effective income tax rate is used based on annual income, permanent differences between book and tax income, and statutory income tax rates. Discrete events such as audit settlements or changes in tax laws are recognized in the period in which they occur.

The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company records interest and penalties related to unrecognized tax benefits in interest expense and operating, selling, general and administrative expenses, respectively, in the Company's Consolidated Statements of Income. Refer to [Note 9](#) for additional income tax disclosures.

Revenue Recognition

Net Sales

The Company recognizes sales revenue, net of sales taxes and estimated sales returns, at the time it sells merchandise or services to the customer. eCommerce sales include shipping revenue and are recorded upon delivery to the customer. Estimated sales returns are calculated based on expected returns.

Membership Fee Revenue

The Company recognizes membership fee revenue both in the U.S. and internationally over the term of the membership, which is typically 12 months. Membership fee revenue was \$2.2 billion for fiscal 2022, \$1.7 billion for fiscal 2021 and \$1.5 billion for fiscal 2020, respectively. Membership fee revenue is included in membership and other income in the Company's Consolidated Statements of Income. Deferred membership fee revenue is included in accrued liabilities in the Company's Consolidated Balance Sheets.

Gift Cards

Customer purchases of gift cards are not recognized as sales until the card is redeemed and the customer purchases merchandise using the gift card. Gift cards in the U.S. and some countries do not carry an expiration date; therefore, customers and members can redeem their gift cards for merchandise and services indefinitely. Gift cards in some countries where the Company does business have expiration dates. While gift cards are generally redeemed within 12 months, a certain number of gift cards, both with and without expiration dates, will not be fully redeemed.

Management estimates unredeemed balances and recognizes revenue for these amounts in membership and other income in the Company's Consolidated Statements of Income over the expected redemption period.

Financial and Other Services

The Company recognizes revenue from service transactions at the time the service is performed. Generally, revenue from services is classified as a component of net sales in the Company's Consolidated Statements of Income.

Cost of Sales

Cost of sales includes actual product cost, the cost of transportation to the Company's distribution facilities, stores and clubs from suppliers, the cost of transportation from the Company's distribution facilities to the stores, clubs and customers and the cost of warehousing for the Sam's Club segment and import distribution centers. Cost of sales is reduced by supplier payments that are not a reimbursement of specific, incremental and identifiable costs.

Payments from Suppliers

The Company receives consideration from suppliers for various programs, primarily volume incentives, warehouse allowances and reimbursements for specific programs such as markdowns, margin protection, advertising and supplier-specific fixtures. Payments from suppliers are accounted for as a reduction of cost of sales, except in certain limited situations when the payment is a reimbursement of specific, incremental and identifiable costs, and are recognized in the Company's Consolidated Statements of Income when the related inventory is sold.

Operating, Selling, General and Administrative Expenses

Operating, selling, general and administrative expenses include all operating costs of the Company, except cost of sales, as described above. As a result, the majority of the cost of warehousing and occupancy for the Walmart U.S. and Walmart International segments' distribution facilities is included in operating, selling, general and administrative expenses. Because the Company only includes a portion of the cost of its Walmart U.S. and Walmart International segments' distribution facilities in cost of sales, its gross profit and gross profit as a percentage of net sales may not be comparable to those of other retailers that may include all costs related to their distribution facilities in cost of sales and in the calculation of gross profit.

Advertising Costs

Advertising costs are expensed as incurred, consist primarily of digital, television and print advertisements and are recorded in operating, selling, general and administrative expenses in the Company's Consolidated Statements of Income. Advertising costs were \$3.9 billion, \$3.2 billion and \$3.7 billion for fiscal 2022, 2021 and 2020, respectively.

Currency Translation

The assets and liabilities of all international subsidiaries are translated from the respective local currency to the U.S. dollar using exchange rates at the balance sheet date. Related translation adjustments are recorded as a component of accumulated other comprehensive loss. The Company's Consolidated Statements of Income of all international subsidiaries are translated from the respective local currencies to the U.S. dollar using average exchange rates for the period covered by the income statements.

Note 2. Net Income Per Common Share

Basic net income per common share attributable to Walmart is based on the weighted-average common shares outstanding during the relevant period. Diluted net income per common share attributable to Walmart is based on the weighted-average common shares outstanding during the relevant period adjusted for the dilutive effect of share-based awards. The Company did not have significant share-based awards outstanding that were antidilutive and not included in the calculation of diluted net income per common share attributable to Walmart for fiscal 2022, 2021 and 2020.

The following table provides a reconciliation of the numerators and denominators used to determine basic and diluted net income per common share attributable to Walmart:

	Fiscal Years Ended January 31,		
	2022	2021	2020
<i>(Amounts in millions, except per share data)</i>			
Numerator			
Consolidated net income	\$ 13,940	\$ 13,706	\$ 15,201
Consolidated net income attributable to noncontrolling interest	(267)	(196)	(320)
Consolidated net income attributable to Walmart	<u>\$ 13,673</u>	<u>\$ 13,510</u>	<u>\$ 14,881</u>
Denominator			
Weighted-average common shares outstanding, basic	2,792	2,831	2,850
Dilutive impact of stock options and other share-based awards	13	16	18
Weighted-average common shares outstanding, diluted	<u>2,805</u>	<u>2,847</u>	<u>2,868</u>
Net income per common share attributable to Walmart			
Basic	\$ 4.90	\$ 4.77	\$ 5.22
Diluted	4.87	4.75	5.19

Note 3. Shareholders' Equity

The total authorized shares of \$0.10 par value common stock is 11.0 billion, of which 2.8 billion were issued and outstanding as of January 31, 2022 and 2021.

Sale of Subsidiary Stock

During fiscal 2022, the Company received \$3.2 billion primarily related to a new equity funding for the Company's majority-owned Flipkart subsidiary, which reduced the Company's ownership from approximately 83% as of January 31, 2021 to approximately 75%.

Share-Based Compensation

The Company has awarded share-based compensation to associates and nonemployee directors of the Company. The compensation expense recognized for all stock incentive plans, including expense associated with plans of the Company's consolidated subsidiaries granted in the subsidiaries' respective stock, was \$1.2 billion, \$1.2 billion and \$0.9 billion for fiscal 2022, 2021 and 2020, respectively. Share-based compensation expense is generally included in operating, selling, general and administrative expenses in the Company's Consolidated Statements of Income. The total income tax benefit recognized for share-based compensation was \$0.3 billion, \$0.3 billion and \$0.2 billion for fiscal 2022, 2021 and 2020, respectively. The following table summarizes the Company's share-based compensation expense by award type for all plans:

(Amounts in millions)	Fiscal Years Ended Janu	
	2022	2021
Restricted stock units	\$ 659	\$ 742
Restricted stock and performance-based restricted stock units	321	277
Other	183	150
Share-based compensation expense	\$ 1,163	\$ 1,169

The Walmart Inc. Stock Incentive Plan of 2015 (the "Plan"), as subsequently amended and restated, was established to grant stock options, restricted (non-vested) stock, restricted stock units, performance share units and other equity compensation awards for which 260 million shares of Walmart common stock issued or to be issued under the Plan have been registered under the Securities Act of 1933. The Company believes that such awards serve to align the interests of its associates with those of its shareholders.

The Plan's award types are summarized as follows:

- **Restricted Stock Units.** Restricted stock units provide rights to Company stock after a specified service period. Beginning in fiscal 2020, restricted stock units generally vest at a rate of 25% each year over a four year period from the date of the grant. Prior to fiscal 2020, 50% of restricted stock units generally vested three years from the grant date and the remaining 50% were vested five years from the grant date. The fair value of each restricted stock unit is determined on the date of grant using the stock price discounted for the expected dividend yield through the vesting period and is recognized ratably over the vesting period. The expected dividend yield is based on the anticipated dividends over the vesting period. The weighted-average discount for the dividend yield used to determine the fair value of restricted stock units granted in fiscal 2022, 2021 and 2020 was 3.8%, 4.4% and 4.9%, respectively.
- **Restricted Stock and Performance-based Restricted Stock Units.** Restricted stock awards are for shares that vest based on the passage of time and include restrictions related to employment. Performance-based restricted stock units vest based on the passage of time and achievement of performance criteria and generally range from 0% to 150% of the original award amount. Vesting periods for these awards are generally between one and three years. Restricted stock and performance-based restricted stock units may be settled or deferred in stock and are accounted for as equity in the Company's Consolidated Balance Sheets. The fair value of restricted stock awards is determined on the date of grant and is expensed ratably over the vesting period. The fair value of performance-based restricted stock units is determined on the date of grant using the Company's stock price discounted for the expected dividend yield through the vesting period and is recognized over the vesting period. The weighted-average discount for the dividend yield used to determine the fair value of performance-based restricted stock units in fiscal 2022, 2021 and 2020 was 4.2%, 4.5% and 5.1%, respectively.

In addition to the Plan, Flipkart has certain share-based compensation plans for associates under which options to acquire Flipkart common shares may be issued. Share-based compensation expense associated with these plans is included in the Other line in the table above.

The following table shows the activity for restricted stock units and restricted stock and performance-based restricted stock units during fiscal 2022:

	Restricted Stock Units		Restricted Stock and Performance-based Restricted Stock Units	
	Shares	Weighted-Average Grant-Date Fair Value Per Share	Shares	Weighted-Average Grant-Date Fair Value Per Share
<i>(Shares in thousands)</i>				
Outstanding as of February 1, 2021	19,900	\$ 92.13	5,413	\$ 108.72
Granted	8,219	131.90	3,057	135.48
Adjustment for performance achievement ⁽¹⁾	—	—	920	107.67
Vested/exercised	(8,051)	85.21	(2,614)	100.30
Forfeited	(2,785)	110.65	(636)	110.95
Outstanding as of January 31, 2022	17,283	\$ 111.42	6,140	\$ 125.25

⁽¹⁾ Represents the adjustment to previously granted performance share units for performance achievement.

The following table includes additional information related to restricted stock units and restricted stock and performance-based restricted stock units:

	Fiscal Years Ended January 31,		
	2022	2021	2020
<i>(Amounts in millions, except years)</i>			
Fair value of restricted stock units vested	\$ 703	\$ 597	\$ 442
Fair value of restricted stock and performance-based restricted stock units vested	264	275	365
Unrecognized compensation cost for restricted stock units	1,102	1,062	1,096
Unrecognized compensation cost for restricted stock and performance-based restricted stock units	417	344	326
Weighted average remaining period to expense for restricted stock units (years)	1.2	1.1	1.3
Weighted average remaining period to expense for restricted stock and performance-based restricted stock units (years)	1.5	1.4	1.4

Share Repurchase Program

From time to time, the Company repurchases shares of its common stock under share repurchase programs authorized by the Company's Board of Directors. All repurchases made prior to February 22, 2021 were made under the plan in effect at the beginning of fiscal 2022. On February 18, 2021, the Board of Directors approved a new \$20.0 billion share repurchase program which has no expiration date or other restrictions limiting the period over which the Company can make repurchases, and beginning February 22, 2021, replaced the previous share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status.

The Company regularly reviews share repurchase activity and considers several factors in determining when to execute share repurchases, including, among other things, current cash needs, capacity for leverage, cost of borrowings, results of operations and the market price of the Company's common stock. The following table provides, on a settlement date basis, the number of shares repurchased, average price paid per share and total amount paid for share repurchases for fiscal 2022, 2021 and 2020:

	Fiscal Years Ended January 31,		
	2022	2021	2020
<i>(Amounts in millions, except per share data)</i>			
Total number of shares repurchased	69.7	19.4	53.9
Average price paid per share	\$ 140.45	\$ 135.20	\$ 105.98
Total cash paid for share repurchases	\$ 9,787	\$ 2,625	\$ 5,717

Note 4. Accumulated Other Comprehensive Loss

The following table provides the changes in the composition of total accumulated other comprehensive loss for fiscal 2022, 2021 and 2020:

<i>(Amounts in millions and net of immaterial income taxes)</i>	Currency Translation and Other	Net Investment Hedges	Cash Flow Hedges	Minimum Pension Liability	Total
Balances as of February 1, 2019	\$ (12,085)	\$ 1,395	\$ (140)	\$ (712)	\$ (11,542)
Other comprehensive income (loss) before reclassifications, net ⁽¹⁾	281	122	(399)	(1,283)	(1,279)
Reclassifications to income, net	(23)	—	—	39	16
Balances as of January 31, 2020	(11,827)	1,517	(539)	(1,956)	(12,805)
Other comprehensive income (loss) before reclassifications, net	214	(221)	186	(172)	7
Reclassifications to income, net ⁽²⁾	841	—	49	142	1,032
Balances as of January 31, 2021	(10,772)	1,296	(304)	(1,986)	(11,766)
Other comprehensive loss before reclassifications, net	(586)	(7)	(540)	—	(1,133)
Reclassifications related to business dispositions, net ⁽³⁾	3,258	(1,195)	30	1,966	4,059
Reclassifications to income, net	—	—	66	8	74
Balances as of January 31, 2022	\$ (8,100)	\$ 94	\$ (748)	\$ (12)	\$ (8,766)

⁽¹⁾ Primarily includes the remeasurement of Asda Group Limited's ("Asda") pension benefit obligation subsequent to the cash contribution made by Asda in fiscal 2020. Refer to [Note 11](#).

⁽²⁾ Includes a cumulative foreign currency translation loss of \$0.8 billion, for which there was no related income taxes, upon sale of the majority stake in Walmart Argentina. Refer to [Note 12](#).

⁽³⁾ Upon closing of the sale of the Company's operations in the U.K. and Japan during the first quarter of fiscal 2022, these amounts were released from accumulated other comprehensive loss, the majority of which was considered in the impairment evaluation when the individual disposal groups met the held for sale classification in fiscal 2021.

Amounts reclassified from accumulated other comprehensive loss for derivatives are recorded in interest, net, in the Company's Consolidated Statements of Income, and the amounts for the minimum pension liability, as well as the cumulative translation resulting from the disposition of a business, are recorded in other gains and losses in the Company's Consolidated Statements of Income.

Note 5. Accrued Liabilities

The Company's accrued liabilities consist of the following as of January 31, 2022 and 2021:

<i>(Amounts in millions)</i>	January 31,	
	2022	2021
Accrued wages and benefits ⁽¹⁾	7,908	7,654
Self-insurance ⁽²⁾	4,652	4,698
Accrued non-income taxes ⁽³⁾	3,247	3,328
Deferred gift card revenue	2,559	2,310
Liabilities held for sale ⁽⁴⁾	21	12,734
Other ⁽⁵⁾	7,673	7,242
Total accrued liabilities	\$ 26,060	\$ 37,966

⁽¹⁾ Accrued wages and benefits include accrued wages, salaries, vacation, bonuses and other incentive plans.

⁽²⁾ Self-insurance consists of insurance-related liabilities, such as workers' compensation, general liability, auto liability, product liability and certain employee-related healthcare benefits.

⁽³⁾ Accrued non-income taxes include accrued payroll, property, value-added, sales and miscellaneous other taxes.

⁽⁴⁾ Liabilities held for sale as of January 31, 2021 relate to the Company's operations in Japan and the U.K. classified as held for sale. See [Note 12](#).

⁽⁵⁾ Other accrued liabilities includes items such as deferred membership revenue, interest, advertising, maintenance & utilities, and supply chain.

Note 6. Short-term Borrowings and Long-term Debt

Short-term borrowings consist of commercial paper and lines of credit. Short-term borrowings as of January 31, 2022 and 2021 were \$0.4 billion and \$0.2 billion, respectively, with weighted-average interest rates of 2.9% and 1.9%, respectively.

The Company has various committed lines of credit in the U.S. to support its commercial paper program and are summarized in the following table:

(Amounts in millions)	January 31, 2022			January 31, 2021		
	Available	Drawn	Undrawn	Available	Drawn	Undrawn
Five-year credit facility ⁽¹⁾	\$ 5,000	\$ —	\$ 5,000	\$ 5,000	\$ —	\$ 5,000
364-day revolving credit facility ⁽¹⁾	10,000	—	10,000	10,000	—	10,000
Total	\$ 15,000	\$ —	\$ 15,000	\$ 15,000	\$ —	\$ 15,000

⁽¹⁾ In April 2021, the Company renewed and extended its existing 364-day revolving credit facility as well as its five year credit facility.

The committed lines of credit in the table above mature in April 2022 and April 2026, carry interest rates of LIBOR plus 50 basis points, and incur commitment fees ranging between 1.5 and 4.0 basis points. In conjunction with the committed lines of credit listed in the table above, the Company has agreed to observe certain covenants, the most restrictive of which relates to the maximum amount of secured debt. Additionally, the Company has syndicated and fronted letters of credit available which totaled \$1.8 billion as of January 31, 2022 and 2021, of which \$1.7 billion and \$1.8 billion was drawn as of January 31, 2022 and 2021, respectively.

The Company's long-term debt, which includes the fair value instruments further discussed in [Note 8](#), consists of the following as of January 31, 2022 and 2021:

(Amounts in millions)	January 31, 2022			January 31, 2021	
	Maturity Dates By Fiscal Year	Amount	Average Rate ⁽¹⁾	Amount	Average Rate ⁽¹⁾
Unsecured debt					
Fixed	2023 - 2052	\$ 29,957	3.5%	\$ 35,216	3.9%
Variable		—		750	0.5%
Total U.S. dollar denominated		29,957		35,966	
Fixed	2023 - 2030	2,787	3.3%	3,034	3.3%
Variable		—		—	
Total Euro denominated		2,787		3,034	
Fixed	2031 - 2039	3,601	5.4%	3,682	5.4%
Variable		—		—	
Total Sterling denominated		3,601		3,682	
Fixed	2023 - 2028	1,475	0.3%	1,624	0.3%
Variable		—		—	
Total Yen denominated		1,475		1,624	
Total unsecured debt		37,820		44,306	
Total other⁽²⁾		(153)		3	
Total debt		37,667		44,309	
Less amounts due within one year		(2,803)		(3,115)	
Long-term debt		\$ 34,864		\$ 41,194	

⁽¹⁾ The average rate represents the weighted-average stated rate for each corresponding debt category, based on year-end balances and year-end interest rates.

⁽²⁾ Includes deferred loan costs, discounts, fair value hedges, foreign-held debt and secured debt.

Annual maturities of long-term debt during the next five years and thereafter are as follows:

(Amounts in millions)

Fiscal Year	Annual Maturities
2023	\$ 2,803
2024	4,224
2025	3,565
2026	857
2027	2,757
Thereafter	23,461
Total	\$ 37,667

Debt Issuances

Information on significant long-term debt issued during fiscal 2022, for general corporate purposes and certain eligible green investment initiatives, is as follows:

(Amounts in millions)

Issue Date	Principal Amount	Maturity Date	Fixed vs. Floating	Interest Rate	Net Proceeds
September 17, 2021	\$1,250	September 17, 2026	Fixed	1.050%	\$ 1,243
September 22, 2021	\$1,250	September 22, 2028	Fixed	1.500%	1,244
September 22, 2021 ⁽¹⁾	\$2,000	September 22, 2031	Fixed	1.800%	1,981
September 22, 2021	\$1,000	September 22, 2041	Fixed	2.500%	994
September 22, 2021	\$1,500	September 22, 2051	Fixed	2.650%	1,483
Total					<u>\$ 6,945</u>

⁽¹⁾ Represents a green bond issuance for which an amount equal to the net proceeds is intended to fund certain eligible green investment initiatives through the maturity date of the bond.

These issuances are senior, unsecured notes which rank equally with all other senior, unsecured debt obligations of the Company, and are not convertible or exchangeable. These issuances do not contain any financial covenants which restrict the Company's ability to pay dividends or repurchase company stock. There were no long-term debt issuances in fiscal 2021.

Maturities and Extinguishments

The following table provides details of debt repayments during fiscal 2022:

(Amounts in millions)

Maturity Date	Principal Amount	Fixed vs. Floating	Interest Rate	Repayment
April 15, 2021	\$510	Fixed	4.250%	\$ 510
June 23, 2021	\$750	Floating	Floating	750
June 23, 2021	\$1,750	Fixed	3.125%	1,750
Total repayment of matured debt				3,010
June 26, 2023	\$2,750	Fixed	3.400%	470
October 15, 2023	\$152	Fixed	6.750%	2
July 8, 2024	\$1,500	Fixed	2.850%	510
December 15, 2024	\$1,000	Fixed	2.650%	370
June 26, 2025	\$1,500	Fixed	3.550%	625
July 8, 2026	\$1,250	Fixed	3.050%	451
April 5, 2027	\$483	Fixed	5.875%	110
June 26, 2028	\$2,750	Fixed	3.700%	1,271
July 8, 2029	\$1,250	Fixed	3.250%	517
September 24, 2029	\$500	Fixed	2.375%	181
February 15, 2030	\$588	Fixed	7.550%	119
September 1, 2035	\$1,968	Fixed	5.250%	635
August 15, 2037	\$1,300	Fixed	6.500%	262
April 15, 2038	\$919	Fixed	6.200%	116
June 28, 2038	\$1,500	Fixed	3.950%	925
April 1, 2040	\$751	Fixed	5.625%	142
July 8, 2040	\$378	Fixed	4.875%	101
October 25, 2040	\$519	Fixed	5.000%	125
April 15, 2041	\$918	Fixed	5.625%	305
April 11, 2043	\$709	Fixed	4.000%	296
October 2, 2043	\$269	Fixed	4.750%	38
April 22, 2044	\$502	Fixed	4.300%	172
December 15, 2047	\$1,000	Fixed	3.625%	566
June 29, 2048	\$3,000	Fixed	4.050%	1,317
September 24, 2049	\$1,000	Fixed	2.950%	371
Total repayment of extinguished debt⁽¹⁾				10,000
Total				<u>\$ 13,010</u>

⁽¹⁾ Represents portion of the outstanding principal amount which was repaid during fiscal 2022. Individual repayment amounts may not sum due to rounding.

The Company recorded a \$2.4 billion loss on extinguishment of debt during fiscal 2022, which included payment of \$2.3 billion in early extinguishment premiums.

The following table provides details of debt repayments during fiscal 2021:

(Amounts in millions)

Maturity Date	Principal Amount	Fixed vs. Floating	Interest Rate	Repayment
June 23, 2020	\$750	Floating	Floating	\$ 750
June 23, 2020	\$1,250	Fixed	2.850%	1,250
July 8, 2020	\$840	Fixed	3.630%	840
July 28, 2020	¥10,000	Fixed	1.600%	95
October 25, 2020	\$1,197	Fixed	3.250%	1,197
December 15, 2020	\$1,250	Fixed	1.900%	1,250
Total repayment of matured debt				\$ 5,382

Note 7. Leases

The Company leases certain retail locations, distribution and fulfillment centers, warehouses, office spaces, land and equipment throughout the U.S. and internationally. The Company's lease costs recognized in the Consolidated Statement of Income consist of the following:

(Amounts in millions)	Fiscal years ended January 31,		
	2022	2021	2020
Operating lease cost	\$ 2,274	\$ 2,626	\$ 2,670
Finance lease cost:			
Amortization of right-of-use assets	565	583	480
Interest on lease obligations	232	298	306
Variable lease cost	823	777	691

Other lease information is as follows:

(Amounts in millions)	Fiscal years ended January 31,		
	2022	2021	2020
Cash paid for amounts included in measurement of lease obligations:			
Operating cash flows from operating leases	\$ 2,234	2,629	2,614
Operating cash flows from finance leases	225	286	278
Financing cash flows from finance leases	538	546	485
Assets obtained in exchange for operating lease obligations	1,816	2,131	2,151
Assets obtained in exchange for finance lease obligations	1,044	1,547	1,081

	As of January 31,	
	2022	2021
Weighted-average remaining lease term - operating leases	12.2 years	12.5 years
Weighted-average remaining lease term - finance leases	13.4 years	13.7 years
Weighted-average discount rate - operating leases	5.9%	6.1%
Weighted-average discount rate - finance leases	6.5%	6.8%

The aggregate annual lease obligations at January 31, 2022, are as follows:

(Amounts in millions)

Fiscal Year	Operating Leases	Finance Leases
2023	\$ 2,164	\$ 736
2024	2,040	675
2025	1,876	611
2026	1,713	555
2027	1,551	482
Thereafter	11,322	4,987
Total undiscounted lease obligations	20,666	8,046
Less imputed interest	(6,174)	(3,292)
Net lease obligations	\$ 14,492	\$ 4,754

Note 8. Fair Value Measurements

Assets and liabilities recorded at fair value are measured using the fair value hierarchy, which prioritizes the inputs used in measuring fair value. The levels of the fair value hierarchy are:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3: unobservable inputs for which little or no market data exists, therefore requiring the Company to develop its own assumptions.

As described in [Note 1](#), the Company measures the fair value of certain equity investments on a recurring basis in the accompanying Consolidated Balance Sheets. The fair values of the Company's equity investments measured on a recurring basis are as follows:

	Fair Value as of January 31, 2022	Fair Value as of January 31, 2021
(Amounts in millions)		
Equity investments measured using Level 1 inputs	\$ 6,069	\$ 6,517
Equity investments measured using Level 2 inputs	5,819	7,905
Total	\$ 11,888	\$ 14,422

Derivatives

The Company also has derivatives recorded at fair value. Derivative fair values are the estimated amounts the Company would receive or pay upon termination of the related derivative agreements as of the reporting dates. The fair values have been measured using the income approach and Level 2 inputs, which include the relevant interest rate and foreign currency forward curves. As of January 31, 2022 and January 31, 2021, the notional amounts and fair values of these derivatives were as follows:

	January 31, 2022		January 31, 2021	
(Amounts in millions)	Notional Amount	Fair Value	Notional Amount	Fair Value
Receive fixed-rate, pay variable-rate interest rate swaps designated as fair value hedges	\$ 8,021	\$ (47) ⁽¹⁾	\$ 3,250	\$ 166 ⁽²⁾
Receive fixed-rate, pay fixed-rate cross-currency swaps designated as net investment hedges	—	—	1,250	311 ⁽²⁾
Receive fixed-rate, pay fixed-rate cross-currency swaps designated as cash flow hedges	7,855	(1,048) ⁽¹⁾	5,073	(394) ⁽¹⁾
Total	\$ 15,876	\$ (1,095)	\$ 9,573	\$ 83

⁽¹⁾ Primarily classified in deferred income taxes and other in the Company's Consolidated Balance Sheets.

⁽²⁾ Primarily classified in other long-term assets in the Company's Consolidated Balance Sheets.

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company's assets and liabilities are also subject to nonrecurring fair value measurements. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges.

Upon completing the sales of Asda in February 2021 and Seiyu in March 2021, the Company recorded incremental non-recurring impairment charges of \$0.4 billion in the first quarter of fiscal 2022 within other gains and losses in the Consolidated Statements of Income. Refer to [Note 12](#). The Company did not have other material assets or liabilities resulting in nonrecurring fair value measurements as of January 31, 2022.

For the fiscal year ended January 31, 2021, the Company's operations in Argentina, Japan and the U.K. met the held for sale criteria in fiscal 2021, as further discussed in [Note 12](#). As a result, the individual disposal groups were measured at fair value, less costs to sell, which is considered a Level 3 fair value measurement based on each transaction's expected consideration. The carrying value of the Argentina, Japan and U.K. disposal groups exceeded their fair value, less costs to sell, and as a result, the Company recognized non-recurring impairment charges. The aggregate pre-tax loss of \$8.3 billion associated with the divestiture of these operations in the Walmart International

segment was recorded in other gains and losses in the Consolidated Statements of Income for the year ended January 31, 2021 and included these impairment charges as well as a \$2.3 billion charge related to the Asda pension plan. These impairment charges included the anticipated release of non-cash cumulative foreign currency translation losses associated with the disposal groups. Other impairment charges for assets measured at fair value on a nonrecurring basis during fiscal 2021 were immaterial.

For the fiscal year ended January 31, 2020, the Company recorded impairment charges related to assets measured at fair value on a non-recurring basis primarily related to the following:

- in the Walmart U.S. segment, \$0.5 billion in impairment charges for impaired assets consisting primarily of trade names and acquired developed software due to strategic decisions that resulted in the write-down of certain eCommerce assets; and
- in the Walmart International segment, \$0.4 billion in impairment charges consisting primarily of the write-off of the carrying value of one of Flipkart's two fashion trade names, Jabong.com, as a result of a strategic decision to focus on the Myntra.com fashion platform.

These impairment charges were classified in operating, selling, general and administrative expenses in the Company's Consolidated Statements of Income. Other impairment charges for assets measured at fair value on a nonrecurring basis during fiscal 2020 were immaterial.

Other Fair Value Disclosures

The Company records cash and cash equivalents, restricted cash and short-term borrowings at cost. The carrying values of these instruments approximate their fair value due to their short-term maturities.

The Company's long-term debt is also recorded at cost. The fair value is estimated using Level 2 inputs based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. The carrying value and fair value of the Company's long-term debt as of January 31, 2022 and 2021, are as follows:

(Amounts in millions)	January 31, 2022		January 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including amounts due within one year	\$ 37,667	\$ 42,381	\$ 44,309	\$ 54,240

Note 9. Taxes

The components of income before income taxes are as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2022	2021	2020
U.S.	\$ 15,536	\$ 18,068	\$ 15,019
Non-U.S.	3,160	2,496	5,097
Total income before income taxes	\$ 18,696	\$ 20,564	\$ 20,116

A summary of the provision for income taxes is as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2022	2021	2020
Current:			
U.S. federal	\$ 3,313	\$ 2,991	\$ 2,794
U.S. state and local	649	742	587
International	1,553	1,127	1,205
Total current tax provision	5,515	4,860	4,586
Deferred:			
U.S. federal	(671)	2,316	663
U.S. state and local	41	23	35
International	(129)	(341)	(369)
Total deferred tax expense (benefit)	(759)	1,998	329
Total provision for income taxes	\$ 4,756	\$ 6,858	\$ 4,915

Effective Income Tax Rate Reconciliation

A reconciliation of the significant differences between the U.S. statutory tax rate and the effective income tax rate on pre-tax income from continuing operations is as follows:

	Fiscal Years Ended January 31,		
	2022	2021	2020
U.S. statutory tax rate	21.0 %	21.0 %	21.0 %
U.S. state income taxes, net of federal income tax benefit	2.8 %	2.9 %	2.2 %
Income taxed outside the U.S.	(1.5)%	(0.1)%	(1.0)%
Disposal and wind-down of certain business operations	0.5 %	7.1 %	— %
Valuation allowance	4.4 %	2.3 %	2.3 %
Net impact of repatriated international earnings	(0.3)%	(0.4)%	0.4 %
Federal tax credits	(1.1)%	(0.9)%	(0.8)%
Enacted change in tax laws	— %	— %	(1.9)%
Change in reserve for tax contingencies	0.2 %	0.8 %	2.5 %
Other, net	(0.6)%	0.6 %	(0.3)%
Effective income tax rate	25.4 %	33.3 %	24.4 %

The following sections regarding deferred taxes, unremitted earnings, net operating losses, tax credit carryforwards, valuation allowances and uncertain tax positions exclude amounts related to operations classified as held for sale.

Deferred Taxes

The significant components of the Company's deferred tax account balances are as follows:

(Amounts in millions)	January 31,	
	2022	2021
Deferred tax assets:		
Loss and tax credit carryforwards	\$ 9,456	\$ 9,179
Accrued liabilities	2,752	2,582
Share-based compensation	231	224
Lease obligations	4,320	4,450
Other	893	589
Total deferred tax assets	17,652	17,024
Valuation allowances	(9,542)	(8,782)
Deferred tax assets, net of valuation allowances	8,110	8,242
Deferred tax liabilities:		
Property and equipment	4,414	4,802
Acquired intangibles	1,065	1,071
Inventory	1,588	1,235
Lease right of use assets	4,355	4,390
Mark-to-market investments	1,825	2,678
Other	307	675
Total deferred tax liabilities	13,554	14,851
Net deferred tax liabilities	\$ 5,444	\$ 6,609

The deferred taxes noted above are classified as follows in the Company's Consolidated Balance Sheets:

	January 31,	
	2022	2021
<i>(Amounts in millions)</i>		
Balance Sheet classification		
Assets:		
Other long-term assets	\$ 1,473	\$ 1,836
Liabilities:		
Deferred income taxes and other	6,917	8,445
Net deferred tax liabilities	<u>\$ 5,444</u>	<u>\$ 6,609</u>

Unremitted Earnings

Prior to the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), the Company asserted that all unremitted earnings of its foreign subsidiaries were considered indefinitely reinvested. As a result of the Tax Act, the Company reported and paid U.S. tax on the majority of its previously unremitted foreign earnings, and repatriations of foreign earnings will generally be free of U.S. federal tax, but may incur other taxes such as withholding or state taxes. As of January 31, 2022, the Company has not recorded approximately \$3 billion of deferred tax liabilities associated with remaining unremitted foreign earnings considered indefinitely reinvested, for which U.S. and foreign income and withholding taxes would be due upon repatriation.

Net Operating Losses, Tax Credit Carryforwards and Valuation Allowances

As of January 31, 2022, the Company's net operating loss and capital loss carryforwards totaled approximately \$39.3 billion. Of these carryforwards, approximately \$26.6 billion will expire, if not utilized, in various years through 2042. The remaining carryforwards have no expiration.

The recoverability of these future tax deductions and credits is evaluated by assessing the adequacy of future expected taxable income from all sources, including taxable income in prior carryback years, reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. To the extent the Company does not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is generally established. To the extent that a valuation allowance was established and it is subsequently determined that it is more likely than not that the deferred tax assets will be recovered, the change in the valuation allowance is recognized in the Consolidated Statements of Income.

The Company had valuation allowances of \$9.5 billion and \$8.8 billion as of January 31, 2022 and 2021, respectively, on deferred tax assets associated primarily with the net operating loss carryforwards. Activity in the valuation allowance during fiscal 2022 related to valuation allowance builds in multiple markets, as well as releases due to the expiration of underlying deferred tax assets.

Uncertain Tax Positions

The benefits of uncertain tax positions are recorded in the Company's Consolidated Financial Statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities.

As of January 31, 2022 and 2021, the amount of gross unrecognized tax benefits related to continuing operations was \$3.2 billion and \$3.1 billion, respectively. The amount of unrecognized tax benefits that would affect the Company's effective income tax rate was \$1.8 billion and \$1.7 billion as of January 31, 2022 and 2021, respectively.

A reconciliation of gross unrecognized tax benefits from continuing operations is as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2022	2021	2020
Gross unrecognized tax benefits, beginning of year	\$ 3,135	\$ 1,817	\$ 1,305
Increases related to prior year tax positions	170	92	516
Decreases related to prior year tax positions	(97)	(264)	(15)
Increases related to current year tax positions	75	1,582	66
Settlements during the period	(5)	(64)	(29)
Lapse in statutes of limitations	(33)	(28)	(26)
Gross unrecognized tax benefits, end of year	<u>\$ 3,245</u>	<u>\$ 3,135</u>	<u>\$ 1,817</u>

The Company classifies interest and penalties related to uncertain tax benefits as interest expense and as operating, selling, general and administrative expenses, respectively. Interest expense and penalties related to these positions were immaterial for fiscal 2022, 2021 and 2020. During the next twelve months, it is reasonably possible that tax audit resolutions could reduce unrecognized tax benefits by an immaterial amount, either because the tax positions are sustained on audit or because the Company agrees to their disallowance. The Company is focused on resolving tax audits as expeditiously as possible. As a result of these efforts, unrecognized tax benefits could potentially be reduced beyond the provided range during the next twelve months. The Company does not expect any change to have a material impact to its Consolidated Financial Statements.

The Company remains subject to income tax examinations for its U.S. federal income taxes generally for fiscal 2014, and 2018 through 2022. The Company also remains subject to income tax examinations for international income taxes for fiscal 2013 through 2022, and for U.S. state and local income taxes generally for the fiscal years ended 2013 through 2022. With few exceptions, the Company is no longer subject to U.S. federal, state, local, or foreign examinations by tax authorities for years before fiscal 2013.

Other Taxes

The Company is subject to tax examinations for value added, sales-based, payroll and other non-income taxes. A number of these examinations are ongoing in various jurisdictions. In certain cases, the Company has received assessments and judgments from the respective taxing authorities in connection with these examinations. Unless otherwise indicated, the possible losses or range of possible losses associated with these matters are individually immaterial, but a group of related matters, if decided adversely to the Company, could result in a liability material to the Company's Consolidated Financial Statements.

Note 10. Contingencies

Legal Proceedings

The Company is involved in a number of legal proceedings and certain regulatory matters. The Company has made accruals with respect to these matters, where appropriate, which are reflected in the Company's Consolidated Financial Statements. For some matters, a liability is not probable or the amount cannot be reasonably estimated and therefore an accrual has not been made. However, where a liability is reasonably possible and may be material, such matters have been disclosed. The Company may enter into discussions regarding settlement of these matters, and may enter into settlement agreements, if it believes settlement is in the best interest of the Company and its shareholders.

Unless stated otherwise, the matters discussed below, if decided adversely to or settled by the Company, individually or in the aggregate, may result in a liability material to the Company's financial position, results of operations or cash flows.

Opioids Litigation

In December 2017, the United States Judicial Panel on Multidistrict Litigation consolidated numerous lawsuits filed against a wide array of defendants by various plaintiffs, including counties, cities, healthcare providers, Native American tribes, individuals, and third-party payers, asserting claims generally concerning the impacts of widespread opioid abuse. The consolidated multidistrict litigation is entitled *In re National Prescription Opiate Litigation* (MDL No. 2804) (the "MDL") and is pending in the U.S. District Court for the Northern District of Ohio. The Company is named as a defendant in some of the cases included in this multidistrict litigation. The liability phase of a trial in one of the MDL cases began on October 4, 2021 against a number of parties, including the Company, regarding opioid dispensing claims. On November 23, 2021, the jury found in favor of the plaintiffs as to the liability of all defendants, including the Company. The abatement phase of the trial, which will determine amounts owed by the defendants, is currently scheduled to begin on May 10, 2022. The Company intends to appeal the jury verdict from the liability phase upon completion of the abatement phase of the trial.

Similar cases that name the Company have also been filed in state courts by state, local and tribal governments, health care providers and other plaintiffs. Plaintiffs are seeking compensatory and punitive damages, as well as injunctive relief including abatement. The Company cannot predict the number of such claims that may be filed, but believes it has substantial factual and legal defenses to these claims, and intends to defend the claims vigorously. The Company has also been responding to subpoenas, information requests and investigations from governmental entities related to nationwide controlled substance dispensing and distribution practices involving opioids.

On October 22, 2020, the Company filed a declaratory judgment action in the U.S. District Court for the Eastern District of Texas against the U.S. Department of Justice (the "DOJ") and the U.S. Drug Enforcement Administration, asking a federal court to clarify the roles and responsibilities of pharmacists and pharmacies as to the dispensing and distribution of opioids under the Controlled Substances Act (the "CSA"). The Company's action was dismissed. The Company had appealed this decision to the Fifth Circuit. On December 22, 2021, the Fifth Circuit affirmed the dismissal of the action.

On December 22, 2020, the DOJ filed a civil complaint in the U.S. District Court for the District of Delaware alleging that the Company unlawfully dispensed controlled substances from its pharmacies and unlawfully distributed controlled substances to those pharmacies. The complaint alleges that this conduct resulted in violations of the CSA. The DOJ is seeking civil penalties and injunctive relief. The Company filed a motion to dismiss the DOJ complaint on February 22, 2021. The DOJ filed its opposition brief on April 23, 2021 and the Company filed its reply brief on May 24, 2021. On November 19, 2021, the District Court stayed further proceedings in the DOJ complaint pending the decision of the United States Supreme Court in two consolidated cases (not involving Walmart) interpreting the CSA.

In addition, the Company is the subject of two securities class actions alleging violations of the federal securities laws regarding the Company's disclosures with respect to opioids, filed in the U.S. District Court for the District of Delaware on January 20, 2021 and March 5, 2021 purportedly on behalf of a class of investors who acquired Walmart stock from March 30, 2016 through December 22, 2020. Those cases have been consolidated. On October 8, 2021, the defendants filed a motion to dismiss the consolidated securities action; the lead plaintiff responded to the motion on January 10, 2022; and the defendants filed their reply brief on February 10, 2022. Derivative actions were also filed by two of the Company's shareholders in the U.S. District Court for the District of Delaware on February 9, 2021 and April 16, 2021 alleging breach of fiduciary duties against certain of its current and former directors with respect to oversight of the Company's distribution and dispensing of opioids and also alleging violations of the federal securities laws and other breaches of duty by current directors and two current officers in connection with the Company's opioids disclosures. Those cases have been stayed pending developments in other Opioids

Litigation matters. On September 27, 2021, three shareholders filed a derivative action in the Delaware Court of Chancery alleging that certain members of the current Board and certain former officers breached their fiduciary duties in failing to adequately oversee the Company's prescription opioids business. The defendants filed the opening brief on their motion to dismiss that case on December 21, 2021, and the plaintiffs responded by filing an amended complaint on February 22, 2022.

The Company cannot reasonably estimate any loss or range of loss that may arise from the various Opioids Litigation and intends to vigorously defend these litigation matters. Accordingly, the Company can provide no assurance as to the scope and outcome of these matters and no assurance as to whether its business, financial position, results of operations or cash flows will not be materially adversely affected.

Asda Equal Value Claims

Asda, formerly a subsidiary of the Company, was and still is a defendant in certain equal value claims that began in 2008 and are proceeding before an Employment Tribunal in Manchester in the United Kingdom on behalf of current and former Asda store employees (the "Asda Equal Value Claims"), and further claims may be asserted in the future. Subsequent to the divestiture of Asda in February 2021, the Company will continue to oversee the conduct of the defense of these claims. While potential liability for these claims remains with Asda, the Company has agreed to provide indemnification with respect to these claims up to a contractually determined amount. The Company cannot predict the number of such claims that may be filed, and cannot reasonably estimate any loss or range of loss that may arise related to these proceedings. Accordingly, the Company can provide no assurance as to the scope and outcomes of these matters.

Note 11. Retirement-Related Benefits

The Company offers a 401(k) plan for associates in the U.S. under which eligible associates can begin contributing to the plan immediately upon hire. The Company also offers a 401(k) type plan for associates in Puerto Rico under which associates can begin to contribute generally after one year of employment. Under these plans, after one year of employment, the Company matches 100% of participant contributions up to 6% of annual eligible earnings. The matching contributions immediately vest at 100% for each associate. Participants can contribute up to 50% of their pre-tax earnings, but not more than the statutory limits.

Associates in international countries who are not U.S. citizens are covered by various defined contribution post-employment benefit arrangements. These plans are administered based upon the legislative and tax requirements in the countries in which they are established.

The following table summarizes the contribution expense related to the Company's defined contribution plans for fiscal 2022, 2021 and 2020:

	Fiscal Years Ended January 31,		
	2022	2021	2020
<i>(Amounts in millions)</i>			
Defined contribution plans:			
U.S.	\$ 1,441	\$ 1,290	\$ 1,184
International	39	200	177
Total contribution expense for defined contribution plans	\$ 1,480	\$ 1,490	\$ 1,361

Additionally, the Company's previously owned subsidiary in the United Kingdom sponsored a defined benefit pension plan. In fiscal 2020, Asda, Walmart and the Trustee of the Asda Group Pension Scheme (the "Plan") entered into an agreement pursuant to which Asda made a cash contribution of \$1.0 billion to the Plan (the "Asda Pension Contribution") which enabled the Plan to purchase a bulk annuity insurance contract for the benefit of Plan participants, and released the Plan and Asda from any future obligations. In connection with the sale of Asda, all accumulated pension components of \$2.3 billion were included in the disposal group and the estimated pre-tax loss recognized during the fourth quarter of fiscal 2021 as discussed in [Note 8](#) and [Note 12](#).

Note 12. Disposals, Acquisitions and Related Items

The following disposals impact the Company's Walmart International segment. Other immaterial transactions have also occurred or been announced.

Asda

In February 2021, the Company completed the divestiture of Asda, the Company's retail operations in the U.K., for net consideration of \$9.6 billion. Upon closing of the transaction, the Company recorded an incremental pre-tax loss of \$0.2 billion in other gains and losses in its Consolidated Statement of Income in the first quarter of fiscal 2022, primarily related to changes in the net assets of the disposal group, currency exchange rate fluctuations and customary purchase price adjustments upon closing. During the first quarter of fiscal 2022, the Company deconsolidated the financial statements of Asda and recognized its retained investment in Asda as a debt security within other long-term assets and also recognized certain legal and tax indemnity liabilities within deferred income taxes and other on the Consolidated Balance Sheet.

Asda was classified as held for sale in the Consolidated Balance Sheet as of January 31, 2021, and as a result, the Company recognized an estimated pre-tax loss of \$5.5 billion in other gains and losses in its Consolidated Statement of Income in the fourth quarter of fiscal 2021. Upon classifying the Asda disposal group as held for sale, \$2.3 billion of accumulated pension components associated with the expected derecognition of the Asda pension plan were included as part of the loss. In calculating the loss, the fair value of the disposal group was reduced by approximately \$0.8 billion related to the estimated fair value of certain indemnities and other transaction related costs.

Seiyu

In March 2021, the Company completed the divestiture of Seiyu, the Company's retail operations in Japan, for net consideration of \$1.2 billion. Upon closing of the transaction, the Company recorded an incremental pre-tax loss of \$0.2 billion in other gains and losses in its Consolidated Statement of Income in the first quarter of fiscal 2022, primarily related to changes in the net assets of the disposal group, currency exchange rate fluctuations and customary purchase price adjustments upon closing. During the first quarter of fiscal 2022, the Company deconsolidated the financial statements of Seiyu and recognized its retained 15 percent ownership interest in Seiyu as an equity investment within other long-term assets on the Consolidated Balance Sheet.

Seiyu was classified as held for sale in the Consolidated Balance Sheet as of January 31, 2021, and as a result, the Company recognized an estimated pre-tax loss of \$1.9 billion in other gains and losses in its Consolidated Statement of Income in the fourth quarter of fiscal 2021.

Assets and liabilities held for sale associated with the Asda and Seiyu disposal groups as of January 31, 2021 were as follows:

	January 31, 2021
<i>(Amounts in millions)</i>	
Cash and cash equivalents	\$ 1,848
Other current assets ⁽¹⁾	2,545
Property and equipment, net	13,193
Operating lease right-of-use assets	4,360
Finance lease right-of-use assets, net	1,395
Goodwill	2,211
Other long-term assets	1,063
Valuation allowance against assets held for sale ⁽²⁾	(7,420)
Total assets held for sale	\$ 19,195
Current liabilities ⁽³⁾	6,535
Operating lease obligations, including amounts due within one year	4,245
Finance lease obligations, including amounts due within one year	1,495
Deferred income taxes and other	459
Total liabilities held for sale	\$ 12,734

⁽¹⁾ Includes inventories, receivables, net and prepaid expenses and other.

⁽²⁾ Includes the \$2.3 billion loss associated with the derecognition of the Asda pension plan and \$1.3 billion cumulative foreign currency and related net investment hedge and other impacts included within the disposal groups, which were reclassified from accumulated other comprehensive loss upon closure of each transaction.

⁽³⁾ Includes accounts payable and accrued liabilities.

Walmart Argentina

In November 2020, the Company completed the sale of Walmart Argentina. As a result, the Company recorded a pre-tax loss of \$1.0 billion in the third quarter of fiscal 2021 in other gains and losses in its Consolidated Statement of Income primarily due to the impact of cumulative translation losses on the carrying value of the disposal group.

Note 13. Segments and Disaggregated Revenue

Segments

The Company is engaged in the operation of retail and wholesale stores and clubs, as well as eCommerce websites, located throughout the U.S., Africa, Canada, Central America, Chile, China, India and Mexico. The Company previously operated in Argentina prior to the sale of Walmart Argentina in the fourth quarter of fiscal 2021 and operated in the United Kingdom and Japan prior to the sale of those operations in the first quarter of fiscal 2022. Refer to [Note 12](#) for discussion of recent divestitures. The Company's operations are conducted in three reportable segments: Walmart U.S., Walmart International and Sam's Club. The Company defines its segments as those operations whose results the chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources. The Company sells similar individual products and services in each of its segments. It is impracticable to segregate and identify revenues for each of these individual products and services.

The Walmart U.S. segment includes the Company's mass merchant concept in the U.S., as well as eCommerce and omni-channel initiatives. The Walmart International segment consists of the Company's operations outside of the U.S., as well as eCommerce and omni-channel initiatives. The Sam's Club segment includes the warehouse membership clubs in the U.S., as well as eCommerce and omni-channel initiatives. Corporate and support consists of corporate overhead and other items not allocated to any of the Company's segments.

The Company measures the results of its segments using, among other measures, each segment's net sales and operating income, which includes certain corporate overhead allocations. From time to time, the Company revises the measurement of each segment's operating income, including any corporate overhead allocations, as determined by the information regularly reviewed by its CODM. Information for the Company's segments, as well as for Corporate and support, including the reconciliation to income before income taxes, is provided in the following table:

<i>(Amounts in millions)</i>	Walmart U.S.	Walmart International	Sam's Club	Corporate and support	Consolidated
Fiscal Year Ended January 31, 2022					
Net sales	\$ 393,247	\$ 100,959	\$ 73,556	\$ —	\$ 567,762
Operating income (loss)	21,587	3,758	2,259	(1,662)	25,942
Interest, net					(1,836)
Loss on extinguishment of debt					(2,410)
Other gains and (losses)					(3,000)
Income before income taxes					\$ 18,696
Total assets	\$ 125,044	\$ 91,403	\$ 14,678	\$ 13,735	\$ 244,860
Depreciation and amortization	6,773	1,963	601	1,321	10,658
Capital expenditures	8,475	2,497	622	1,512	13,106
Fiscal Year Ended January 31, 2021					
Net sales	\$ 369,963	\$ 121,360	\$ 63,910	\$ —	\$ 555,233
Operating income (loss)	19,116	3,660	1,906	(2,134)	22,548
Interest, net					(2,194)
Other gains and (losses)					210
Income before income taxes					\$ 20,564
Total assets	\$ 113,490	\$ 109,445	\$ 13,415	\$ 16,146	\$ 252,496
Depreciation and amortization	6,561	2,633	599	1,359	11,152
Capital expenditures	6,131	2,436	488	1,209	10,264
Fiscal Year Ended January 31, 2020					
Net sales	\$ 341,004	\$ 120,130	\$ 58,792	\$ —	\$ 519,926
Operating income (loss)	17,380	3,370	1,642	(1,824)	20,568
Interest, net					(2,410)
Other gains and (losses)					1,958
Income before income taxes					\$ 20,116
Total assets	\$ 110,353	\$ 105,811	\$ 13,494	\$ 6,837	\$ 236,495
Depreciation and amortization	6,408	2,682	605	1,292	10,987
Capital expenditures	6,315	2,801	525	1,064	10,705

Total revenues, consisting of net sales and membership and other income, and long-lived assets, consisting primarily of property and equipment, net and lease right-of-use assets, aggregated by the Company's U.S. and non-U.S. operations for fiscal 2022, 2021 and 2020, are as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2022	2021	2020
Revenues			
U.S. operations	\$ 470,295	\$ 436,649	\$ 402,532
Non-U.S. operations	102,459	122,502	121,432
Total revenues	\$ 572,754	\$ 559,151	\$ 523,964
Long-lived assets			
U.S. operations	\$ 89,795	\$ 87,068	\$ 86,944
Non-U.S. operations	22,829	22,780	40,105
Total long-lived assets	\$ 112,624	\$ 109,848	\$ 127,049

No individual country outside of the U.S. had total revenues or long-lived assets that were material to the consolidated totals. Long-lived assets related to operations classified as held for sale are excluded from the table above. Additionally, the Company did not generate material revenues from any single customer.

Disaggregated Revenues

In the following tables, segment net sales are disaggregated by either merchandise category or market. In addition, net sales related to eCommerce are provided for each segment, which include omni-channel sales where a customer initiates an order digitally and the order is fulfilled through a store or club.

(Amounts in millions)	Fiscal Years Ended January 31,		
	2022	2021	2020
Walmart U.S. net sales by merchandise category			
Grocery	\$ 218,944	\$ 208,413	\$ 192,428
General merchandise	125,876	119,406	108,687
Health and wellness	42,839	38,522	36,558
Other categories	5,588	3,622	3,331
Total	\$ 393,247	\$ 369,963	\$ 341,004

Of Walmart U.S.'s total net sales, approximately \$47.8 billion, \$43.0 billion and \$24.1 billion related to eCommerce for fiscal 2022, 2021 and 2020, respectively.

(Amounts in millions)	Fiscal Years Ended January 31,		
	2022	2021	2020
Walmart International net sales by market			
Mexico and Central America	\$ 35,964	\$ 32,642	\$ 33,350
Canada	21,773	19,991	18,420
China	13,852	11,430	10,671
United Kingdom	3,811	29,234	29,243
Other	25,559	28,063	28,446
Total	\$ 100,959	\$ 121,360	\$ 120,130

Of Walmart International's total net sales, approximately \$18.5 billion, \$16.6 billion and \$11.8 billion related to eCommerce for fiscal 2022, 2021 and 2020, respectively.

(Amounts in millions)

Sam's Club net sales by merchandise category	Fiscal Years Ended January 31,		
	2022	2021	2020
Grocery and consumables	\$ 46,822	\$ 42,148	\$ 35,043
Fuel, tobacco and other categories	11,048	7,838	10,571
Home and apparel	8,740	7,092	6,744
Health and wellness	3,956	3,792	3,372
Technology, office and entertainment	2,990	3,040	3,062
Total	\$ 73,556	\$ 63,910	\$ 58,792

Of Sam's Club's total net sales, approximately \$6.9 billion, \$5.3 billion and \$3.8 billion related to eCommerce for fiscal 2022, 2021 and 2020, respectively.

Note 14. Subsequent Event

Dividends Declared

The Board of Directors approved, effective February 17, 2022, the fiscal 2023 annual dividend of \$2.24 per share, an increase over the fiscal 2022 dividend of \$2.20 per share. For fiscal 2023, the annual dividend will be paid in four quarterly installments of \$0.56 per share, according to the following record and payable dates:

Record Date	Payable Date
March 18, 2022	April 4, 2022
May 6, 2022	May 31, 2022
August 12, 2022	September 6, 2022
December 9, 2022	January 3, 2023

ITEM 9.**CHANGES IN AND DISAGREEMENTS WITH
ACCOUNTANTS ON ACCOUNTING AND
FINANCIAL DISCLOSURE**

None.

ITEM 9A.**CONTROLS AND PROCEDURES****Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information, which is required to be timely disclosed, is accumulated and communicated to management in a timely fashion. In designing and evaluating such controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management is necessarily required to use judgment in evaluating controls and procedures. Also, we have investments in unconsolidated entities. Since we do not control or manage those entities, our controls and procedures with respect to those entities are substantially more limited than those we maintain with respect to our consolidated subsidiaries.

In the ordinary course of business, we review our internal control over financial reporting and make changes to our systems and processes to improve such controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, updating existing systems, automating manual processes, standardizing controls globally, migrating certain processes to our shared services organizations and increasing monitoring controls. These changes have not materially affected, and are not reasonably likely to materially affect, the Company's internal control over financial reporting. However, they allow us to continue to enhance our internal control over financial reporting and ensure that our internal control environment remains effective.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

Report on Internal Control Over Financial Reporting

Management has responsibility for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the Company's internal control over financial reporting as of January 31, 2022. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control-Integrated Framework (2013). Management concluded that based on its assessment, Walmart's internal control over financial reporting was effective as of January 31, 2022. The Company's internal control over financial reporting as of January 31, 2022, has been audited by Ernst & Young LLP as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting as of January 31, 2022, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B.**OTHER INFORMATION**

None.

ITEM 9C.

**DISCLOSURE REGARDING FOREIGN
JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

PART III

ITEM 10.

DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Please see the information concerning our executive officers contained in "[Item 1. Business](#)" herein under the caption "Information About Our Executive Officers," which is included in accordance with the Instruction to Item 401 of the SEC's Regulation S-K.

Information required by this Item 10 with respect to the Company's directors and certain family relationships is incorporated by reference to such information under the caption "Proposal No. 1 – Election of Directors" included in our Proxy Statement relating to our 2022 Annual Meeting of Shareholders (our "Proxy Statement").

No material changes have been made to the procedures by which shareholders of the Company may recommend nominees to our Board of Directors since those procedures were disclosed in our proxy statement relating to our 2021 Annual Shareholders' Meeting as previously filed with the SEC.

The information regarding our Audit Committee, including our audit committee financial experts, our Reporting Protocols for Senior Financial Officers and our Code of Conduct applicable to all of our associates, including our Chief Executive Officer, Chief Financial Officer and our Controller, who is our principal accounting officer, required by this Item 10 is incorporated herein by reference to the information under the captions "Corporate Governance" and "Proposal No. 3: Ratification of Independent Accountants" included in our Proxy Statement. "[Item 1. Business](#)" above contains information relating to the availability of a copy of our Reporting Protocols for Senior Financial Officers and our Code of Conduct and the posting of amendments to and any waivers of the Reporting Protocols for Senior Financial Officers and our Code of Conduct on our website.

ITEM 11.

EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated herein by reference to the information under the captions "Corporate Governance – Director Compensation" and "Executive Compensation" included in our Proxy Statement.

ITEM 12.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is incorporated herein by reference to the information that appears under the caption "Stock Ownership" included in our Proxy Statement.

ITEM 13.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated herein by reference to the information under the caption "Corporate Governance – Board Processes and Practices" included in our Proxy Statement.

ITEM 14.

PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item 14 is incorporated herein by reference to the information under the caption "Proposal No. 3 – Ratification of Independent Accountants" included in our Proxy Statement.

PART IV

ITEM 15.

EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report are as follows:

1. Financial Statements: See the Financial Statements in "[Item 8. Financial Statements and Supplementary Data.](#)"
2. Financial Statement Schedules:
Certain schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements, including the notes thereto.
3. Exhibits:
See exhibits listed under part (b) below.

(b) The required exhibits are filed as part of this Form 10-K or are incorporated by reference herein.⁽¹⁾

- 3.1 [Restated Certificate of Incorporation of the Company dated February 1, 2018 is incorporated herein by reference to Exhibit 3.1 to the Report on Form 8-K filed by the Company on February 1, 2018](#)
- 3.2 [Amended and Restated Bylaws of the Company dated July 23, 2019 are incorporated herein by reference to Exhibit 3.1 to the Report on Form 8-K filed by the Company on July 26, 2019](#)
- 4.1 Indenture dated as of April 1, 1991, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, as successor trustee to The First National Bank of Chicago, Trustee, is incorporated herein by reference to Exhibit 4(a) to Registration Statement on Form S-3 (File Number 33-51344) ^(P)
- 4.2 First Supplemental Indenture dated as of September 9, 1992, to the Indenture dated as of April 1, 1991, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, as successor trustee to The First National Bank of Chicago, Trustee, is incorporated herein by reference to Exhibit 4(b) to Registration Statement on Form S-3 (File Number 33-51344) ^(P)
- 4.3 [Indenture dated as of December 11, 2002, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, is incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-3 \(File Number 333-101847\)](#)
- 4.4 [Indenture dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association is incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-3 \(File Number 333-126512\)](#)
- 4.5 [First Supplemental Indenture, dated December 1, 2006, between the Company and The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, National Association, as Trustee, under the Indenture, dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association, as Trustee, is incorporated herein by reference to Exhibit 4.6 to Post-Effective Amendment No. 1 to Registration Statement on Form S-3 \(File Number 333-130569\)](#)
- 4.6 [Second Supplemental Indenture, dated December 19, 2014, between the Company and The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, National Association, as Trustee, under the Indenture, dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association, as Trustee, is incorporated herein by reference to Exhibit 4.3 to Registration Statement on Form S-3 \(File Number 333-201074\)](#)
- 4.7 [Third Supplemental Indenture, dated June 26, 2018, between the Company and The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, National Association, as Trustee, under the Indenture, dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association, as Trustee, is incorporated herein by reference to Exhibit 4\(S\) to Current Report on Form 8-K filed on June 26, 2018](#)
- 4.8 [Description of Registrant's Securities is incorporated herein by reference to Exhibit 4.8 to the Annual Report on Form 10-K filed on March 20, 2020](#)

- 10.1* [Walmart Deferred Compensation Matching Plan, as amended and restated effective November 11, 2021](#) ^(C)
- 10.2 [Walmart Inc. Management Incentive Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(b\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018](#) ^(C)
- 10.3 [Walmart Inc. 2016 Associate Stock Purchase Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(c\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018](#) ^(C)
- 10.4 [Walmart Inc. Stock Incentive Plan of 2015, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(d\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018](#) ^(C)
- 10.5 [Walmart Inc. Supplemental Executive Retirement Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(e\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018](#) ^(C)
- 10.6 [Walmart Inc. Director Compensation Deferral Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(f\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018](#) ^(C)
- 10.7 [Form of Post-Termination Agreement and Covenant Not to Compete with attached Schedule of Executive Officers who have executed a Post-Termination Agreement and Covenant Not to Compete is incorporated by reference to Exhibit 10\(p\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2011, filed on March 30, 2011](#) ^(C)
- 10.7(a) [Amended Schedule of Executive Officers who have executed a Post-Termination Agreement and Covenant Not to Compete in the form filed as Exhibit 10\(p\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2011 is incorporated herein by reference to Exhibit 10.7\(a\) to the Annual Report on Form 10-K for the fiscal year ended January 31, 2020 filed on March 20, 2020](#) ^(C)
- 10.8* [Form of Walmart Inc. Stock Incentive Plan of 2015 Restricted Stock Notification of Award and Terms and Conditions of Award](#) ^(C)
- 10.9* [Form of Walmart Inc. Stock Incentive Plan of 2015 Global Share-Settled Performance-Based Restricted Stock Unit Notification and Terms and Conditions](#) ^(C)
- 10.10 [Walmart Officer Deferred Compensation Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(a\) of the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018 filed on March 30, 2018](#) ^(C)
- 10.11 [Form of Share Settled Restricted Stock Unit Notification and Terms and Conditions Awarded to Suresh Kumar on July 9, 2019 is incorporated by reference to Exhibit 10.2 to the Quarterly Report of the Company for the fiscal quarter ended July 31, 2019 filed on September 6, 2019](#) ^(C)
- 10.12 [Post Termination Agreement and Covenant Not to Compete between the Company and Suresh Kumar dated June 6, 2019 is incorporated herein by reference to Exhibit 10.16 to the Annual Report on Form 10-K for the fiscal year ended January 31, 2020 filed on March 20, 2020](#) ^(C)
- 10.13 [Separation Agreement between the Company and Marc Lore dated January 26, 2021 is incorporated herein by reference to Exhibit 10.18 to the Annual Report on Form 10-K for the fiscal year ended January 31, 2021 filed on March 19, 2021](#) ^(C)
- 10.14 [Retirement Agreement between the Company and M. Brett Biggs dated November 29, 2021 is incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 29, 2021](#) ^(C)
- 10.15 [Share Issuance and Acquisition Agreement by and Between Flipkart Private Limited and Walmart Inc. dated as of May 9, 2018 is incorporated herein by reference to Exhibit 10.1 to the Quarterly Report of the Company for the fiscal quarter ended July 31, 2018 filed on September 6, 2018 \(portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.\)](#)

10.16	<u>Counterpart Form of Share Purchase Agreement by and Among Wal-Mart International Holdings, Inc., the shareholders of Flipkart Private Limited identified on Schedule I thereto, Fortis Advisors LLC and Walmart Inc. dated as of May 9, 2018 is incorporated herein by reference to Exhibit 10.2 to the Quarterly Report of the Company for the fiscal quarter ended July 31, 2018 filed on September 6, 2018 (portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.)</u>
21*	<u>List of the Company's Significant Subsidiaries</u>
23*	<u>Consent of Independent Registered Public Accounting Firm</u>
31.1*	<u>Chief Executive Officer Section 302 Certification</u>
31.2*	<u>Chief Financial Officer Section 302 Certification</u>
32.1**	<u>Chief Executive Officer Section 906 Certification</u>
32.2**	<u>Chief Financial Officer Section 906 Certification</u>
99.1*	<u>State Court Opioids Litigation Case Citations and Currently Scheduled Trial Dates</u>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith as an Exhibit.

** Furnished herewith as an Exhibit.

(C) This Exhibit is a management contract or compensatory plan or arrangement

(P) This Exhibit was originally filed in paper format. Accordingly, a hyperlink has not been provided.

(I) Certain instruments defining the rights of holders of long-term debt securities of the Registrant are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Company hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.

(c) Financial Statement Schedules: None.

ITEM 16.

FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Walmart Inc.

Date: March 18, 2022

By /s/ C. Douglas McMillon

C. Douglas McMillon

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Date: March 18, 2022

By /s/ C. Douglas McMillon

C. Douglas McMillon

President and Chief Executive Officer and Director

(Principal Executive Officer)

Date: March 18, 2022

By /s/ Gregory B. Penner

Gregory B. Penner

Chairman of the Board and Director

Date: March 18, 2022

By /s/ M. Brett Biggs

M. Brett Biggs

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: March 18, 2022

By /s/ David M. Chojnowski

David M. Chojnowski

Senior Vice President and Controller

(Principal Accounting Officer)

Signature Page to Walmart Inc.
Form 10-K for the Fiscal Year Ended January 31, 2022

Date: March 18, 2022	By	<u>/s/ Cesar Conde</u> Cesar Conde Director
Date: March 18, 2022	By	<u>/s/ Timothy P. Flynn</u> Timothy P. Flynn Director
Date: March 18, 2022	By	<u>/s/ Sarah Friar</u> Sarah Friar Director
Date: March 18, 2022	By	<u>/s/ Carla A. Harris</u> Carla A. Harris Director
Date: March 18, 2022	By	<u>/s/ Thomas W. Horton</u> Thomas W. Horton Director
Date: March 18, 2022	By	<u>/s/ Marissa A. Mayer</u> Marissa A. Mayer Director
Date: March 18, 2022	By	<u>/s/ Steven S Reinemund</u> Steven S Reinemund Director
Date: March 18, 2022	By	<u>/s/ Randall L. Stephenson</u> Randall L. Stephenson Director
Date: March 18, 2022	By	<u>/s/ S. Robson Walton</u> S. Robson Walton Director
Date: March 18, 2022	By	<u>/s/ Steuart L. Walton</u> Steuart L. Walton Director

Signature Page to Walmart Inc.
Form 10-K for the Fiscal Year Ended January 31, 2022

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual report
Securities Exchange Act of 1934

For the fiscal year ended January 31, 2021, or

Transition report
the Securities Exchange Act of 1934

Commission file number 001-06991.

wmt-20210131_g1.jpg

WALMART INC.

(Exact name of registrant as specified in its charter)

DE

(State or other jurisdiction of
incorporation or organization)

71-0415188

(IRS Employer Identification No.)

**702 S.W. 8th Street
Bentonville, AR**

(Address of principal executive offices)

72716

(Zip Code)

Registrant's telephone number, including area code: (479) 273-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	WMT	NYSE
1.900% Notes Due 2022	WMT22	NYSE
2.550% Notes Due 2026	WMT26	NYSE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of July 31, 2020, the aggregate market value of the voting common stock of the registrant held by non-affiliates of the registrant, based on the closing sale price of those shares on the New York Stock Exchange reported on July 31, 2020, was \$182,886,052,366. For the purposes of this disclosure only, the registrant has assumed that its directors, executive officers (as defined in Rule 3b-7 under the Exchange Act) and the beneficial owners of 5% or more of the registrant's outstanding common stock are the affiliates of the registrant.

The registrant had 2,817,071,695 shares of common stock outstanding as of March 17, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held June 2, 2021 (the "Proxy Statement")	Part III

Walmart Inc.
Form 10-K
For the Fiscal Year Ended January 31, 2021

Table of Contents

[Part I](#)

<u>Item 1</u>	<u>Business</u>
<u>Item 1A</u>	<u>Risk Factors</u>
<u>Item 1B</u>	<u>Unresolved Staff Comments</u>
<u>Item 2</u>	<u>Properties</u>
<u>Item 3</u>	<u>Legal Proceedings</u>
<u>Item 4</u>	<u>Mine Safety Disclosures</u>

[Part II](#)

	<u>Market for Registrant's Common Equity, Related Stockholder Matters and</u>
<u>Item 5</u>	<u>Securities</u>
<u>Item 6</u>	<u>Selected Financial Data</u>
<u>Item 7</u>	<u>Management's Discussion and Analysis of Financial Condition and Results</u>
<u>Item 7A</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
<u>Item 8</u>	<u>Financial Statements and Supplementary Data</u>
<u>Item 9</u>	<u>Changes in and Disagreements with Accountants on Accounting and Finan</u>
<u>Item 9A</u>	<u>Controls and Procedures</u>
<u>Item 9B</u>	<u>Other Information</u>

[Part III](#)

<u>Item 10</u>	<u>Directors, Executive Officers and Corporate Governance</u>
<u>Item 11</u>	<u>Executive Compensation</u>
<u>Item 12</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Re</u>
<u>Item 13</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>
<u>Item 14</u>	<u>Principal Accounting Fees and Services</u>

[Part IV](#)

<u>Item 15</u>	<u>Exhibits, Financial Statement Schedules</u>
<u>Item 16</u>	<u>Form 10-K Summary</u>
	<u>Signatures</u>

WALMART INC.

ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED JANUARY 31, 2021

All references in this Annual Report on Form 10-K, the information incorporated into this Annual Report on Form 10-K by reference to information in the Proxy Statement of Walmart Inc. for its Annual Shareholders' Meeting to be held on June 2, 2021 and in the exhibits to this Annual Report on Form 10-K to "Walmart Inc.," "Walmart," "the Company," "our Company," "we," "us" and "our" are to the Delaware corporation named "Walmart Inc." and, except where expressly noted otherwise or the context otherwise requires, that corporation's consolidated subsidiaries.

PART I

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K and other reports, statements, and information that Walmart Inc. (which individually or together with its subsidiaries, as the context otherwise requires, is referred to as "we," "Walmart" or the "Company") has filed with or furnished to the Securities and Exchange Commission ("SEC") or may file with or furnish to the SEC in the future, and prior or future public announcements and presentations that we or our management have made or may make, include or may include, or incorporate or may incorporate by reference, statements that may be deemed to be "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Act"), that are intended to enjoy the protection of the safe harbor for forward-looking statements provided by the Act as well as protections afforded by other federal securities laws.

Nature of Forward-Looking Statements

Such forward-looking statements are not statements of historical facts, but instead express our estimates or expectations for our consolidated, or one of our segment's, economic performance or results of operations for future periods or as of future dates or events or developments that may occur in the future or discuss our plans, objectives or goals. These forward-looking statements may relate to:

- the growth of our business or change in our competitive position in the future or in or over particular periods;
- the amount, number, growth, increase, reduction or decrease in or over certain periods, of or in certain financial items or measures or operating measures, including our earnings per share, net sales, comparable store and club sales, our Walmart U.S. operating segment's eCommerce sales, liabilities, expenses of certain categories, expense leverage, returns, capital and operating investments or expenditures of particular types and new store openings;
- investments and capital expenditures we will make and how certain of those investments and capital expenditures are expected to be financed;
- our increasing investments in eCommerce, technology, supply chain, store remodels and other omni-channel customer initiatives, such as same day pickup and delivery;
- our workforce strategy;
- volatility in currency exchange rates affecting our or one of our segments' results of operations;
- the Company continuing to provide returns to shareholders through share repurchases and dividends, the use of share repurchase authorization over a certain period or the source of funding of a certain portion of our share repurchases;
- our sources of liquidity, including our cash, continuing to be adequate or sufficient to fund our operations, finance our global investment and expansion activities, pay dividends and fund share repurchases;
- cash flows from operations, our current cash position and access to capital markets will continue to be sufficient to meet our anticipated operating cash needs;
- the reclassification of amounts related to our derivatives;
- our effective tax rate for certain periods and the realization of certain net deferred tax assets and the effects of resolutions of tax-related matters;
- the effect of adverse decisions in, or settlement of, litigation or other proceedings or investigations to which we are subject;
- the effect on the Company's results of operations or financial position of the Company's adoption of certain new, or amendments to existing, accounting standards; or
- our commitments, intentions, plans or goals related to the sustainability of our environment and supply chains, the promotion of economic opportunity or other societal initiatives.

Our forward-looking statements may also include statements of our strategies, plans and objectives for our operations, including areas of future focus in our operations, and the assumptions underlying any of the forward-looking statements we make. The forward-looking statements we make can typically be identified by the use therein of words and phrases such as "aim," "anticipate," "believe," "could be," "could increase," "could occur," "could result," "continue," "estimate," "expansion," "expect," "expectation," "expected to be," "focus," "forecast," "goal," "grow," "guidance," "intend," "invest," "is expected,"

"may continue," "may fluctuate," "may grow," "may impact," "may result," "objective," "plan," "priority," "project," "strategy," "to be," "we'll," "we will," "will add," "will allow," "will be," "will benefit," "will change," "will come in at," "will continue," "will decrease," "will grow," "will have," "will impact," "will include," "will increase," "will open," "will remain," "will result," "will stay," "will strengthen," "would be," "would decrease" and "would increase," variations of such words or phrases, other phrases commencing with the word "will" or similar words and phrases denoting anticipated or expected occurrences or results.

The forward-looking statements that we make or that are made by others on our behalf are based on our knowledge of our business and our operating environment and assumptions that we believe to be or will believe to be reasonable when such forward-looking statements were or are made. As a consequence of the factors described above, the other risks, uncertainties and factors we disclose below and in the other reports as mentioned above, other risks not known to us at this time, changes in facts, assumptions not being realized or other circumstances, our actual results may differ materially from those discussed in or implied or contemplated by our forward-looking statements.

Consequently, this cautionary statement qualifies all forward-looking statements we make or that are made on our behalf, including those made herein and incorporated by reference herein. We cannot assure you that the results or developments expected or anticipated by us will be realized or, even if substantially realized, that those results or developments will result in the expected consequences for us or affect us, our business, our operations or our operating results in the manner or to the extent we expect. We caution readers not to place undue reliance on such forward-looking statements, which speak only as of their dates. We undertake no obligation to revise or update any of the forward-looking statements to reflect subsequent events or circumstances except to the extent required by applicable law.

ITEM 1. BUSINESS

General

Walmart Inc. ("Walmart," the "Company" or "we") helps people around the world save money and live better – anytime and anywhere – by providing the opportunity to shop in retail stores and through eCommerce. Through innovation, we strive to continuously improve a customer-centric experience that seamlessly integrates our eCommerce and retail stores in an omni-channel offering that saves time for our customers. Each week, we serve over 240 million customers who visit approximately 11,400 stores and numerous eCommerce websites under 54 banners in 26 countries.

Our strategy is to make every day easier for busy families, operate with discipline, sharpen our culture and become digital, and make trust a competitive advantage. Making life easier for busy families includes our commitment to price leadership, which has been and will remain a cornerstone of our business, as well as increasing convenience to save our customers time. By leading on price, we earn the trust of our customers every day by providing a broad assortment of quality merchandise and services at everyday low prices ("EDLP"). EDLP is our pricing philosophy under which we price items at a low price every day so our customers trust that our prices will not change under frequent promotional activity. Everyday low cost ("EDLC") is our commitment to control expenses so our cost savings can be passed along to our customers.

Our operations comprise three reportable segments: Walmart U.S., Walmart International and Sam's Club. Our fiscal year ends on January 31 for our United States ("U.S.") and Canadian operations. We consolidate all other operations generally using a one-month lag and on a calendar year basis. Our discussion is as of and for the fiscal years ended January 31, 2021 ("fiscal 2021"), January 31, 2020 ("fiscal 2020") and January 31, 2019 ("fiscal 2019"). During fiscal 2021, we generated total revenues of \$559.2 billion, which was primarily comprised of net sales of \$555.2 billion.

We maintain our principal offices in Bentonville, Arkansas. Our common stock trades on the New York Stock Exchange under the symbol "WMT."

The Development of Our Company

The businesses conducted by our founders began in 1945 when Sam M. Walton opened a franchise Ben Franklin variety store in Newport, Arkansas. In 1946, his brother, James L. Walton, opened a similar store in Versailles, Missouri. Until 1962, our founders' business was devoted entirely to the operation of variety stores. In 1983, we opened our first Sam's Club, and in 1988, we opened our first supercenter. In 1998, we opened our first Walmart Neighborhood Market. In 1991, we began our first international initiative when we entered into a joint venture in Mexico and, as of January 31, 2021, our Walmart International segment conducted business in 25 countries.

In 2000, we began our first eCommerce initiative by creating both walmart.com and samsclub.com. Since then, our eCommerce presence has continued to grow. In 2007, leveraging our physical stores, walmart.com launched its Site to Store service, enabling customers to make a purchase online and pick up merchandise in stores. To date, we now have approximately 7,300 pickup and 5,200 delivery locations globally. In recent years, we have heavily invested in omni-channel and eCommerce innovation, as well as made several eCommerce acquisitions to better serve our customers. These investments have enabled us to leverage technology, talent and expertise, incubate digitally-native brands, and expand our assortment and service offerings in stores and on walmart.com. We have also continued to enhance our eCommerce initiatives internationally, such as with our acquisition of a majority stake of Flipkart Private Limited ("Flipkart"), which is our ecosystem in India that includes eCommerce platforms of Flipkart and Myntra as well as PhonePe, a digital transaction platform.

In fiscal 2021, we launched Walmart+ in the U.S., a new membership offering with omni-channel shopping benefits that currently include unlimited free shipping on eligible items with no order minimum, unlimited delivery from store, fuel discounts, and mobile scan & go for a streamlined in-store shopping experience. We are enhancing our ecosystem with our omni-channel capabilities, stores, services, eCommerce sites and supply chain combined with our more than 2.3 million associates as of January 31, 2021 to better serve our customers. Together, we believe these elements produce a flywheel effect which creates customer relationships where customers view Walmart as their primary destination.

During fiscal 2021, the world has been, and continues to be, impacted by the COVID-19 pandemic. While we have incurred incremental costs associated with operating during a global health crisis, the COVID-19 pandemic has also

accelerated our business growth and eCommerce expansion. We have continued to invest in our omni-channel offering which resonates with customers around the world who are increasingly seeking convenience.

Information About Our Segments

We are engaged in global operations of retail, wholesale and other units, as well as eCommerce, located throughout the U.S., Africa, Canada, Central America, Chile, China, India and Mexico. The Company also engaged in operations in the U.K. and Japan, both of which were classified as held for sale as of January 31, 2021. We also operated in Argentina and Brazil prior to the sale of Walmart Argentina in November 2020 and the majority stake of Walmart Brazil in fiscal 2019. Refer to [Note 12](#) to our Consolidated Financial Statements for information on these divestitures. Our operations are conducted in three reportable segments: Walmart U.S., Walmart International and Sam's Club, which are further described below. Each segment contributes to the Company's operating results differently. However, each has generally maintained a consistent contribution rate to the Company's net sales and operating income in recent years other than minor changes to the contribution rate for the Walmart International segment due to fluctuations in currency exchange rates. Additional information on our operating segments and geographic and product information is contained in [Note 13](#) to our Consolidated Financial Statements.

Walmart U.S. Segment

Walmart U.S. is our largest segment and operates in the U.S., including in all 50 states, Washington D.C. and Puerto Rico. Walmart U.S. is a mass merchandiser of consumer products, operating under the "Walmart" and "Walmart Neighborhood Market" brands, as well as walmart.com and other eCommerce brands. Walmart U.S. had net sales of \$370.0 billion for fiscal 2021, representing 67% of our fiscal 2021 consolidated net sales, and had net sales of \$341.0 billion and \$331.7 billion for fiscal 2020 and 2019, respectively. Of our three segments, Walmart U.S. has historically had the highest gross profit as a percentage of net sales ("gross profit rate"). In addition, Walmart U.S. has historically contributed the greatest amount to the Company's net sales and operating income.

Omni-channel. Walmart U.S. provides an omni-channel experience to customers, integrating retail stores and eCommerce, through services such as pickup and delivery, ship-from-store, and digital pharmacy fulfillment options. As of January 31, 2021, we had approximately 3,750 pickup locations and 3,000 delivery locations. Our Walmart+ membership incorporates several service offerings which provide enhanced omni-channel shopping experiences and benefits for members. We have several eCommerce websites, the largest of which is walmart.com. We define eCommerce sales as sales initiated by customers digitally and fulfilled by a number of methods including our dedicated eCommerce fulfillment centers and leveraging our stores. The following table provides the approximate size of our retail stores as of January 31, 2021:

	Minimum Square Feet	Maximum Square Feet	Average Square Feet
Supercenters (general merchandise and grocery)	69,000	260,000	178,000
Discount stores (general merchandise and limited grocery)	30,000	221,000	106,000
Neighborhood markets ⁽¹⁾ (grocery)	28,000	65,000	42,000

(1) Excludes other small formats.

Merchandise. Walmart U.S. does business in three strategic merchandise units, listed below:

- Grocery consists of a full line of grocery items, including dry grocery, snacks, dairy, meat, produce, deli & bakery, frozen foods, alcoholic and nonalcoholic beverages, as well as consumables such as health and beauty aids, pet supplies, household chemicals, paper goods and baby products;
- General merchandise includes:
 - Entertainment (e.g., electronics, toys, seasonal merchandise, wireless, video games, movies, music and books);
 - Hardlines (e.g., automotive, hardware and paint, sporting goods, outdoor living and stationery);
 - Apparel (e.g., apparel for men, women, girls, boys and infants, as well as shoes, jewelry and accessories); and
 - Home (e.g., housewares and small appliances, bed & bath, furniture and home organization, home furnishings, home decor, fabrics and crafts).
- Health and wellness includes pharmacy, over-the-counter drugs and other medical products, optical services and clinical services.

Walmart U.S. recently launched Walmart+, a membership offering providing omni-channel shopping benefits such as unlimited free shipping on eligible items with no order minimums, as well as delivery and other benefits which help

customers save more time and money. Walmart U.S. also offers an in-house advertising offering via Walmart Connect, supply chain and fulfillment capabilities to online marketplace sellers via Walmart Fulfillment Services, as well as quality, affordable, and accessible healthcare via Walmart Health. Additional service offerings include fuel and financial services and related products, such as money orders, prepaid cards, money (wire) transfers, check cashing and bill payment. Combined, these offerings did not represent a significant portion of annual segment revenues.

Brand name merchandise represents a significant portion of the merchandise sold in Walmart U.S. We also market lines of merchandise under our private-label brands, including brands such as: "Allswell," "Athletic Works," "Bonobos," "Eloquii,"

"Equate," "Freshness Guaranteed," "George," "Great Value," "Holiday Time," "Mainstays," "Marketside," "No Boundaries," "Onn," "Ozark Trail," "Parent's Choice," "Sam's Choice," "Scoop," "Spring Valley," "SwissTech," "Time and Tru" and "Wonder Nation." The Company also markets lines of merchandise under licensed brands, some of which include: "Better Homes & Gardens," "Farberware," "Pioneer Woman" and "Russell."

Periodically, revisions are made to the categorization of the components comprising our strategic merchandise units. When revisions are made, the previous periods' presentation is adjusted to maintain comparability.

Operations. Historically, many supercenters, discount stores and neighborhood markets were generally open 24 hours each day. In response to the COVID-19 pandemic, we reduced store hours to allow for additional cleaning and sanitizing but expanded store hours slightly toward the end of fiscal 2021. Consistent with its strategy, Walmart U.S. continues to develop technology tools and services that help better serve customers and help stores operate more efficiently, such as pickup and delivery, Walmart+, ship-from-store and other initiatives which provide convenient and seamless omni-channel shopping experiences.

Seasonal Aspects of Operations. Walmart U.S.'s business is seasonal to a certain extent due to calendar events and national and religious holidays, as well as different weather patterns. Historically, its highest sales volume and segment operating income have occurred in the fiscal quarter ending January 31. However, the COVID-19 pandemic may have an impact on consumer behaviors that could result in temporary changes in the seasonal fluctuations of our business.

Competition. Walmart U.S. competes with omni-channel retailers operating discount, department, retail and wholesale grocers, drug, dollar, variety and specialty stores, supermarkets, hypermarkets and supercenter-type stores, as well as eCommerce retailers. Our ability to develop and operate units at the right locations and to deliver a customer-centric omni-channel experience largely determines our competitive position within the retail industry. We employ many programs designed to meet competitive pressures within our industry. These programs include the following:

- EDLP: our pricing philosophy under which we price items at everyday low prices so our customers trust that our prices will not change under frequent promotional activity;
- EDLC: everyday low cost is our commitment to control expenses so our cost savings can be passed along to our customers; and
- Omni-channel offerings such as pickup and delivery and our new Walmart+ membership offering, all of which enhance convenience and seek to serve customers in the ways they want to be served.

Distribution. For fiscal 2021, the majority of Walmart U.S.'s purchases of store merchandise were shipped through our 156 distribution facilities, which are located strategically throughout the U.S. The remaining store merchandise we purchased was shipped directly from suppliers. General merchandise and dry grocery merchandise is transported primarily through the segment's private truck fleet; however, we contract with common carriers to transport the majority of our perishable grocery merchandise. We ship merchandise purchased by customers on our eCommerce platforms by a number of methods from multiple locations including from our 32 dedicated eCommerce fulfillment centers, as well as leveraging our ability to ship directly from approximately 3,000 stores.

Walmart International Segment

Walmart International is our second largest segment and operated in 25 countries outside of the U.S as of January 31, 2021. Walmart International operated through our wholly-owned subsidiaries in Canada, Chile, and China, as well as our businesses classified as held for sale in Japan and the United Kingdom as of January 31, 2021. Walmart International also operates through our majority-owned subsidiaries in Africa (which includes Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, South Africa, Swaziland, Tanzania, Uganda and Zambia), Central America (which includes Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua), India and Mexico. Walmart International previously operated in Argentina and Brazil prior to the sale of Walmart Argentina in fiscal 2021 and the majority stake of Walmart Brazil in fiscal 2019. Refer to [Note 12](#) for discussion of recent divestitures.

Walmart International includes numerous formats divided into three major categories: retail, wholesale and other. These categories consist of many formats, including: supercenters, supermarkets, hypermarkets, warehouse clubs (including Sam's Clubs) and cash & carry, as well as eCommerce through [walmart.com.mx](#), [walmart.ca](#), [flipkart.com](#) and other sites. Walmart International had net sales of \$121.4 billion for fiscal 2021, representing 22% of our fiscal 2021 consolidated net sales, and had net sales of \$120.1 billion and \$120.8 billion for fiscal 2020 and 2019,

respectively. The segment's net sales were negatively impacted by currency exchange rate fluctuations for all years presented. The gross profit rate is lower than that of Walmart U.S. primarily because of its merchandise mix.

Walmart International's strategy is to create strong local businesses powered by Walmart which means being locally relevant and customer-focused in each of the markets it operates. We are being deliberate about where and how we choose to operate and continue to re-shape the portfolio to best enable long-term, sustainable and profitable growth. As such, we have taken certain strategic actions to strengthen our Walmart International portfolio for the long-term, which include the following highlights over the last three years:

- Acquisition of a majority stake of Flipkart in August 2018.
- Divestiture of 80 percent of Walmart Brazil in August 2018.
- Divestiture of the Walmart Chile banking operations in December 2018 and the divestiture of the Walmart Canada banking operations in April 2019.
- Divestiture of Walmart Argentina in November 2020.
- Divestiture of Asda Group Limited ("Asda"), our retail operations in the U.K., in February 2021.
- Divestiture of a majority stake in Seiyu, our retail operations in Japan, in March 2021.

Omni-channel. Walmart International provides an omni-channel experience to customers, integrating retail stores and eCommerce, such as through pickup and delivery services in most of our markets, our marketplaces such as Flipkart in India, and a digital transaction platform anchored in payments such as PhonePe in India. In China, our partnerships with JD.com and JD Daojia provide customers one-hour delivery by leveraging Walmart stores as fulfillment centers.

Generally, retail units' selling area range in size from 1,400 square feet to 186,000 square feet. Our wholesale stores' selling area generally range in size from 24,000 square feet to 156,000 square feet. As of January 31, 2021, Walmart International had approximately 3,000 pickup and 2,200 delivery locations.

Merchandise. The merchandising strategy for Walmart International is similar to that of our operations in the U.S. in terms of the breadth and scope of merchandise offered for sale. While brand name merchandise accounts for a majority of our sales, we have both leveraged U.S. private brands and developed market specific private brands to serve our customers with high quality, low priced items. Along with the private brands we market globally, such as "Equate," "George," "Great Value," "Holiday Time," "Mainstays," "Marketside" and "Parent's Choice," our international markets have developed market specific brands including "Aurrera," "Cambridge," "Lider," "Myntra," and "PhonePe." In addition, we have developed and continue to grow our relationships with regional and local suppliers in each market to ensure reliable sources of quality merchandise that is equal to national brands at low prices.

Walmart International also offers fuel, financial services and related products in various markets. Our businesses in Mexico and Canada, for example, offer prepaid cards and money (wire) transfers, and our PhonePe business in India provides a platform that offers mobile and bill payment, person-to-person (P2P) payment, investment and insurance solutions, financial services and advertising. Combined, these offerings did not represent a significant portion of annual segment revenues.

Operations. The hours of operation for operating units in Walmart International vary by country and by individual markets within countries, depending upon local and national ordinances governing hours of operation. Toward the beginning of the COVID-19 pandemic, government mandates led to extensive store and operational closures in several of our international markets as well as limitations on certain merchandise sales in select markets. While most closed stores and warehouses resumed operations by the end of fiscal 2021, store hours have been partially reduced or modified in several markets. Additionally, several markets implemented enhanced safety and sanitization protocols, as well as provided increased customer options and capacity for pickup and delivery services.

Seasonal Aspects of Operations. Walmart International's business is seasonal to a certain extent. Historically, its highest sales volume and operating income have occurred in the fourth quarter of our fiscal year. The seasonality of the business varies by country due to different national and religious holidays, festivals and customs, as well as different weather patterns. However, the COVID-19 pandemic may have an impact on consumer behaviors that could result in temporary changes in the seasonal fluctuations of our business.

Competition. Walmart International competes with omni-channel retailers who operate department, drug, discount, variety and specialty stores, supermarkets, hypermarkets and supercenter-type stores, wholesale clubs, home-improvement stores, specialty electronics stores, cash & carry operations and convenience stores, and eCommerce retailers, as well as catalog businesses. Our ability to develop and operate units at the right locations and to deliver a

customer-centric omni-channel experience largely determines our competitive position within the retail industry. We believe price leadership is a critical part of our business model and we continue to focus on moving our markets towards an EDLP approach. Additionally, our ability to operate food departments effectively has a significant impact on our competitive position in the markets where we operate.

Distribution. We utilize a total of 221 distribution facilities located in Canada, Central America, Chile, China, India, Mexico and South Africa, as well as Japan and the United Kingdom, whose operations are classified as held for sale as of January 31, 2021, and subsequently divested in the first quarter of fiscal 2022. Through these facilities, we process and distribute both imported and domestic products to the operating units of the Walmart International segment. During fiscal 2021, the majority of Walmart International's purchases passed through these distribution facilities. Suppliers ship the remainder of Walmart International's purchases directly to our stores in the various markets in which we operate. Across the segment, we have efficient networks connecting physical stores and distribution and fulfillment centers which facilitate the movement of goods to where our customers live. We ship merchandise purchased by customers on our eCommerce platforms by a number of methods from multiple locations including from our 83 dedicated eCommerce fulfillment centers, more than 2,800 eCommerce sort centers and last-mile delivery facilities in India, as well as our physical retail stores.

Sam's Club Segment

Sam's Club operates in 44 states in the U.S. and in Puerto Rico. Sam's Club is a membership-only warehouse club that also operates samsclub.com. Sam's Club had net sales of \$63.9 billion for fiscal 2021, representing 11% of our consolidated fiscal 2021 net sales, and had net sales of \$58.8 billion and \$57.8 billion for fiscal 2020 and 2019, respectively. As a membership-only warehouse club, membership income is a significant component of the segment's operating income. Sam's Club operates with a lower gross profit rate and lower operating expenses as a percentage of net sales than our other segments.

Membership. The following two options are available to members:

	Plus Membership	Club Membership
Annual Membership Fee	\$100	\$45
Number of Add-on Memberships (\$40 each)	Up to 16	Up to 8
Eligible for Cash Rewards	Yes	No

All memberships include a spouse/household card at no additional cost. Plus Members are eligible for Cash Rewards, which is a benefit that provides 2% back on qualifying Sam's Club purchases up to a \$500 cash reward annually. The amount earned can be used for purchases or redeemed for cash. Plus Members are also eligible for free shipping on the majority of merchandise, with no minimum order size, and receive discounts on prescriptions and glasses.

Omni-channel. Sam's Club is a membership-only warehouse club which provides an omni-channel experience to customers, integrating retail stores and eCommerce through such services as Curbside Pickup, mobile Scan & Go, and ship-from-club. Members have access to a broad assortment of merchandise and services, including those not found in our clubs, online at samsclub.com and through our mobile commerce applications. The warehouse facility sizes generally range between 32,000 and 168,000 square feet, with an average size of approximately 134,000 square feet.

Merchandise. Sam's Club offers merchandise in the following five merchandise categories:

- Grocery and consumables includes dairy, meat, bakery, deli, produce, dry, chilled or frozen packaged foods, alcoholic and nonalcoholic beverages, floral, snack foods, candy, other grocery items, health and beauty aids, paper goods, laundry and home care, baby care, pet supplies and other consumable items;
- Fuel, tobacco and other categories consists of gasoline stations and tobacco;
- Home and apparel includes home improvement, outdoor living, gardening, furniture, apparel, jewelry, tools and power equipment, housewares, toys, seasonal items, mattresses, and tire and battery centers;
- Technology, office and entertainment includes consumer electronics and accessories, software, video games, office supplies, appliances, and third-party gift cards; and
- Health and wellness includes pharmacy, optical and hearing services and over-the-counter drugs.

In addition, the Member's Mark private label brand continues to expand assortment and deliver member value.

Operations. Operating hours for Sam's Clubs are generally Monday through Friday from 10:00 a.m. to 8:00 p.m., Saturday from 9:00 a.m. to 8:00 p.m. and Sunday from 10:00 a.m. to 6:00 p.m. Additionally, most club locations offer Plus Members the ability to shop before the regular operating hours Monday through Saturday, starting at 8:00 a.m. While store operating hours generally remained stable during the COVID-19 pandemic, designated "Hero Hours" were also established for first responders, health care workers, and associates. Consistent with its strategy,

Sam's Club continues to develop technology tools to drive a great member experience. During the pandemic, Curbside Pickup was launched at all clubs to help provide fast, easy and contact-free shopping for members. Sam's Club also offers "Scan & Go," a mobile checkout and payment solution, which allows members to bypass the checkout line.

Seasonal Aspects of Operations. Sam's Club's business is seasonal to a certain extent due to calendar events and national and religious holidays, as well as different weather patterns. Historically, its highest sales volume has occurred in the fiscal quarter ending January 31. However, the COVID-19 pandemic may have an impact on consumer behaviors that could result in temporary changes in the seasonal fluctuations of our business.

Competition. Sam's Club competes with other membership-only warehouse clubs, the largest of which is Costco, as well as with discount retailers, retail and wholesale grocers, general merchandise wholesalers and distributors, gasoline stations as well as omni-channel and eCommerce retailers and catalog businesses. At Sam's Club, we provide value at members-only prices, a quality merchandise assortment, and bulk sizing to serve both our Plus and Club members. Our eCommerce website and mobile commerce applications have increasingly become important factors in our ability to compete and recently enabled the launch of Curbside Pickup across all clubs.

Distribution. During fiscal 2021, the majority of Sam's Club's non-fuel club purchases were shipped from Sam's Club's 27 dedicated distribution facilities, located strategically throughout the U.S., or from some of the Walmart U.S. segment's distribution facilities, which service the Sam's Club segment for certain items. Suppliers shipped the remainder of the Sam's Club segment's club purchases directly to Sam's Club locations. Sam's Club ships merchandise purchased on samsclub.com and through its mobile commerce applications by a number of methods including shipments made directly from clubs, 11 dedicated eCommerce fulfillment centers and other distribution centers.

Sam's Club uses a combination of our private truck fleet, as well as common carriers, to transport non-perishable merchandise from distribution facilities to clubs. The segment contracts with common carriers to transport perishable grocery merchandise from distribution facilities to clubs.

Intellectual Property

We regard our trademarks, service marks, copyrights, patents, domain names, trade dress, trade secrets, proprietary technologies, and similar intellectual property as important to our success, and with respect to our associates, customers and others, we rely on trademark, copyright, and patent law, trade-secret protection, and confidentiality and/or license agreements to protect our proprietary rights. We have registered, or applied for the registration of, a number of U.S. and international domain names, trademarks, service marks and copyrights. Additionally, we have filed U.S. and international patent applications covering certain of our proprietary technology. We have licensed in the past, and expect that we may license in the future, certain of our proprietary rights to third parties.

Suppliers and Supply Chain

As a retailer and warehouse club operator, we utilize a global supply chain that includes both U.S. and international suppliers from whom we purchase the merchandise that we sell in our stores, clubs and online. In many instances, we purchase merchandise from producers located near the stores and clubs in which such merchandise will be sold, particularly products in the "fresh" category. Our purchases may represent a significant percentage of the annual sales for a number of our suppliers, and the volume of product we acquire from many suppliers allows us to obtain favorable pricing from such suppliers. Our suppliers are subject to standards of conduct, including requirements that they comply with local labor laws, local worker safety laws and other applicable laws. Our ability to acquire from our suppliers the assortment and volume of products we wish to offer to our customer, to receive those products within the required time through our supply chain and to distribute those products to our stores and clubs determines, in part, our in-stock levels in our stores and clubs and the attractiveness of our merchandise assortment we offer to our customers and members.

Government Regulation

As a company with global operations, we are subject to the laws of the United States and multiple foreign jurisdictions in which we operate and the rules and regulations of various governing bodies, which may differ among jurisdictions. For additional information, see the risk factors herein in "[Item 1A. Risk Factors](#)" under the sub-caption "Legal, Tax, Regulatory, Compliance, Reputational and Other Risks".

Human Capital Management

Our commitment to help people around the world save money and live better is delivered by our associates who make the difference for our customers every day. As of the end of fiscal 2021, we employed more than 2.3 million associates worldwide, with 1.6 million associates in the U.S. and 0.7 million associates internationally. In the U.S., approximately 94% of these associates are hourly and approximately 64% are full-time.

We believe the strength of our workforce is a significant contributor to our success. Walmart is a place of opportunity, not only as a foundational entry point to develop critical skills that are relevant for a variety of careers, but also a place where people can grow in their careers across our global omni-channel business. As customer demands and technology change the nature of work, we need to attract, develop and retain associates to thrive in an ever-changing omni-channel environment. Approximately 75% of our U.S. salaried store, club and supply chain management started their careers in hourly positions. We believe our focus on improving career paths for our associates through robust training, competitive wages, new ways of working, and opportunities for advancement has improved turnover in the U.S. over the past few years.

Our workforce strategy includes the following strategic priorities:

Inclusion - *Build a Walmart for everyone: a diverse, equitable and inclusive company, where associates' ideas and opinions matter.* We are focused on creating an inclusive culture and a diverse associate base, where all associates believe they belong and are empowered to be themselves, which we believe is important in serving our customers now and in the future. Management provides recurring culture, diversity, equity and inclusion updates to senior leadership, including our President and CEO, and the Compensation, Management and Development Committee of the Board of Directors. Of the more than 2.3 million associates employed worldwide, 54% identify as women. In the U.S., 47% of the 1.6 million associates identify as ethnically diverse.

We review our processes regarding our commitment to fair-pay practices. We are committed to creating a performance culture where associates are rewarded based on meaningful factors such as qualifications, experience, performance and the type of work they do.

To build a company where associates feel valued and heard, we gather and respond to associates' feedback in a variety of ways, including but not limited to an anonymous, periodic, formal, associate engagement survey, our Open Door process, and one-on-one interactions. Management reviews the results of feedback obtained from our formal associate engagement survey. Feedback and suggestions received through these channels have led to meaningful changes in our business, including a new U.S. attendance policy, for example.

Well-being - *Focus on the physical, emotional, and financial well-being of our associates.* We invest in our associates by offering competitive wages including bonuses based on Company performance, as well as a broad range of benefits that vary based on customary local practices and statutory requirements and believe these investments in our associates are important to our future. In the U.S., we offer affordable healthcare coverage to our full-time and eligible part-time associates, as well as Company paid benefits such as a store discount card or Sam's Club membership, 401(k) match, maternity leave, a paid parental leave program to all full-time associates, paid time off, Associate Stock Purchase Plan match, life insurance and behavioral health services. Certain information relating to retirement-related benefits we provide to our associates is included in [Note 11](#) to our Consolidated Financial Statements.

In fiscal 2021, we added incremental benefits to support associate health and well-being during the COVID-19 pandemic. We provided extra pay and benefits, including special cash bonuses totaling \$1.6 billion, and the introduction of the COVID-19 Emergency Leave Policy in the U.S. See "[COVID-19 Updates](#)" in Management's Discussion and Analysis for additional information regarding our response to the COVID-19 pandemic.

Growth - *Provide ongoing growth, development and learning opportunities for associates and continue to attract talent with new skills.* To help associates acquire the experiences and skills needed for success in the jobs of today and tomorrow, we have invested in their development – including new roles and career paths, cross-training, on-the-job coaching, and formal, classroom-style training such as Walmart Academy in the U.S. We also provide access to educational opportunities for our eligible associates through our Live Better U program, which provides a pathway to earn a high school diploma at no cost or a college degree for \$1 a day, as well as multiple digital learning opportunities.

Digital - *Accelerate digital transformation and ways of working to improve the associate experience and drive business results.* To deliver a seamless customer and associate experience, we continue to invest in digital tools to improve associate productivity, engagement, and performance. As more customers shop digitally, we have adapted

by adding more roles in eCommerce fulfillment and our home office associates have accelerated tech-based solutions that enhance the customer and associate experiences.

Information About Our Executive Officers

The following chart names the executive officers of the Company as of the date of the filing of this Annual Report on Form 10-K with the SEC, each of whom is elected by and serves at the pleasure of the Board of Directors. The business experience shown for each officer has been his or her principal occupation for at least the past five years, unless otherwise noted.

Name	Business Experience	Current Position Held Since	Age
Daniel J. Bartlett	Executive Vice President, Corporate Affairs, effective June 2013. From November 2007 to June 2013, he served as the Chief Executive Officer and President of U.S. Operations at Hill & Knowlton, Inc., a public relations company.	2013	49
M. Brett Biggs	Executive Vice President and Chief Financial Officer, effective January 2016. From January 2014 to December 2015, he served as Executive Vice President and Chief Financial Officer of Walmart International.	2016	52
Rachel Brand	Executive Vice President, Global Governance, Chief Legal Officer and Corporate Secretary, effective April 2018. From May 2017 to February 2018, she served as Associate Attorney General in the United States Department of Justice. From January 2017 to May 2017, Ms. Brand was an Associate Professor of Law at George Mason University Antonin Scalia Law School. From August 2012 to February 2017, she served as a board member on the Privacy and Civil Liberties Oversight Board of the U.S. government.	2018	47
David M. Chojnowski	Senior Vice President and Controller effective January 2017. From October 2014 to January 2017, he served as Vice President and Controller, Walmart U.S.	2017	51
John Furner	Executive Vice President, President and Chief Executive Officer, Walmart U.S. effective November 2019. From February 2017 until November 2019, he served as President and Chief Executive Officer, Sam's Club. From October 2015 to January 2017, he served as Executive Vice President and Chief Merchandising Officer of Sam's Club.	2019	46
Suresh Kumar	Executive Vice President, Global Chief Technology Officer and Chief Development Officer effective July 2019. From February 2018 until June 2019, Mr. Kumar was Vice President and General Manager at Google LLC. From May 2014 until February 2018, he was Corporate Vice President at Microsoft Corporation.	2019	56
Judith McKenna	Executive Vice President, President and Chief Executive Officer, Walmart International, effective February 2018. From February 2015 to January 2018, she served as Executive Vice President and Chief Operating Officer of Walmart U.S.	2018	54
Kathryn McLay	Executive Vice President, President and Chief Executive Officer, Sam's Club effective November 15, 2019. From February 2019 to November 2019, she served as Executive Vice President, Walmart U.S. Neighborhood Markets. From December 2015 until February 2019, she served as Senior Vice President, U.S. Supply Chain. Ms. McLay originally joined the Company in April 2015 as Vice President of U.S. Finance and Strategy.	2019	47
C. Douglas McMillon	President and Chief Executive Officer, effective February 2014. From February 2009 to January 2014, he served as Executive Vice President, President and Chief Executive Officer, Walmart International.	2014	54
Donna Morris	Executive Vice President, Global People, and Chief People Officer, effective February 2020. From April 2002 to January 2020, she worked at Adobe Inc. in various roles, including most recently, Chief Human Resources Officer and Executive Vice President, Employee Experience.	2020	53

Our Website and Availability of SEC Reports and Other Information

Our corporate website is located at www.stock.walmart.com. We file with or furnish to the SEC Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports, proxy statements and annual reports to shareholders, and, from time to time, other documents. The reports and other documents filed with or furnished to the SEC are available to investors on or through our corporate website free of charge as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. The SEC maintains a website that contains reports, proxy and information statements and other information regarding issuers, such as the Company, that file electronically with the SEC. The address of that website is www.sec.gov. Our SEC filings, our Reporting Protocols for Senior Financial Officers and our Code of Conduct can be found on our website at www.stock.walmart.com. These documents are available in print to any shareholder who requests a copy by writing or calling our Investor Relations Department, which is located at our principal offices.

A description of any substantive amendment or waiver of Walmart's Reporting Protocols for Senior Financial Officers or our Code of Conduct for our chief executive officer, our chief financial officer and our controller, who is our principal accounting officer, will be disclosed on our website at www.stock.walmart.com under the Corporate Governance section. Any such description will be located on our website for a period of 12 months following the amendment or waiver.

ITEM 1A. RISK FACTORS

The risks described below could, in ways we may or may not be able to accurately predict, materially and adversely affect our business, results of operations, financial position and liquidity. Our business operations could also be affected by additional factors that apply to all companies operating in the U.S. and globally. The following risk factors do not identify all risks that we may face.

Strategic Risks

Failure to successfully execute our omni-channel strategy and the cost of our investments in eCommerce and technology may materially adversely affect our market position, net sales and financial performance.

The retail business continues to rapidly evolve and consumers increasingly embrace digital shopping. As a result, the portion of total consumer expenditures with retailers and wholesale clubs occurring through digital platforms is increasing and the pace of this increase could continue to accelerate.

Our strategy, which includes investments in eCommerce, technology, acquisitions, joint ventures, store remodels and other customer initiatives, may not adequately or effectively allow us to continue to grow our eCommerce business, increase comparable store sales, maintain or grow our overall market position or otherwise offset the impact on the growth of our business of a moderated pace of new store and club openings. The success of this strategy will depend in large measure on our ability to continue building and delivering a seamless omni-channel shopping experience for our customers and is further subject to the related risks discussed in this [Item 1A](#). Failure to successfully execute this strategy may adversely affect our market position, net sales and financial performance which could also result in impairment charges to intangible assets or other long-lived assets. In addition, a greater concentration of eCommerce sales, including increasing online grocery sales, could result in a reduction in the amount of traffic in our stores and clubs, which would, in turn, reduce the opportunities for cross-store or cross-club sales of merchandise that such traffic creates and could reduce our sales within our stores and clubs and materially adversely affect our financial performance.

Furthermore, the cost of certain eCommerce and technology investments, including any operating losses incurred, will adversely impact our financial performance in the short-term and failure to realize the benefits of these investments may adversely impact our financial performance over the longer term.

If we do not timely identify or effectively respond to consumer trends or preferences, it could negatively affect our relationship with our customers, demand for the products and services we sell, our market share and the growth of our business.

It is difficult to predict consistently and successfully the products and services our customers will demand and changes in their shopping patterns. The success of our business depends in part on how accurately we predict consumer demand, availability of merchandise, the related impact on the demand for existing products and the competitive environment. Price transparency, assortment of products, customer experience, convenience, ease and the speed and cost of shipping are of primary importance to customers and continue to increase in importance,

particularly as a result of digital tools and social media available to consumers and the choices available to consumers for purchasing products. Our failure to adequately or effectively respond to changing consumer tastes, preferences (including those related to sustainability) and shopping patterns, or any other failure on our part to timely identify or effectively respond to changing consumer tastes, preferences and shopping patterns could negatively affect our reputation and relationship with our customers, the demand for the products we sell or services we offer, our market share and the growth of our business.

We face strong competition from other retailers and wholesale club operators which could materially adversely affect our financial performance.

Each of our segments competes for customers, employees, digital prominence, products and services and in other important aspects of its business with many other local, regional, national and global physical, eCommerce and omni-channel retailers, wholesale club operators and retail intermediaries.

We compete in a variety of ways, including the prices at which we sell our merchandise, merchandise selection and availability, services offered to customers, location, store hours, in-store amenities, the shopping convenience and overall shopping experience we offer, the attractiveness and ease of use of our digital platforms, cost and speed of and options for delivery to customers of merchandise purchased through our digital platforms or through our omni-channel integration of our physical and digital operations.

A failure to respond effectively to competitive pressures and changes in the retail markets or delays or failure in execution of our strategy could materially adversely affect our financial performance. See "[Item 1. Business](#)" above for additional discussion of the competitive situation of each of our reportable segments.

Certain segments of the retail industry are undergoing consolidation or substantially reducing operations, whether due to bankruptcy, consolidation or other factors. Such consolidation, or other business combinations or alliances, or reduction in operation may result in competitors with greatly improved financial resources, improved access to merchandise, greater market penetration than they previously enjoyed and other improvements in their competitive positions. Such business combinations or alliances could result in the provision of a wider variety of products and services at competitive prices by such consolidated or aligned companies, which could adversely affect our financial performance.

General or macro-economic factors, both domestically and internationally, may materially adversely affect our financial performance.

General economic conditions and other economic factors, globally or in one or more of the markets we serve, may adversely affect our financial performance. Higher interest rates, lower or higher prices of petroleum products, including crude oil, natural gas, gasoline, and diesel fuel, higher costs for electricity and other energy, weakness in the housing market, inflation, deflation, increased costs of essential services, such as medical care and utilities, higher levels of unemployment, decreases in consumer disposable income, unavailability of consumer credit, higher consumer debt levels, changes in consumer spending and shopping patterns, fluctuations in currency exchange rates, higher tax rates, imposition of new taxes or other changes in tax laws, changes in healthcare laws, other regulatory changes, the imposition of tariffs or other measures that create barriers to or increase the costs associated with international trade, overall economic slowdown or recession and other economic factors in the U.S. or in any of the other markets in which we operate could adversely affect consumer demand for the products we sell in the U.S. or such other markets, change the mix of products we sell to one with a lower average gross margin, cause a slowdown in discretionary purchases of goods, adversely affect our net sales and result in slower inventory turnover and greater markdowns of inventory, or otherwise materially adversely affect our operations and operating results and could result in impairment charges to intangible assets, goodwill or other long-lived assets.

In addition, the economic factors listed above, any other economic factors or circumstances resulting in higher transportation, labor, insurance or healthcare costs or commodity prices, and other economic factors in the U.S. and other countries in which we operate can increase our cost of sales and operating, selling, general and administrative expenses and otherwise materially adversely affect our operations and operating results.

The economic factors that affect our operations may also adversely affect the operations of our suppliers, which can result in an increase in the cost to us of the goods we sell to our customers or, in more extreme cases, in certain suppliers not producing goods in the volume typically available to us for sale.

The performance of strategic alliances and other business relationships to support the expansion of our business could materially adversely affect our financial performance.

We may enter into strategic alliances and other business relationships in the countries in which we have existing operations or in other markets to expand our business. These arrangements may not generate the level of sales we anticipate when entering into the arrangement or may otherwise adversely impact our business and competitive position relative to the results we could have achieved in the absence of such alliance. In addition, any investment we make in connection with a strategic alliance, business relationship or in certain of our recently divested markets, could materially adversely affect our financial performance.

Operational Risks

The impact of the COVID-19 pandemic on our business, financial position and results of operations is in many respects unpredictable, and we may be unable to sustain our revenue growth rate in the future.

The continuing impacts of the COVID-19 pandemic are highly unpredictable and volatile, with varying impacts on certain business operations, demand for our products and services, in-stock positions, costs of doing business, access to inventory, supply chain operations, our ability to predict future performance, exposure to litigation, and our financial performance, among other things.

The COVID-19 pandemic has resulted in widespread and continuing impacts on the global economy and on our domestic and international associates, members, suppliers and other people and entities with which we do business. There is considerable uncertainty regarding the extent to which COVID-19 will continue to spread and the extent and duration of measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place orders and business and government shutdowns and other restrictions on retailers.

Customer demand for certain products has also fluctuated as the pandemic has progressed and customer behaviors have changed, which has challenged our ability to anticipate and/or adjust inventory levels to meet that demand. These factors have resulted in higher out-of-stock positions in certain products, as well as delays in delivering those products, and could impact inventory levels in the future.

Other factors and uncertainties include, but are not limited to: the severity and duration of the pandemic, including whether there are additional outbreaks or spikes in the number of COVID-19 cases, future mutations or related strains of the virus in areas in which we operate; further increased operational costs associated with operating during a global pandemic; evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures; unknown consequences on our business performance and initiatives stemming from the substantial investment of time, capital and other resources to the pandemic response; the availability of, and prevalence of access to, effective medical treatments and vaccines for COVID-19; the pace of recovery when the pandemic subsides; and the long-term impact of the COVID-19 pandemic on our business, including consumer behaviors. These risks and their impacts are difficult to predict and could otherwise disrupt and adversely affect our operations and our financial performance.

The COVID-19 pandemic has led to increased revenue growth relative to historic trends, and has particularly accelerated our eCommerce growth. These results, as well as those of other metrics such as net income and other financial and operating data, may not be indicative of results for future periods. Once the impact of the COVID-19 pandemic subsides, particularly as vaccines become more widely available, and customers return to work or school or are otherwise no longer subject to the aforementioned containment directives and similar mandates, a failure by us to continue capitalizing on growth opportunities may result in declining revenue and future operating results may fall below expectations.

To the extent that the COVID-19 pandemic continues to adversely affect the U.S. and the global economy, it may also heighten other risks described in this section, including but not limited to those related to consumer behavior and expectations, competition, our reputation, implementation of strategic initiatives, cybersecurity threats, payment-related risks, technology systems disruption, supply chain disruptions, labor availability and cost, litigation, and regulatory requirements.

Natural disasters, climate change, geopolitical events, global health epidemics or pandemics and catastrophic events could materially adversely affect our financial performance.

The occurrence of one or more natural disasters, such as hurricanes, tropical storms, floods, fires, earthquakes, tsunamis, cyclones, typhoons; weather conditions such as major or extended winter storms, droughts and tornadoes, whether as a result of climate change or otherwise; geopolitical events; global health epidemics or pandemics or other contagious outbreaks such as the ongoing COVID-19 pandemic; and catastrophic events, such as war, civil unrest, terrorist attacks or other acts of violence, including active shooter situations (such as those that have occurred in our U.S. stores), in countries in which we operate or in which our suppliers are located, could adversely affect our operations and financial performance.

Such events could result in physical damage to, or the complete loss of, one or more of our properties, the closure of one or more stores, clubs and distribution or fulfillment centers, limitations on store or club operating hours, the lack of an adequate work force in a market, the inability of customers and associates to reach or have transportation to our stores and clubs affected by such events, the evacuation of the populace from areas in which our stores, clubs and distribution and fulfillment centers are located, the unavailability of our digital platforms to our customers, changes

in the purchasing patterns of consumers (including the frequency of visits by consumers to physical retail locations, whether as a result of limitations on large gatherings, travel and movement limitations or otherwise) and in consumers' disposable income, the temporary or long-term disruption in the supply of products from some suppliers, the disruption in the transport of goods from overseas, the disruption or delay in the delivery of goods to our distribution and fulfillment centers or stores within a country in which we are operating, the reduction in the availability of products in our stores, the disruption of utility services to our stores and our facilities, and the disruption in our communications with our stores.

Furthermore, the long-term impacts of climate change, whether involving physical risks (such as extreme weather conditions or rising sea levels) or transition risks (such as regulatory or technology changes) are expected to be widespread and unpredictable. These changes over time could affect, for example, the availability and cost of certain consumer products, commodities and energy (including utilities), which in turn may impact our ability to procure those certain goods or services required for the operation of our business at the quantities and levels we require.

We bear the risk of losses incurred as a result of physical damage to, or destruction of, any stores, clubs and distribution or fulfillment centers, loss or spoilage of inventory and business interruption caused by such events. These events and their impacts could otherwise disrupt and adversely affect our operations in the areas in which they occur and could materially adversely affect our financial performance.

Risks associated with our suppliers could materially adversely affect our financial performance.

The products we sell are sourced from a wide variety of domestic and international suppliers. Global sourcing of many of the products we sell is an important factor in our financial performance. We expect our suppliers to comply with applicable laws, including labor, safety, anti-corruption and environmental laws, and to otherwise meet our required supplier standards of conduct. Our ability to find qualified suppliers who uphold our standards, and to access products in a timely and efficient manner and in the large volumes we may demand, is a significant challenge, especially with respect to suppliers located and goods sourced outside the U.S.

Political and economic instability, as well as other impactful events and circumstances in the countries in which our suppliers and their manufacturers are located (such as the ongoing COVID-19 pandemic), the financial instability of suppliers, suppliers' failure to meet our terms and conditions or our supplier standards (including our responsible sourcing standards), labor problems experienced by our suppliers and their manufacturers, the availability of raw materials to suppliers, merchandise safety and quality issues, disruption or delay in the transportation of merchandise from the suppliers and manufacturers to our stores, clubs, and other facilities, including as a result of labor slowdowns at any port at which a material amount of merchandise we purchase enters into the markets in which we operate, currency exchange rates, transport availability and cost, transport security, inflation and other factors relating to the suppliers and the countries in which they are located are beyond our control.

In addition, the U.S. foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries and entities, the limitation on the importation of certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade are beyond our control. These and other factors affecting our suppliers and our access to products could adversely affect our financial performance.

If the products we sell are not safe or otherwise fail to meet our customers' expectations, we could lose customers, incur liability for any injuries suffered by customers using or consuming a product we sell or otherwise experience a material impact to our brand, reputation and financial performance. We are also subject to reputational and other risks related to third-party sales on our digital platforms.

Our customers count on us to provide them with safe products. Concerns regarding the safety of food and non-food products that we source from our suppliers or that we prepare and then sell could cause customers to avoid purchasing certain products from us, or to seek alternative sources of supply for all of their food and non-food needs, even if the basis for the concern is outside of our control. Any lost confidence on the part of our customers would be difficult and costly to reestablish and such products also expose us to product liability or food safety claims. As such, any issue regarding the safety of any food or non-food items we sell, regardless of the cause, could adversely affect our brand, reputation and financial performance. In addition, third-parties sell goods on some of our digital platforms, which we refer to as marketplace transactions. Whether laws related to such sales apply to us is currently unsettled and any unfavorable changes could expose us to loss of sales, reduction in transactions and deterioration of our competitive position. In addition, we may face reputational, financial and other risks, including liability, for third-party sales of goods that are controversial, counterfeit or otherwise fail to comply with applicable law. Although we impose contractual terms on sellers that are intended to prohibit sales of certain type of products, we may not be able to detect, enforce, or collect sufficient damages for breaches of such agreements. Any of these events could have a material adverse impact on our business and results of operations and impede the execution of our eCommerce growth strategy.

We rely extensively on information systems to process transactions, summarize results and manage our business. Disruptions in our systems could harm our ability to conduct our operations.

Given the number of individual transactions we have each year, it is crucial that we maintain uninterrupted operation of our business-critical information systems. Our information systems are subject to damage or interruption from

power outages, computer and telecommunications failures, computer viruses, worms, other malicious computer programs, denial-of-service attacks, security breaches (through cyberattacks from cyberattackers and sophisticated organizations including nation states), catastrophic events such as fires, tornadoes, earthquakes and hurricanes, and usage errors by our associates or contractors. Our information systems are essential to our business operations, including the processing of transactions, management of our associates, facilities, logistics, inventories, physical stores and clubs and our online operations. Our information systems are not

fully redundant and our disaster recovery planning cannot account for all eventualities. If our systems are damaged, breached or cease to function properly, we may have to make a significant investment to repair or replace them, and may experience loss or corruption of critical data as well as suffer interruptions in our business operations in the interim. Any interruption to our information systems may have a material adverse effect on our business or results of operations. In addition, we are constantly updating our information technology processes and systems. The risk of system disruption is increased when significant system changes are undertaken. If we fail to timely integrate and update our information systems and processes, we may fail to realize the cost savings or operational benefits anticipated to be derived from these initiatives.

If the technology-based systems that give our customers the ability to shop with us online do not function effectively, our operating results, as well as our ability to grow our omni-channel business globally, could be materially adversely affected.

Increasingly, customers are using computers, tablets, and smart phones to shop with us and with our competitors and to do comparison shopping. We use social media, online advertising, and email to interact with our customers and as a means to enhance their shopping experience. As a part of our omni-channel sales strategy, we offer various pickup, delivery and shipping programs including options where many products available for purchase online can be picked up by the customer or member at a local Walmart store or Sam's Club, which provides additional customer traffic at such stores and clubs. Omni-channel retailing is a rapidly evolving part of the retail industry and of our operations around the world. We must anticipate and meet our customers' changing expectations while adjusting for technology investments and developments in our competitors' operations through focusing on the building and delivery of a seamless shopping experience across all channels by each operating segment. Any failure on our part to provide attractive, user-friendly secure digital platforms that offer a wide assortment of merchandise at competitive prices and with low cost and rapid delivery options and that continually meet the changing expectations of online shoppers and developments in online and digital platform merchandising and related technology could place us at a competitive disadvantage, result in the loss of eCommerce and other sales, harm our reputation with customers, have a material adverse impact on the growth of our eCommerce business globally and have a material adverse impact on our business and results of operations.

Our digital platforms, which are increasingly important to our business and continue to grow in complexity and scope, and the systems on which they run, including those applications and systems in our acquired eCommerce businesses, are regularly subject to cyberattacks. Those attacks involve attempts to gain unauthorized access to our eCommerce websites (including marketplace platforms) or mobile commerce applications to obtain and misuse customers' or members' information including payment information and related risks discussed in this [Item 1A](#). Such attacks, if successful, in addition to potential data misuse and/or loss, may also create denials of service or otherwise disable, degrade or sabotage one or more of our digital platforms or otherwise significantly disrupt our customers' and members' shopping experience, our supply chain integrity and continuity, and our ability to efficiently operate our business. If we are unable to maintain the security of our digital platforms and keep them operating within acceptable parameters, we could suffer loss of sales, reductions in transactions, reputational damage and deterioration of our competitive position and incur liability for any damage to customers or others whose personal or confidential information is unlawfully obtained and misused, any of which events could have a material adverse impact on our business and results of operations and impede the execution of our strategy for the growth of our business.

Any failure to maintain the security of the information relating to our company, customers, members, associates and vendors, whether as a result of cybersecurity attacks on our information systems or otherwise, could damage our reputation, result in litigation or other legal actions against us, cause us to incur substantial additional costs, and materially adversely affect our business and operating results.

Like most retailers, we receive and store in our information systems personal information about our customers and members, and we receive and store personal information concerning our associates and vendors. Some of that information is stored digitally in connection with our digital platforms. We also utilize third-party service providers for a variety of reasons, including, without limitation, for digital storage technology, content delivery to customers and members, back-office support, and other functions. Such providers may have access to information we hold about our customers, members, associates or vendors. In addition, our eCommerce operations depend upon the secure transmission of confidential information over public networks, including information permitting cashless payments.

Cyber threats are rapidly evolving and those threats and the means for obtaining access to information in digital and other storage media are becoming increasingly sophisticated. Cyber threats and cyberattackers can be sponsored by countries or sophisticated criminal organizations or be the work of hackers with a wide range of motives and

expertise. We and the businesses with which we interact have experienced and continue to experience threats to data and systems, including by perpetrators of random or targeted malicious cyberattacks, computer viruses, worms, bot attacks, ransomware or other destructive or disruptive software and attempts to misappropriate customer information, including credit card and payment information, and cause system failures and disruptions. The increased use of remote work infrastructure due to the COVID-19 pandemic has also increased the possible attack surfaces. Some of our systems and third-party service providers' systems have experienced limited security breaches or incidents and although they did not have a material adverse effect on our operating results, there can be no assurance of a similar result in the future.

Associate error or malfeasance, faulty password management, social engineering or other vulnerabilities and irregularities may also result in a defeat of our or our third-party service providers' security measures and a breach of our or their information systems. Moreover, hardware, software or applications we use may have inherent vulnerabilities or defects of design, manufacture or operations or could be inadvertently or intentionally implemented or used in a manner that could compromise information security.

Any compromise of our data security systems or of those of businesses with which we interact, which results in confidential information being accessed, obtained, damaged, disclosed, destroyed, modified, lost or used by unauthorized persons could harm our reputation and expose us to regulatory actions, customer attrition, remediation expenses, and claims from customers, members, associates, vendors, financial institutions, payment card networks and other persons, any of which could materially and adversely affect our business operations, financial position and results of operations. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of a compromise, we may be unable to anticipate these techniques or to implement adequate preventative measures and we or our third-party service providers may not discover any security breach, vulnerability or compromise of information for a significant period of time after the security incident occurs. To the extent that any cyberattack, ransomware or incursion in our or one of our third-party service provider's information systems results in the loss, damage, misappropriation or other compromise of information, we may be materially adversely affected by claims from customers, financial institutions, regulatory authorities, payment card networks and others.

Our compliance programs, information technology, and enterprise risk management efforts cannot eliminate all systemic risk. Disruptions in our systems caused by security breaches or cyberattacks – including attacks on those parties we do business with – could harm our ability to conduct our operations, which may have a material effect on us, may result in losses that could have a material adverse effect on our financial position or results of operations, or may have a cascading effect that adversely impacts our partners, third-party service providers, customers, financial services firms, and other third parties that we interact with on a regular basis.

In addition, such security-related events could be widely publicized and could materially adversely affect our reputation with our customers, members, associates, vendors and shareholders, could harm our competitive position particularly with respect to our eCommerce operations, and could result in a material reduction in our net sales in our eCommerce operations, as well as in our stores thereby materially adversely affecting our operations, net sales, results of operations, financial position, cash flows and liquidity. Such events could also result in the release to the public of confidential information about our operations and financial position and performance and could result in litigation or other legal actions against us or the imposition of penalties, fines, fees or liabilities, which may not be covered by our insurance policies. Moreover, a security compromise or ransomware event could require us to devote significant management resources to address the problems created by the issue and to expend significant additional resources to upgrade further the security measures we employ to guard personal and confidential information against cyberattacks and other attempts to access or otherwise compromise such information and could result in a disruption of our operations, particularly our digital operations.

We accept payments using a variety of methods, including cash, checks, credit and debit cards, and our private label credit cards and gift cards, and we may offer new payment options over time, which may have information security risk implications. As a retailer accepting debit and credit cards for payment, we are subject to various industry data protection standards and protocols, such as payment network security operating guidelines and the Payment Card Industry Data Security Standard. We cannot be certain that the security measures we maintain to protect all of our information technology systems are able to prevent, contain or detect cyberattacks, cyberterrorism, security breaches or other compromises from known malware or ransomware or other threats that may be developed in the future. In certain circumstances, our contracts with payment card processors and payment card networks (such as Visa, Mastercard, American Express and Discover) generally require us to adhere to payment card network rules which could make us liable to payment card issuers and others if information in connection with payment cards and payment card transactions that we process is compromised, which liabilities could be substantial.

Additionally, we offer money (wire) transfer services, digital payment platforms, bill payment, money orders and check cashing and we sell prepaid cards and gift cards. We further offer co-branded credit cards and installment loans through financial services partners. These products and services require us to comply with legal and regulatory requirements, including global anti-money laundering and sanctions laws and regulations as well as international, federal and state consumer financial laws and regulations. Failure to comply with these laws and regulations could result in fines, sanctions, penalties and harm to our reputation.

The Company also has compliance obligations associated with new privacy laws enacted to protect and regulate the collection, use, retention, disclosure and transfer of personal information, which include statutory liability for security breaches. Consequently, cybersecurity attacks that cause a data breach could subject us to fines, sanctions and other legal liability and harm our reputation.

Changes in the results of our health and wellness business could adversely affect our overall results of operations, cash flows and liquidity.

Walmart has retail pharmacy operations in our Walmart U.S. and Sam's Club segments, as well as the recent addition of Walmart Health Centers in a number of states. A large majority of our retail pharmacy net sales are generated by filling prescriptions for which we receive payment through established contractual relationships with third-party payers and payment administrators, such as private insurers, governmental agencies and pharmacy benefit managers ("PBMs").

Our retail pharmacy operations are subject to numerous risks, including: reductions in the third-party reimbursement rates for drugs; changes in our payer mix (i.e., shifts in the relative distribution of our pharmacy customers across drug insurance plans and programs toward plans and programs with less favorable reimbursement terms); changes in third-party payer drug formularies (i.e., the schedule of prescription drugs approved for reimbursement or which otherwise receive preferential coverage treatment); growth in, and our participation in or exclusion from, pharmacy payer network arrangements including exclusive and preferred pharmacy network arrangements operated by PBMs and/or any insurance plan or program; increases in the prices we pay for brand name and generic prescription drugs we sell; increases in the administrative burdens associated with seeking third-party reimbursement; changes in the frequency with which new brand name pharmaceuticals become available to consumers; introduction of lower cost generic drugs as substitutes for existing brand name drugs for which there was no prior generic drug competition; changes in drug mix (i.e., the relative distribution of drugs customers purchase at our pharmacies between brands and generics); changes in the health insurance market generally; changes in the scope of or the elimination of Medicare Part D or Medicaid drug programs; increased competition from other retail pharmacy operations including competitors offering online retail pharmacy options with or without home delivery options; further consolidation and strategic alliances among third-party payers, PBMs or purchasers of drugs; overall economic conditions and the ability of our pharmacy customers to pay for drugs prescribed for them to the extent the costs are not reimbursed by a third-party; failure to meet any performance or incentive thresholds to which our level of third-party reimbursement may be subject; changes in laws or regulations or the practices of third-party payers and PBMs related to the use of third-party financial assistance to assist our pharmacy customers with paying for drugs prescribed for them; and any additional changes in the regulatory environment for the retail pharmacy industry and the pharmaceutical industry, including as a result of restrictions on the further implementation of or the repeal of the Patient Protection and Affordable Care Act or the enactment and implementation of a law replacing such act, and other changes in laws, rules and regulations that affect our retail pharmacy business.

If the supply of certain pharmaceuticals provided by one or more of our vendors were to be disrupted for any reason, our pharmacy operations could be severely affected until at least such time as we could obtain a new supplier for such pharmaceuticals. Any such disruption could cause reputational damage and result in a significant number of our pharmacy customers transferring their prescriptions to other pharmacies.

One or a combination of such factors may adversely affect the volumes of brand name and generic pharmaceuticals we sell, our cost of sales associated with our retail pharmacy operations, and the net sales and gross margin of those operations or result in the loss of cross-store or cross-club selling opportunities and, in turn, adversely affect our overall net sales, other results of operations, cash flows and liquidity.

Our failure to attract and retain qualified associates, increases in wage and benefit costs, changes in laws and other labor issues could materially adversely affect our financial performance.

Our ability to continue to conduct and expand our operations depends on our ability to attract and retain a large and growing number of qualified associates globally. Our ability to meet our labor needs, including our ability to find qualified personnel to fill positions that become vacant at our existing stores, clubs, distribution and fulfillment centers and corporate offices, while controlling our associate wage and related labor costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force of the markets in which we operate, unemployment levels within those markets, prevailing wage rates, changing demographics, health and other insurance costs and adoption of new or revised employment and labor laws and regulations. Additionally, our ability to successfully execute organizational changes, including management transitions within the Company's senior leadership, and to effectively motivate and retain associates are critical to our business success. If we are unable to locate, attract or retain qualified personnel, or manage leadership transition successfully, the quality of service we provide to our customers may decrease and our financial performance may be adversely affected.

In addition, if our costs of labor or related costs increase for other reasons or if new or revised labor laws, rules or regulations or healthcare laws are adopted or implemented that further increase our labor costs, our financial performance could be materially adversely affected.

Financial Risks

Failure to meet market expectations for our financial performance could adversely affect the market price and volatility of our stock.

We believe that the price of our stock generally reflects high market expectations for our future operating results. Any failure to meet or delay in meeting these expectations, including our comparable store and club sales growth rates, eCommerce growth rates, gross margin, or earnings and adjusted earnings per share could cause the market price of our stock to decline, as could changes in our dividend or stock repurchase programs or policies, changes in our financial estimates and recommendations by securities analysts or, failure of Walmart's performance to compare favorably to that of other retailers may have a negative effect on the price of our stock.

Fluctuations in foreign exchange rates may materially adversely affect our financial performance and our reported results of operations.

Our operations in countries other than the U.S. are conducted primarily in the local currencies of those countries. Our Consolidated Financial Statements are denominated in U.S. dollars, and to prepare those financial statements we must translate the amounts of the assets, liabilities, net sales, other revenues and expenses of our operations outside of the U.S. from local currencies into U.S. dollars using exchange rates for the current period. In recent years, fluctuations in currency exchange rates that were unfavorable have had adverse effects on our reported results of operations.

As a result of such translations, fluctuations in currency exchange rates from period-to-period that are unfavorable to us may also result in our Consolidated Financial Statements reflecting significant adverse period-over-period changes in our financial performance or reflecting a period-over-period improvement in our financial performance that is not as robust as it would be without such fluctuations in the currency exchange rates. Such unfavorable currency exchange rate fluctuations will adversely affect the reported performance of our Walmart International operating segment and have a corresponding adverse effect on our reported consolidated results of operations.

We may pay for products we purchase for sale in our stores and clubs around the world with a currency other than the local currency of the country in which the goods will be sold. When we must acquire the currency to pay for such products and the exchange rates for the payment currency fluctuate in a manner unfavorable to us, our cost of sales may increase and we may be unable or unwilling to change the prices at which we sell those goods to address that increase in our costs, with a corresponding adverse effect on our gross profit. Consequently, unfavorable fluctuations in currency exchange rates have and may continue to adversely affect our results of operations.

Legal, Tax, Regulatory, Compliance, Reputational and Other Risks

Our international operations subject us to legislative, judicial, accounting, legal, regulatory, tax, political and economic risks and conditions specific to the countries or regions in which we operate, which could materially adversely affect our business or financial performance.

In addition to our U.S. operations, we operate our retail business in Africa, Canada, Central America, Chile, China, India and Mexico.

During fiscal 2021, our Walmart International operations generated approximately 22% of our consolidated net sales. Walmart International's operations in various countries also source goods and services from other countries. Our future operating results in these countries could be negatively affected by a variety of factors, most of which are beyond our control. These factors include political conditions, including political instability, local and global economic conditions, legal and regulatory constraints (such as regulation of product and service offerings including regulatory restrictions (such as foreign ownership restrictions) on eCommerce and retail operations in international markets, such as India), restrictive governmental actions (such as trade protection measures), antitrust and competition law regulatory matters (such as the competition investigations currently underway in Mexico related to our subsidiary Wal-Mart de Mexico, in Canada related to our subsidiary Wal-Mart Canada and competition proceedings in India related to our Flipkart subsidiary), local product safety and environmental laws, tax regulations, local labor laws, anti-money laundering laws and regulations, trade policies, currency regulations, laws and regulations regarding consumer and data protection, and other matters in any of the countries or regions in which we operate, now or in the future.

The economies of some of the countries in which we have operations have in the past suffered from high rates of inflation and currency devaluations, which, if they occurred again, could adversely affect our financial performance. Other factors which may impact our international operations include foreign trade, monetary and fiscal policies of the U.S. and of other countries, laws, regulations and other activities of foreign governments, agencies and similar organizations, and risks associated with having numerous facilities located in countries that have historically been less stable than the U.S. Additional risks inherent in our international operations generally include, among others, the costs and difficulties of managing international operations, adverse tax consequences and greater difficulty in enforcing intellectual property rights in countries other than the U.S. The various risks inherent in doing business in the U.S. generally also exist when doing business outside of the U.S., and may be exaggerated by the difficulty of doing business in numerous sovereign jurisdictions due to differences in culture, laws and regulations.

In foreign countries in which we have operations, a risk exists that our associates, contractors or agents could, in contravention of our policies, engage in business practices prohibited by U.S. laws and regulations applicable to us, such as the Foreign Corrupt Practices Act or the laws and regulations of other countries. We maintain a global policy prohibiting such business practices and have in place a global anti-corruption compliance program designed to ensure compliance with these laws and regulations. Nevertheless, we remain subject to the risk that one or more of our associates, contractors or agents, including those based in or from countries where practices that violate such U.S. laws and regulations or the laws and regulations of other countries may be customary, will engage in business practices that are prohibited by our policies, circumvent our compliance programs and, by doing so, violate such laws and regulations. Any such violations, even if prohibited by our internal policies, could adversely affect our business or financial performance and our reputation.

Changes in tax and trade laws and regulations could materially adversely affect our financial performance.

In fiscal 2021, our Walmart U.S. and Sam's Club operating segments generated approximately 78% of our consolidated net sales. Significant changes in tax and trade policies, including tariffs and government regulations affecting trade between the U.S. and other countries where we source many of the products we sell in our stores and clubs could have an adverse effect on our financial performance. A significant portion of the general merchandise we sell in our U.S. stores and clubs is manufactured in other countries. Any such actions including the imposition of further tariffs on imports could increase the cost to us of such merchandise (whether imported directly or indirectly) and cause increases in the prices at which we sell such merchandise to our customers, which could materially adversely affect the financial performance of our U.S. operations and our business.

We are subject to income taxes and other taxes in both the U.S. and the foreign jurisdictions in which we currently operate or have historically operated. The determination of our worldwide provision for income taxes and current and deferred tax assets and liabilities requires judgment and estimation. Our income taxes could be materially adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in worldwide tax laws, tax rates, regulations or accounting principles.

We are also exposed to future tax legislation, as well as the issuance of future regulations and changes in administrative interpretations of existing tax laws, any of which can impact our current and future years' tax provision. The effect of such changes in tax law could have a material effect on our business, financial position and results of operations. In the U.S., the Tax Cuts and Jobs Act of 2017 (the "Tax Act") significantly changed federal income tax laws that affect U.S. corporations and additional guidance from the U.S. Treasury Department, the IRS, and other standard-setting bodies is still pending. As further guidance is issued by these taxing authorities, any resulting changes in our estimates will be treated in accordance with the relevant accounting guidance. Compliance with the Tax Act, including collecting information not regularly produced by the Company or unexpected changes in our estimates, may require us to incur additional costs and could affect our results of operations.

In addition, in response to significant market volatility and disruptions to business operations resulting from the global spread of COVID-19, legislatures and taxing authorities in many jurisdictions in which we operate may enact changes to their tax rules. These changes could include modifications that have temporary effect and more permanent changes. The impact of these potential new rules as well as any other changes in domestic and international tax rules and regulations could have a material effect on our effective tax rate.

Furthermore, we are subject to regular review and audit by both domestic and foreign tax authorities as well as subject to the prospective and retrospective effects of changing tax regulations and legislation. Although we believe our tax estimates are reasonable, the ultimate tax outcome may materially differ from the tax amounts recorded in our Consolidated Financial Statements and may materially affect our income tax provision, net income, or cash flows in the period or periods for which such determination and settlement is made.

Changes in and/or failure to comply with other laws and regulations specific to the environments in which we operate could materially adversely affect our reputation, market position, or our business and financial performance.

We operate in complex regulated environments in the U.S. and in the other countries in which we operate and could be adversely affected by changes to existing legal requirements including the related interpretations and enforcement practices, new legal requirements and/or any failure to comply with applicable regulations.

Our operations in the U.S. are subject to numerous federal, state and local regulations including licensing and other requirements and reimbursement arrangements affecting our health and wellness operations. The regulations to which we are subject include, but are not limited to: federal and state registration and regulation of pharmacies; dispensing and sale of controlled substances and products containing pseudoephedrine; applicable governmental payer regulations including Medicare and Medicaid; data privacy and security laws and regulations including the Health Insurance Portability and Accountability Act, the Affordable Care Act, laws and regulations relating to the protection of the environment and health and safety matters, including those governing exposure to, and the management and disposal of, hazardous substances; regulations regarding food and drug safety including those of the U.S. Food and Drug Administration (the "FDA") and the Drug Enforcement Administration (the "DEA"), trade regulations including those of the U.S. Federal Trade Commission, and consumer protection and safety regulations including those of the Consumer Product Safety Commission, as well as state regulatory authorities, governing the availability, sale, advertisement and promotion of products we sell and the financial services we offer; anti-kickback laws; false claims laws; patient inducement regulations; and federal and state laws governing health care fraud and abuse and the practice of the professions of pharmacy, optical care and health care services.

For example, in the U.S., the DEA and various other regulatory authorities regulate the distribution and dispensing of pharmaceuticals and controlled substances. We are required to hold valid DEA and state-level licenses, meet various security and operating standards and comply with the federal and various state controlled substance acts and related regulations governing the sale, dispensing, disposal and holding of controlled substances. The DEA, the FDA and state regulatory authorities have broad enforcement powers, including the ability to seize or recall products and impose significant criminal, civil and administrative sanctions for violations of these laws and regulations.

We are also governed by foreign, national and state laws and regulations of general applicability, including laws and regulations related to working conditions, health and safety, equal employment opportunity, employee benefit and other labor and employment matters, laws and regulations related to competition and antitrust matters, and health and wellness related regulations for our pharmacy operations outside of the U.S. In addition, certain financial services we offer or make available, such as our money transfer agent services, are subject to legal and regulatory requirements, including those intended to help detect and prevent money laundering, sanctions, fraud and other illicit activity as well as consumer financial protection. We are also subject to data privacy and protection laws regulating the collection, use, retention, disclosure, transfer and processing of personal information, such as the California Consumer Protection Act ("CCPA"), which was recently significantly modified by the California Privacy Rights Act ("CPRA"), as well as the European Union's General Data Protection Regulation ("GDPR"). The potential effects of these laws are far-reaching and may require us to modify our data processing practices and policies and to incur substantial costs and expenses to comply. In the case of non-compliance with a material provision of the GDPR (such as non-adherence to the core principles of processing personal data), regulators have the authority to levy a fine in an amount that is up to the greater of €20 million or 4% of global annual turnover in the prior year. These administrative fines are discretionary and based, in each case, on a multi-factored approach. The CCPA and CPRA give California residents expanded rights to access, correct and require deletion of their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is used. The CCPA and CPRA provide for civil penalties for violations, as well as a private right of action for data breaches. Furthermore, our marketing and customer engagement activities are subject to communications privacy laws such as the Telephone Consumer Protection Act. We may be subjected to penalties and other consequences for noncompliance, including changing some portions of our business. Even an unsuccessful challenge by customer or regulatory authorities of our activities could result in adverse publicity and could require a costly response from and defense by us.

The impact of new laws, regulations and policies and the related interpretations, as well as changes in enforcement practices or regulatory scrutiny generally cannot be predicted, and changes in applicable laws, regulations and policies and the related interpretations and enforcement practices may require extensive system and operational changes, be difficult to implement, increase our operating costs, require significant capital expenditures, or adversely impact the cost or attractiveness of the products or services we offer, or result in adverse publicity and harm our reputation.

While we strive to adhere our practices and procedures to these laws, they are subject to evolving regulations, interpretations and regulator discretion. To the extent a regulator or court disagrees with our interpretation of these laws and determines that our practices are not in compliance with applicable laws and regulations, we could be subject to civil and criminal penalties that could adversely affect the continued operation of our businesses, including: suspension of payments from government programs; loss of required government certifications; loss of authorizations to participate in or exclusion from government programs, including the Medicare and Medicaid programs in the U.S.; loss of licenses; termination from contractual relationships, including those with our drug suppliers and third-party payers; and significant fines or monetary damages and/or penalties. In addition, failure to comply with applicable legal or regulatory requirements in the U.S. or in any of the countries in which we operate could result in significant legal and financial exposure, damage to our reputation, and have a material adverse effect on our business operations, financial position and results of operations.

We are subject to risks related to litigation and other legal proceedings that may materially adversely affect our results of operations, financial position and liquidity.

We operate in a highly regulated and litigious environment. We are involved in legal proceedings, including litigation, arbitration and other claims, and investigations, inspections, audits, claims, inquiries and similar actions by pharmacy, healthcare, tax, environmental and other governmental authorities. We may also have indemnification obligations for legal commitments of certain businesses we have divested. Legal proceedings, in general, and securities, derivative action and class action and multi-district litigation, in particular, can be expensive and disruptive. Some of these suits may purport or may be determined to be class actions and/or involve parties seeking large and/or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years. For example, we are currently a defendant in a number of cases containing class or collective-action allegations, or both, in which the plaintiffs have brought claims under federal and state wage and hour laws, as well as a number of cases containing class-action allegations in which the plaintiffs have brought claims under federal and state consumer laws.

The Company has also been responding to subpoenas, information requests and investigations from governmental entities related to nationwide controlled substance dispensing and distribution practices involving opioids and is also a defendant in numerous litigation proceedings related to opioids including the consolidated multidistrict litigation entitled *In re National Prescription Opiate Litigation (MDL No. 2804)*, currently pending in the U.S. District Court for the Northern District of Ohio. Similar cases that name the Company have also been filed in state courts by state, local and tribal governments, health care providers and other plaintiffs. Plaintiffs are seeking compensatory and punitive damages, as well as injunctive relief including abatement. On October 22, 2020, the Company filed a declaratory judgment action in the U.S. District Court for the Eastern District of Texas against the U.S. Department of Justice (the "DOJ") and the U.S. Drug Enforcement Administration, asking a federal court to clarify the roles and responsibilities of pharmacists and pharmacies as to the dispensing and distribution of opioids under the Controlled Substances Act (the "CSA"). The Company's action was dismissed and the Company is appealing the decision. On December 22, 2020, the DOJ filed a civil complaint against the Company in the U.S. District Court for the District of Delaware alleging that the Company unlawfully dispensed controlled substances from its pharmacies and unlawfully distributed controlled substances to those pharmacies in violation of the CSA. The DOJ is seeking civil penalties and injunctive relief. The Company filed a motion to dismiss the DOJ complaint on February 22, 2021. In addition, the Company is the subject of two securities class actions alleging violations of the federal securities laws regarding the Company's disclosures with respect to opioids filed in the U.S. District Court for the District of Delaware on January 20, 2021 and March 5, 2021 purportedly on behalf of a class of investors who acquired Walmart stock from March 30, 2016 through December 22, 2020. A derivative action was also filed by one of the Company's shareholders in the U.S. District Court for the District of Delaware on February 9, 2021 alleging breach of fiduciary duties against certain of its current and former directors with respect to oversight of the Company's distribution and dispensing of opioids.

The Company cannot predict the number of such claims that may be filed, and cannot reasonably estimate any loss or range of loss that may arise from such claims and the related opioid matters.

We discuss these cases and other litigation to which we are party below under the caption "[Item 3. Legal Proceedings](#)" and in [Note 10](#) in the "[Notes to our Consolidated Financial Statements](#)," which are part of this Annual Report on Form 10-K.

Our amended and restated bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could increase the costs for our shareholders to bring claims, discourage our shareholders from bringing claims, or limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, associates or shareholders in such capacity.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by law, be the sole and exclusive forum for claims, including derivative claims that are based upon a violation of a duty by a current or former director, officer, associate or shareholder in such capacity or as to which the Delaware General Corporation Law confers jurisdiction upon the Court of Chancery. The exclusive forum provision may increase the costs for a shareholder to bring a claim or limit a shareholder's ability to bring a claim in a judicial forum that the shareholder finds favorable for disputes with us or our directors, officers, associates or shareholders in such capacity, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our bylaws inapplicable to, or unenforceable in respect of, the claims as to which they are intended to apply, then we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial position or results of operations. While the exclusive forum provision applies to state and federal law claims, our shareholders will not be deemed to have waived our compliance with, and the exclusive forum provision will not preclude or contract the scope of exclusive federal or concurrent jurisdiction for actions brought under, the federal securities laws, including the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

United States

The Walmart U.S. and Sam's Club segments comprise the Company's operations in the U.S. As of January 31, 2021, unit counts for Walmart U.S. and Sam's Club are summarized by format for each state and territory as follows:

State or Territory	Walmart U.S.			Sam's Club	
	Supercenters	Discount Stores	Neighborhood Markets and other small formats	Clubs	Grand Total
Alabama	101	1	29	13	144
Alaska	7	2	—	—	9
Arizona	83	2	28	12	125
Arkansas	76	5	37	9	127
California	142	71	78	29	320
Colorado	70	4	18	17	109
Connecticut	12	21	1	1	35
Delaware	6	3	—	1	10
Florida	232	9	98	46	385
Georgia	154	2	35	24	215
Hawaii	—	10	—	2	12
Idaho	23	—	3	1	27
Illinois	139	15	12	25	191
Indiana	97	6	11	13	127
Iowa	58	2	—	9	69
Kansas	58	2	16	9	85
Kentucky	78	7	9	9	103
Louisiana	88	2	34	14	138
Maine	19	3	—	3	25
Maryland	30	18	3	11	62
Massachusetts	27	21	4	—	52
Michigan	90	3	9	23	125
Minnesota	65	3	1	12	81
Mississippi	65	3	11	7	86
Missouri	112	9	18	19	158
Montana	14	—	—	2	16
Nebraska	35	—	7	5	47
Nevada	30	2	11	7	50
New Hampshire	19	7	—	2	28
New Jersey	35	27	1	8	71
New Mexico	35	2	9	7	53
New York	80	17	9	12	118
North Carolina	143	6	45	22	216
North Dakota	14	—	—	3	17
Ohio	139	6	2	27	174
Oklahoma	81	7	35	13	136
Oregon	29	7	10	—	46
Pennsylvania	116	20	3	24	163
Puerto Rico	13	5	12	7	37
Rhode Island	5	4	—	—	9
South Carolina	84	—	26	13	123
South Dakota	15	—	—	2	17
Tennessee	117	1	20	14	152
Texas	392	18	110	82	602
Utah	41	—	13	8	62
Vermont	3	3	—	—	6
Virginia	110	4	21	15	150
Washington	52	10	5	—	67
Washington D.C.	3	—	2	—	5
West Virginia	38	—	1	5	44
Wisconsin	83	4	2	10	99

International

The Walmart International segment comprises the Company's operations outside of the U.S. Unit counts as of January 31, 2021⁽¹⁾ for Walmart International are summarized by major category for each geographic market as follows:

Geographic Market	Retail	Wholesale	Other ⁽²⁾	Total	Square feet ⁽³⁾
Africa ⁽⁴⁾	332	91	—	423	24,537
Canada	408	—	—	408	52,976
Central America ⁽⁵⁾	855	—	—	855	13,724
Chile	352	6	—	358	15,932
China	403	31	—	434	69,312
India	—	29	—	29	1,569
Japan ⁽⁶⁾	328	—	—	328	19,570
Mexico	2,470	164	—	2,634	101,993
United Kingdom ⁽⁶⁾	614	—	18	632	37,660
International total	5,762	321	18	6,101	337,273

(1) Walmart International unit counts, with the exception of Canada, are as of December 31, 2020, to correspond with the balance sheet date of the related geographic market. Canada unit counts are as of January 31, 2021.

(2) Other includes stand-alone gas stations.

(3) Square feet reported in thousands.

(4) Africa unit counts primarily reside in South Africa, with other locations in Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda and Zambia.

(5) Central America unit counts reside in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

(6) As of January 31, 2021, the Company's operations in Japan and the United Kingdom were classified as held for sale. Refer to [Note 12](#).

Owned and Leased Properties

The following table provides further details of our retail units and distribution facilities, including return facilities and dedicated eCommerce fulfillment centers, as of January 31, 2021:

	Owned	Leased ⁽¹⁾	Total
U.S. properties			
Walmart U.S. retail units	4,067	676	4,743
Sam's Club retail units	513	86	599
Total U.S. retail units	4,580	762	5,342
Walmart U.S. distribution facilities	108	48	156
Sam's Club distribution facilities	11	16	27
Total U.S. distribution facilities	119	64	183
Total U.S. properties	4,699	826	5,525
International properties			
Africa	37	386	423
Canada	124	284	408
Central America	358	497	855
Chile	188	170	358
China	2	432	434
India	2	27	29
Japan ⁽²⁾	54	274	328
Mexico	700	1,934	2,634
United Kingdom ⁽²⁾	433	199	632
Total International retail units	1,898	4,203	6,101
International distribution facilities	32	189	221
Total International properties	1,930	4,392	6,322
Total properties	6,629	5,218	11,847
Total retail units	6,478	4,965	11,443
Total distribution facilities	151	253	404
Total properties	6,629	5,218	11,847

⁽¹⁾ Also includes U.S. and international distribution facilities which are third-party owned and operated.

⁽²⁾ As of January 31, 2021, the Company's operations in Japan and the United Kingdom were classified as held for sale. Refer to [Note 12](#).

We own office facilities in Bentonville, Arkansas, that serve as our principal office and own and lease office facilities throughout the U.S. and internationally for operations as well as for field and market management. The land on which our stores are located is either owned or leased by the Company. We use independent contractors to construct our buildings. All store leases provide for annual rentals, some of which escalate during the original lease or provide for additional rent based on sales volume. Substantially all of the Company's store and club leases have renewal options, some of which include rent escalation clauses.

For further information on our distribution centers, see the caption "Distribution" provided for each of our segments under "[Item 1. Business](#)."

ITEM 3.

LEGAL PROCEEDINGS

I. SUPPLEMENTAL INFORMATION: We discuss certain legal proceedings in [Note 10](#) to our Consolidated Financial Statements, which is included in "[Item 8. Financial Statements and Supplementary Data](#)." We refer you to that discussion for important information concerning those legal proceedings, including the basis for such actions and, where known, the relief sought.

We provide the following additional information concerning those legal proceedings, including the name of the lawsuit, the court in which the lawsuit is pending, and the date on which the petition commencing the lawsuit was filed.

Asda Equal Value Claims: Ms S Brierley & Others v ASDA Stores Ltd (2406372/2008 & Others - Manchester Employment Tribunal); ASDA Stores Ltd v Brierley & Ors (A2/2016/0973 - United Kingdom Court of Appeal); ASDA Stores Ltd v Ms S Brierley & Others (UKEAT/0059/16/DM - United Kingdom Employment Appeal Tribunal); ASDA Stores Ltd v Ms S Brierley & Others (UKEAT/0009/16/JOJ - United Kingdom Employment Appeal Tribunal).

National Prescription Opiate Litigation: *In re National Prescription Opiate Litigation* (MDL No. 2804) (the "MDL"). The MDL is pending in the U.S. District Court for the Northern District of Ohio and includes over 2,000 cases as of March 5, 2021, some of which cases are in the process of being transferred to the MDL. A trial previously scheduled to begin on May 10, 2021 against a number of parties, including the Company, regarding opioid dispensing and distribution claims has been postponed and rescheduled for October 4, 2021. A separate trial in the MDL that had been expected to start in November 2020 against a number of parties, including the Company, regarding opioid distribution claims has been postponed indefinitely. There is one case in which the Company is named as a defendant that was remanded from the MDL court to the U.S. District Court for the Eastern District of Oklahoma. In addition, there are over 200 state court cases pending as of March 5, 2021, some of which may be removed to federal court to seek MDL transfer. The case citations for the state cases are listed on Exhibit 99.1 to this Form 10-K.

DOJ Opioid Litigation: On October 22, 2020, the Company filed a declaratory judgment action in the Eastern District of Texas against the U.S. Department of Justice (the "DOJ") and the U.S. Drug Enforcement Administration, asking a federal court to clarify the roles and responsibilities of pharmacists and pharmacies as to the dispensing and distribution of opioids under the Controlled Substances Act (the "CSA"). The Company's action, *Walmart Inc. v. U.S. Department of Justice et al.*, USDC, Eastern Dist. of Texas, 10/22/20, was dismissed and the Company is appealing the decision. A civil complaint pending in the U.S. District Court for the District of Delaware has been filed by the DOJ against the Company, in which the DOJ alleges violations of the CSA related to nationwide distribution and dispensing of opioids. *U.S. v. Walmart Inc., et al.*, USDC, Dist. of DE, 12/22/20. The Company filed a motion to dismiss the DOJ complaint on February 22, 2021.

Opioids Related Securities Class Actions and Derivative Litigation: A derivative complaint and class action lawsuits drawing heavily on the allegations of the DOJ complaint have been filed in Delaware naming various current and former directors and certain officers as defendants. The plaintiff in the derivative suit (in which the Company is a nominal defendant) alleges, among other things, that the defendants breached their fiduciary duties in connection with their oversight of opioids dispensing and distribution. The securities class actions, alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended regarding the Company's disclosures with respect to opioids were purportedly filed on behalf of a class of investors who acquired Walmart stock from March 30, 2016 through December 22, 2020.

Derivative Lawsuit: *Abt v. Alvarez et al.*, USDC, Dist. of DE, 2/9/21.

Securities Class Actions: *Stanton v. Walmart Inc. et al.*, USDC, Dist. of DE, 1/20/21; *Martin v. Walmart Inc. et al.*, USDC, Dist. of DE, 3/5/21.

II. CERTAIN OTHER MATTERS: The Company has received grand jury subpoenas issued by the United States Attorney's Office for the Middle District of Pennsylvania seeking documents regarding the Company's consumer fraud program and anti-money laundering compliance related to the Company's money transfer services, where Walmart is an agent. The most recent subpoena was issued in August 2020. The Company has been responding to these subpoenas and is cooperating with the government's investigation. The Company has also responded to civil investigative demands from the United States Federal Trade Commission (the "FTC") and is cooperating with the FTC's investigation related to money transfers and the Company's anti-fraud program in its capacity as an agent. The

Company is unable to predict the outcome of the investigations or any related actions by the governmental entities regarding these matters at this time. While the Company does not currently believe that the outcome of these matters will have a material adverse effect on its business, financial position, results of operations or cash flows, the Company can provide no assurance as to the scope and outcome of these matters and whether its business, financial position, results of operations or cash flows will not be materially adversely affected.

III. ENVIRONMENTAL MATTERS: Item 103 of SEC Regulation S-K requires disclosure of certain environmental matters when a governmental authority is a party to the proceedings and such proceedings involve potential monetary sanctions that the Company reasonably believes will exceed an applied threshold not to exceed \$1 million. Applying this threshold, there are no environmental matters to disclose for this period.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5.

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Common Stock

The principal market on which Walmart's common stock is listed for trading is the New York Stock Exchange. The common stock trades under the symbol "WMT."

Holders of Record of Common Stock

As of March 17, 2021, there were 214,673 holders of record of Walmart's common stock.

Stock Performance Chart

This graph compares the cumulative total shareholder return on Walmart's common stock during the five fiscal years ended through fiscal 2021 to the cumulative total returns on the S&P 500 Retailing Index and the S&P 500 Index. The comparison assumes \$100 was invested on February 1, 2016 in shares of our common stock and in each of the indices shown and assumes that all of the dividends were reinvested.

wmt-20210131_g2.jpg

*Assumes \$100 Invested on February 1, 2016

Assumes Dividends Reinvested

Fiscal Year ended January 31, 2021

	Fiscal Years Ended January 31,					
	2016	2017	2018	2019	2020	2021
Walmart Inc.	\$ 100.00	\$ 103.50	\$ 169.56	\$ 156.05	\$ 190.21	\$ 237.33
S&P 500 Index	100.00	120.04	151.74	148.23	180.37	211.48
S&P 500 Retailing Index	100.00	120.09	174.49	186.29	219.46	316.05

Issuer Repurchases of Equity Securities

From time to time, we repurchase shares of our common stock under share repurchase programs authorized by the Company's Board of Directors. All repurchases made during fiscal 2021 were made under the \$20.0 billion share repurchase program approved in October 2017, of which authorization for \$3.0 billion of share repurchases remained as of January 31, 2021. On February 18, 2021, the Board of Directors approved a new \$20.0 billion share repurchase program which, beginning February 22, 2021, replaced the previous share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status.

Share repurchase activity under our share repurchase programs, on a trade date basis, for each month in the quarter ended January 31, 2021, was as follows:

Fiscal Period	Total Number of Shares Repurchased	Average Price Paid per Share (in dollars)	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Repurchased Under the Plans or Programs⁽¹⁾ (in billions)
November 1 - 30, 2020	1,827,372	\$ 148.91	1,827,372	\$ 4.2
December 1 - 31, 2020	4,334,315	146.33	4,334,315	3.6
January 1 - 31, 2021	3,926,701	145.80	3,926,701	3.0
Total	10,088,388		10,088,388	

(1) Represents the approximate dollar value of shares that could have been repurchased at the end of the month.

ITEM 6.

SELECTED FINANCIAL DATA

This Item is reserved as a result of the Company's early adoption of Item 301 of Regulation S-K, as deleted pursuant to SEC Release No. 33-10890; 34-90459 (Management's Discussion and Analysis; Selected Financial Data, and Supplementary Financial Information) adopted by the Securities and Exchange Commission on November 19, 2020.

ITEM 7.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

This discussion, which presents our results for the fiscal years ended January 31, 2021 ("fiscal 2021"), January 31, 2020 ("fiscal 2020") and January 31, 2019 ("fiscal 2019"), should be read in conjunction with our Consolidated Financial Statements and the accompanying notes. We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from period to period and the primary factors that accounted for those changes. We also discuss certain performance metrics that management uses to assess the Company's performance. Additionally, the discussion provides information about the financial results of each of the three segments to provide a better understanding of how each of those segments and its results of operations affect the financial position and results of operations of the Company as a whole.

Throughout this Item 7, we discuss segment operating income, comparable store and club sales and other measures. Management measures the results of the Company's segments using each segment's operating income, including certain corporate overhead allocations, as well as other measures. From time to time, we revise the measurement of each segment's operating income and other measures as determined by the information regularly reviewed by our chief operating decision maker.

Management also measures the results of comparable store and club sales, or comparable sales, a metric that indicates the performance of our existing stores and clubs by measuring the change in sales for such stores and clubs, including eCommerce sales, for a particular period from the corresponding period in the previous year. Walmart's definition of comparable sales includes sales from stores and clubs open for the previous 12 months, including remodels, relocations, expansions and conversions, as well as eCommerce sales. We measure the eCommerce sales impact by including all sales initiated digitally, including omni-channel transactions which are fulfilled through our stores and clubs. Sales at a store that has changed in format are excluded from comparable sales when the conversion of that store is accompanied by a relocation or expansion that results in a change in the store's retail square feet of more than five percent. Sales related to divested businesses are excluded from comparable sales, and sales related to acquisitions are excluded until such acquisitions have been owned for 12 months. Comparable sales are also referred to as "same-store" sales by others within the retail industry. The method of calculating comparable sales varies across the retail industry. As a result, our calculation of comparable sales is not necessarily comparable to similarly titled measures reported by other companies.

In discussing our operating results, the term currency exchange rates refers to the currency exchange rates we use to convert the operating results for countries where the functional currency is not the U.S. dollar into U.S. dollars. We calculate the effect of changes in currency exchange rates as the difference between current period activity translated using the current period's currency exchange rates and the comparable prior year period's currency exchange rates. Additionally, no currency exchange rate fluctuations are calculated for non-USD acquisitions until owned for 12 months. Throughout our discussion, we refer to the results of this calculation as the impact of currency exchange rate fluctuations. Volatility in currency exchange rates may impact the results, including net sales and operating income, of the Company and the Walmart International segment in the future.

Our business is seasonal to a certain extent due to calendar events and national and religious holidays, as well as weather patterns. Generally, our highest sales volume and operating income have occurred in the fiscal quarter ending January 31; however, the COVID-19 pandemic may have an impact on consumer behaviors that could result in temporary changes in the seasonal fluctuations of our business.

We have taken certain strategic actions to strengthen our Walmart International portfolio for the long-term, including the following highlights over the last three years:

- Acquisition of 81 percent of the outstanding shares, or 77 percent of the diluted shares, of Flipkart Private Limited ("Flipkart") in August 2018. Refer to [Note 12](#) for additional information on the transaction.
- Divestiture of 80 percent of Walmart Brazil in August 2018, for which we recorded a pre-tax loss of \$4.8 billion in fiscal 2019. Refer to [Note 12](#) for additional information on the transaction.
- Divestiture of banking operations in Walmart Chile and Walmart Canada in December 2018 and April 2019, respectively.

- In October 2020, we agreed to sell Asda for net consideration of \$9.4 billion and recognized an estimated non-cash loss in fiscal 2021 of \$5.7 billion, after tax, which includes the loss associated with the expected derecognition of the Asda pension plan. In February 2021, we completed the sale of Asda. Refer to [Note 11](#) and [Note 12](#).
- In November 2020, we completed the sale of Walmart Argentina and recorded a non-cash loss of \$1.0 billion, after-tax, primarily due to cumulative foreign currency translation losses. Refer to [Note 12](#).

- In November 2020, we agreed to sell a majority stake in Seiyu for net consideration of approximately \$1.2 billion and recognized an estimated non-cash loss of \$1.9 billion, after-tax, in fiscal 2021. In March 2021, we completed the sale of Seiyu. Refer to [Note 12](#).

We operate in the highly competitive omni-channel retail industry in all of the markets we serve. We face strong sales competition from other discount, department, drug, dollar, variety and specialty stores, warehouse clubs and supermarkets, as well as eCommerce businesses. Many of these competitors are national, regional or international chains or have a national or international omni-channel or eCommerce presence. We compete with a number of companies for attracting and retaining quality associates. We, along with other retail companies, are influenced by a number of factors including, but not limited to: catastrophic events, weather, global health epidemics including the ongoing COVID-19 pandemic, competitive pressures, consumer disposable income, consumer debt levels and buying patterns, consumer credit availability, cost of goods, currency exchange rate fluctuations, customer preferences, deflation, inflation, fuel and energy prices, general economic conditions, insurance costs, interest rates, labor costs, tax rates, the imposition of tariffs, cybersecurity attacks and unemployment. Further information on the factors that can affect our operating results and on certain risks to our Company and an investment in its securities can be found herein under "[Item 1A. Risk Factors](#)."

COVID-19 Updates

Throughout fiscal 2021, we have operated with a clear set of priorities to guide our decision making through the COVID-19 pandemic. These priorities are:

- Supporting our associates on the front lines in terms of their physical safety, financial health and emotional well-being. We are providing extra pay and benefits, including special cash bonuses to associates and the introduction of a COVID-19 Emergency Leave Policy in the U.S.
- Serving our customers as safely as possible and keeping our supply chain operating. We reduced our store operating hours at the onset of the COVID-19 pandemic and have expanded store hours slightly toward the end of the year.
- Helping others which includes waiving or discounting rent for in-store tenants in April and May 2020 as well as hiring more than 500,000 new associates.
- Managing the business well both operationally and financially and driving our long-term strategy. We are maintaining our everyday low-price discipline while investing in our omni-channel offering which continues to resonate with customers around the world who are increasingly seeking convenience.

While we incurred incremental costs of \$4.0 billion during fiscal 2021 associated with operating during a global health crisis, the COVID-19 pandemic resulted in overall net sales growth during fiscal 2021 with strong comparable sales in the U.S. and the majority of our international markets. Sales trends were positively affected by eCommerce growth acceleration and we also saw customers consolidate shopping trips and purchase larger baskets. For a detailed discussion on results of operations by reportable segment, refer to "[Results of Operations](#)" below.

We expect continued uncertainty in our business and the global economy due to the duration and intensity of the COVID-19 pandemic; the duration and extent of economic stimulus; timing and effectiveness of global vaccines; and volatility in employment trends and consumer confidence which may impact our results.

Company Performance Metrics

We are committed to helping customers save money and live better through everyday low prices, supported by everyday low costs. At times, we adjust our business strategies to maintain and strengthen our competitive positions in the countries in which we operate. We define our financial framework as:

- strong, efficient growth;
- consistent operating discipline; and
- strategic capital allocation.

As we execute on this financial framework, we believe our returns on capital will improve over time.

Strong, Efficient Growth

Our objective of prioritizing strong, efficient growth means we will focus on the most productive growth opportunities, increasing comparable store and club sales, accelerating eCommerce sales growth and expanding omni-channel initiatives while slowing the rate of growth of new stores and clubs. At times, we make strategic investments which are focused on the long-term growth of the Company.

Comparable sales is a metric that indicates the performance of our existing stores and clubs by measuring the change in sales for such stores and clubs, including eCommerce sales, for a particular period over the corresponding period in the previous year. The retail industry generally reports comparable sales using the retail calendar (also known as the 4-5-4 calendar). To be consistent with the retail industry, we provide comparable sales using the retail calendar in our quarterly earnings releases. However, when we discuss our comparable sales below, we are referring to our calendar comparable sales calculated using our fiscal calendar, which may result in differences when compared to comparable sales using the retail calendar.

Calendar comparable sales, including the impact of fuel, for fiscal 2021 and 2020, were as follows:

	Fiscal Years Ended January 31,			
	2021	2020	2021	2020
	With Fuel		Fuel Impact	
Walmart U.S.	8.7%	2.9%	(0.2)%	0.0%
Sam's Club	8.7%	1.6%	(3.4)%	0.8%
Total U.S.	8.7%	2.7%	(0.6)%	0.1%

Comparable sales in the U.S., including fuel, increased 8.7% and 2.7% in fiscal 2021 and 2020, respectively, when compared to the previous fiscal year. Walmart U.S. comparable sales increased 8.7% and 2.9% in fiscal 2021 and 2020, respectively. For fiscal 2021, comparable sales growth was driven by growth in average ticket primarily resulting from increased demand due to the COVID-19 pandemic, partially offset by a decline in transactions as customers consolidated shopping trips. For fiscal 2020, comparable sales growth was driven by growth in average ticket and transactions. Walmart U.S. eCommerce sales positively contributed approximately 5.4% and 2.1% to comparable sales for fiscal 2021 and 2020, respectively, as we continue to focus on a seamless omni-channel experience for our customers.

Sam's Club comparable sales increased 8.7% and 1.6% in fiscal 2021 and 2020, respectively. For fiscal 2021, Sam's Club comparable sales benefited from growth in transactions and average ticket resulting from the COVID-19 pandemic, partially offset by both our decision to remove tobacco from certain club locations and by lower fuel sales. Sam's Club comparable sales for fiscal 2020 benefited from growth in transactions and higher fuel sales, which were partially offset by lower average ticket due to our decision to remove tobacco from certain club locations. Sam's Club eCommerce sales positively contributed approximately 2.2% and 1.8% to comparable sales for fiscal 2021 and 2020, respectively.

Consistent Operating Discipline

We operate with discipline by managing expenses, optimizing the efficiency of how we work and creating an environment in which we have sustainable lowest cost to serve. We invest in technology and process improvements to increase productivity, manage inventory and reduce costs. We measure operating discipline through expense leverage, which we define as net sales growing at a faster rate than operating, selling, general and administrative ("operating") expenses.

	Fiscal Years Ended January 31,	
	2021	2020
<i>(Amounts in millions, except unit counts)</i>		
Net sales	\$ 555,233	\$ 519,926
Percentage change from comparable period	6.8 %	1.9 %
Operating, selling, general and administrative expenses	\$ 116,288	\$ 108,791
Percentage change from comparable period	6.9 %	1.5 %
Operating, selling, general and administrative expenses as a percentage of net sales	20.9 %	20.9 %

For fiscal 2021, operating expenses as a percentage of net sales was flat when compared to the previous fiscal year. Operating expenses as a percentage of net sales benefited from strong growth in comparable sales and lapping the \$0.9 billion business restructuring charges from the prior year described below. These benefits were offset by \$4.0 billion of incremental costs related to the COVID-19 pandemic and a \$0.4 billion business restructuring charge in the Walmart U.S. segment recorded in the second quarter of fiscal 2021.

For fiscal 2020, operating expenses as a percentage of net sales decreased 8 basis points compared to the previous fiscal year due to our focus on expense management combined with our growth in comparable store sales. These improvements were partially offset by \$0.9 billion in business restructuring charges consisting primarily of non-cash impairment charges for certain trade names, acquired developed technology, and other business restructuring charges due to strategic decisions that resulted in the write down of certain assets in the Walmart U.S. and Walmart International segments.

Strategic Capital Allocation

Our strategy includes improving our customer-facing initiatives in stores and clubs and creating a seamless omni-channel experience for our customers. As such, we are allocating more capital to eCommerce, technology, supply chain, and store remodels and less to new store and club openings. Total fiscal 2021 capital expenditures decreased slightly compared to the prior year. The following table provides additional detail:

(Amounts in millions)

Allocation of Capital Expenditures	Fiscal Years Ended January 31,	
	2021	2020
eCommerce, technology, supply chain and other	\$ 5,681	\$ 5,643
Remodels	2,013	2,184
New stores and clubs, including expansions and relocations	134	77
Total U.S.	\$ 7,828	\$ 7,904
Walmart International	2,436	2,801
Total capital expenditures	\$ 10,264	\$ 10,705

Returns

As we execute our financial framework, we believe our return on capital will improve over time. We measure return on capital with our return on assets, return on investment and free cash flow metrics. We also provide returns in the form of share repurchases and dividends, which are discussed in the [Liquidity and Capital Resources](#) section.

Return on Assets and Return on Investment

We include Return on Assets ("ROA"), the most directly comparable measure based on our financial statements presented in accordance with generally accepted accounting principles in the U.S. ("GAAP"), and Return on Investment ("ROI") as metrics to assess returns on assets. While ROI is considered a non-GAAP financial measure, management believes ROI is a meaningful metric to share with investors because it helps investors assess how effectively Walmart is deploying its assets. Trends in ROI can fluctuate over time as management balances long-term strategic initiatives with possible short-term impacts. ROA was 5.6% and 6.7% for fiscal 2021 and 2020, respectively. The decrease in ROA was primarily due to the losses on certain international operations held for sale or sold, partially offset by the fair value change in our equity investments as well as the increase in operating income. ROI was 14.0% and 13.4% for fiscal 2021 and 2020, respectively. The increase in ROI was primarily due to the increase in operating income.

We define ROI as adjusted operating income (operating income plus interest income, depreciation and amortization, and rent expense) for the trailing twelve months divided by average invested capital during that period. We consider average invested capital to be the average of our beginning and ending total assets, plus average accumulated depreciation and average amortization, less average accounts payable and average accrued liabilities for that period. For fiscal 2020, lease related assets and associated accumulated amortization are included in the denominator at their carrying amount as of that balance sheet date, rather than averaged, because they are not directly comparable to the prior year calculation which included rent for the trailing 12 months multiplied by a factor of 8. A two-point average was used for leased assets beginning in fiscal 2021, after one full year from the date of adoption of ASU 2016-02, Leases (*Topic 842*) ("ASU 2016-02").

Our calculation of ROI is considered a non-GAAP financial measure because we calculate ROI using financial measures that exclude and include amounts that are included and excluded in the most directly comparable GAAP financial measure. For example, we exclude the impact of depreciation and amortization from our reported operating income in calculating the numerator of our calculation of ROI. As mentioned above, we consider ROA to be the financial measure computed in accordance with generally accepted accounting principles most directly comparable to our calculation of ROI. ROI differs from ROA (which is consolidated net income for the period divided by average total assets for the period) because ROI: adjusts operating income to exclude certain expense items and adds interest income; adjusts total assets for the impact of accumulated depreciation and amortization, accounts payable and accrued liabilities to arrive at total invested capital. Because of the adjustments mentioned above, we believe ROI more accurately measures how we are deploying our key assets and is more meaningful to investors than ROA. Although ROI is a standard financial measure, numerous methods exist for calculating a company's ROI. As a result, the method used by management to calculate our ROI may differ from the methods used by other companies to calculate their ROI.

The calculation of ROA and ROI, along with a reconciliation of ROI to the calculation of ROA, the most comparable GAAP financial measure, is as follows:

(Amounts in millions)	Fiscal Years Ended January 31,	
	2021	2020
CALCULATION OF RETURN ON ASSETS		
Numerator		
Consolidated net income	\$ 13,706	\$ 15,201
Denominator		
Average total assets ⁽¹⁾	\$ 244,496	\$ 227,895
Return on assets (ROA)	5.6 %	6.7 %
CALCULATION OF RETURN ON INVESTMENT		
Numerator		
Operating income	\$ 22,548	\$ 20,568
+ Interest income	121	189
+ Depreciation and amortization	11,152	10,987
+ Rent	2,626	2,670
ROI operating income	\$ 36,447	\$ 34,414
Denominator		
Average total assets ^{(1), (2)}	\$ 244,496	\$ 235,277
+ Average accumulated depreciation and amortization ^{(1), (2)}	94,351	90,351
- Average accounts payable ⁽¹⁾	48,057	47,017
- Average accrued liabilities ⁽¹⁾	30,131	22,228
Average invested capital	\$ 260,659	\$ 256,383
Return on investment (ROI)	14.0 %	13.4 %

	As of January 31,		
	2021	2020	2019
Certain Balance Sheet Data			
Total assets	\$ 252,496	\$ 236,495	\$ 219,295
Leased assets, net	NP	21,841	7,078
Total assets without leased assets, net	NP	214,654	212,217
Accumulated depreciation and amortization	94,187	94,514	87,175
Accumulated amortization on leased assets	NP	4,694	5,682
Accumulated depreciation and amortization, without leased assets	NP	89,820	81,493
Accounts payable	49,141	46,973	47,060
Accrued liabilities	37,966	22,296	22,159

(1) The average is based on the addition of the account balance at the end of the current period to the account balance at the end of the corresponding prior period and dividing by 2. Average total assets as used in ROA includes the average impact of the adoption of ASU 2016-02.

(2) For fiscal 2020, as a result of adopting ASU 2016-02, average total assets is based on the average of total assets without leased assets, net plus leased assets, net as of January 31, 2020. Average accumulated depreciation and amortization is based on the average of accumulated depreciation and amortization, without leased assets plus accumulated amortization on leased assets as of January 31, 2020.

NP = Not provided.

Free Cash Flow

Free cash flow is considered a non-GAAP financial measure. Management believes, however, that free cash flow, which measures our ability to generate additional cash from our business operations, is an important financial

measure for use in evaluating the Company's financial performance. Free cash flow should be considered in addition to, rather than as a substitute for, consolidated net income as a measure of our performance and net cash provided by operating activities as a measure of our liquidity. See "[Liquidity and Capital Resources](#)" for discussions of GAAP metrics including net cash provided by operating activities, net cash used in investing activities and net cash used in financing activities.

We define free cash flow as net cash provided by operating activities in a period minus payments for property and equipment made in that period. We had net cash provided by operating activities of \$36.1 billion, \$25.3 billion and \$27.8 billion for fiscal 2021, 2020 and 2019, respectively. We generated free cash flow of \$25.8 billion, \$14.6 billion and \$17.4 billion for fiscal 2021, 2020 and 2019, respectively. Net cash provided by operating activities for fiscal 2021 increased when compared to fiscal 2020 primarily due to the impact of the global health crisis which accelerated inventory sell-through, as well as the timing and payment of inventory purchases, incremental COVID-19 related expenses and certain benefit payments. Free cash flow for fiscal 2021 increased when compared to fiscal 2020 due to the same reasons as the increase in net cash provided by operating activities, as well as \$0.4 billion in decreased capital expenditures. Net cash provided by operating activities for fiscal 2020 declined when compared to fiscal 2019 was primarily due to the contribution to the Asda pension plan in anticipation of its

future settlement, the inclusion of a full year of Flipkart operations, and the timing of vendor payments. Free cash flow for fiscal 2020 declined when compared to fiscal 2019 due to the same reasons as the decline in net cash provided by operating activities, as well as \$0.4 billion in increased capital expenditures.

Walmart's definition of free cash flow is limited in that it does not represent residual cash flows available for discretionary expenditures due to the fact that the measure does not deduct the payments required for debt service and other contractual obligations or payments made for business acquisitions. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our [Consolidated Statements of Cash Flows](#).

Although other companies report their free cash flow, numerous methods may exist for calculating a company's free cash flow. As a result, the method used by management to calculate our free cash flow may differ from the methods used by other companies to calculate their free cash flow.

The following table sets forth a reconciliation of free cash flow, a non-GAAP financial measure, to net cash provided by operating activities, which we believe to be the GAAP financial measure most directly comparable to free cash flow, as well as information regarding net cash used in investing activities and net cash used in financing activities.

	Fiscal Years Ended January 31,		
	2021	2020	2019
(Amounts in millions)			
Net cash provided by operating activities	\$ 36,074	\$ 25,255	\$ 27,753
Payments for property and equipment	(10,264)	(10,705)	(10,344)
Free cash flow	\$ 25,810	\$ 14,550	\$ 17,409
Net cash used in investing activities ⁽¹⁾	\$ (10,071)	\$ (9,128)	\$ (24,036)
Net cash used in financing activities	(16,117)	(14,299)	(2,537)

(1) "Net cash used in investing activities" includes payments for property and equipment, which is also included in our computation of free cash flow.

Results of Operations

Consolidated Results of Operations

	Fiscal Years Ended January 31,		
	2021	2020	2019
(Amounts in millions, except unit counts)			
Total revenues	\$ 559,151	\$ 523,964	\$ 514,405
Percentage change from comparable period	6.7 %	1.9 %	2.8 %
Net sales	\$ 555,233	\$ 519,926	\$ 510,329
Percentage change from comparable period	6.8 %	1.9 %	2.9 %
Total U.S. calendar comparable sales increase	8.7 %	2.7 %	4.0 %
Gross profit rate	24.3 %	24.1 %	24.5 %
Operating income	\$ 22,548	\$ 20,568	\$ 21,957
Operating income as a percentage of net sales	4.1 %	4.0 %	4.3 %
Consolidated net income	\$ 13,706	\$ 15,201	\$ 7,179
Unit counts at period end ⁽¹⁾	11,443	11,501	11,361
Retail square feet at period end ⁽¹⁾	1,121	1,129	1,129

(1) Unit counts and associated retail square feet are presented for stores and clubs generally open as of period end, and includes stores associated with operations classified as held for sale as of January 31, 2021. Permanently closed locations are not included.

Our total revenues, which includes net sales and membership and other income, increased \$35.2 billion or 6.7% and \$9.6 billion or 1.9% for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year. These increases in revenues were due to increases in net sales, which increased \$35.3 billion or 6.8% and \$9.6 billion or 1.9% for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year. For fiscal 2021, the increase was primarily due to strong positive comparable sales for the Walmart U.S. and Sam's Club segments as well as positive comparable sales in the majority of our international markets resulting from increased demand stemming from the COVID-19 pandemic. Overall net sales growth was strong despite certain operating limitations in several

international markets in the second quarter of fiscal 2021 due to government regulations and precautionary measures taken as a result of the COVID-19 pandemic. The net sales increase was partially offset by negative fluctuations in currency exchange rates of \$5.0 billion. For fiscal 2020, net sales were positively impacted by overall positive comparable sales for Walmart U.S. and Sam's Club segments, along with the addition of net sales from Flipkart, which we acquired in August 2018, and positive comparable sales in the majority of our international markets. These increases were partially offset by \$4.1 billion of negative impact from fluctuations in currency exchange rates in fiscal 2020 and our sale of the majority stake in Walmart Brazil in August 2018.

Our gross profit rate increased 20 basis points and decreased 40 basis points for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year. For fiscal 2021, the increase was primarily due to strategic sourcing initiatives, strong sales in higher margin categories, and fewer markdowns. This was partially offset in the Walmart U.S. segment by carryover of prior year price investment as well as the temporary closure of our Auto Care Centers and Vision Centers in response to the

COVID-19 pandemic. For fiscal 2020, the decrease was primarily due to price investment in the Walmart U.S. segment and the addition of Flipkart in the Walmart International segment, partially offset by favorable merchandise mix including strength in private brands and less pressure from transportation costs in the Walmart U.S. segment.

For fiscal 2021, operating expenses as a percentage of net sales was flat when compared to the previous fiscal year. Operating expenses as a percentage of net sales benefited from strong growth in comparable sales and lapping the \$0.9 billion business restructuring charges from the prior year described below. These benefits were offset by \$4.0 billion of incremental costs related to the COVID-19 pandemic and a \$0.4 billion business restructuring charge in the Walmart U.S. segment recorded in the second quarter of fiscal 2021.

For fiscal 2020, operating expenses as a percentage of net sales decreased 8 basis points, when compared to the previous fiscal year, due to our focus on expense management combined with our growth in comparable store sales. These improvements were partially offset by \$0.9 billion in business restructuring charges consisting primarily of non-cash impairment charges for certain trade names, acquired developed technology, and other business restructuring charges due to strategic decisions that resulted in the write down of certain assets in the Walmart U.S. and Walmart International segments.

Other gains and losses consisted of net gains of \$0.2 billion and \$2.0 billion for fiscal 2021 and 2020, respectively. The gain in fiscal 2021 primarily reflects \$8.7 billion in net gains associated with the fair value changes of our equity investments, partially offset by the \$8.3 billion pre-tax loss related to the divestiture of certain international operations classified as held for sale or sold in fiscal 2021. The gain in fiscal 2020 was primarily the result of a \$1.9 billion increase in the market value of our investment in JD.com.

Our effective income tax rate was 33.3% for fiscal 2021, 24.4% for fiscal 2020, and 37.4% for fiscal 2019. The increase in our effective tax rate for fiscal 2021 as compared to fiscal 2020 is primarily due to the loss related to the divestiture of certain international operations classified as held for or sold in fiscal 2021, which provided minimal realizable tax benefit. The decrease in our effective tax rate for fiscal 2020 as compared to fiscal 2019 was primarily due to the fiscal 2019 loss on sale of a majority stake in Walmart Brazil, which increased the previous comparative fiscal year's effective tax rate, as it provided minimal realizable tax benefit. Our effective income tax rate may also fluctuate as a result of various factors, including changes in our assessment of certain tax contingencies, valuation allowances, changes in tax law, outcomes of administrative audits, the impact of discrete items and the mix and size of earnings among our U.S. operations and international operations, which are subject to statutory rates that, beginning in fiscal 2019, are generally higher than the U.S. statutory rate. The reconciliation from the U.S. statutory rate to the effective income tax rates for fiscal 2021, 2020 and 2019 is presented in [Note 9](#).

As a result of the factors discussed above, we reported \$13.7 billion and \$15.2 billion of consolidated net income for fiscal 2021 and 2020, respectively, which represents a decrease of \$1.5 billion and an increase of \$8.0 billion for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year. Diluted net income per common share attributable to Walmart ("EPS") was \$4.75, \$5.19 and \$2.26 for fiscal 2021, 2020 and 2019, respectively.

Walmart U.S. Segment

	Fiscal Years Ended January 31,		
	2021	2020	2019
<i>(Amounts in millions, except unit counts)</i>			
Net sales	\$ 369,963	\$ 341,004	\$ 331,666
Percentage change from comparable period	8.5 %	2.8 %	4.1 %
Calendar comparable sales increase	8.7 %	2.9 %	3.7 %
Operating income	\$ 19,116	\$ 17,380	\$ 17,386
Operating income as a percentage of net sales	5.2 %	5.1 %	5.2 %
Unit counts at period end	4,743	4,756	4,769
Retail square feet at period end	703	703	705

Net sales for the Walmart U.S. segment increased \$29.0 billion or 8.5% and \$9.3 billion or 2.8% for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year. The increases in net sales were primarily due to increases in comparable sales of 8.7% and 2.9% for fiscal 2021 and 2020, respectively. Comparable sales in fiscal 2021 were driven by growth in average ticket primarily resulting from meeting the increased demand due to economic conditions related to the COVID-19 pandemic while transactions decreased as customers consolidated shopping trips. Comparable sales in fiscal 2020 were driven by both average ticket and transaction growth for fiscal 2020. Walmart U.S. eCommerce sales positively contributed approximately 5.4% and 2.1% to comparable sales for

fiscal 2021 and 2020, respectively, as we continue to focus on a seamless omni-channel experience for our customers.

Gross profit rate was flat and decreased 14 basis points for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year. While fiscal 2021 gross profit rate was flat, it benefited from strategic sourcing initiatives and fewer markdowns, offset by a change in merchandise mix, the carryover effect of prior year price investment and the temporary closure of our Auto Care and Vision Centers in response to the COVID-19 pandemic. For fiscal 2020, the decrease was primarily the result of continued price investments which were partially offset by better merchandise mix, including strength in private brands, and less pressure from transportation costs.

Operating expenses as a percentage of segment net sales decreased 15 and 4 basis points for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year. We leveraged operating expenses in fiscal 2021 primarily as a result of strong sales, which were partially offset by \$3.2 billion of incremental costs related to the COVID-19 pandemic including special bonuses, expanded sick and emergency leave pay, costs associated with outfitting our stores and associates with masks, gloves and sanitizer, and expanded cleaning practices. Fiscal 2021 operating expenses as a percentage of net sales was also slightly aided by lapping the \$0.5 billion business restructuring charges from the prior year described below, offset by a \$0.4 billion business restructuring charge recorded in the second quarter of fiscal 2021 resulting from changes to Walmart U.S. support teams to better support its omni-channel strategy. The decrease in fiscal 2020 was primarily due to strong sales and productivity improvements which were mostly offset by business restructuring charges of \$0.5 billion consisting primarily of non-cash impairment charges for certain trade names, acquired developed technology and other business restructuring charges due to decisions that resulted in the write down of certain eCommerce assets.

As a result of the factors discussed above, segment operating income increased \$1.7 billion and decreased \$6 million for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year.

Walmart International Segment

	Fiscal Years Ended January 31,		
	2021	2020	2019
<i>(Amounts in millions, except unit counts)</i>			
Net sales	\$ 121,360	\$ 120,130	\$ 120,824
Percentage change from comparable period	1.0 %	(0.6)%	2.3 %
Operating income	\$ 3,660	\$ 3,370	\$ 4,883
Operating income as a percentage of net sales	3.0 %	2.8 %	4.0 %
Unit counts at period end	6,101	6,146	5,993
Retail square feet at period end	337	345	344

Net sales for the Walmart International segment increased \$1.2 billion or 1.0% and decreased \$0.7 billion or 0.6% for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year. For fiscal 2021, the increase was primarily due to positive comparable sales growth in the majority of our markets driven by changes in consumer behavior in response to the COVID-19 pandemic, partially offset by negative fluctuations in currency exchange rates of \$5.0 billion. The pandemic led to significant economic pressures and channel and mix shifts due to changes in consumer behavior, including accelerated growth in eCommerce in several markets. While several of our markets experienced extensive store and operational closures in the second quarter as a result of government mandates, most closed stores and warehouses had resumed operations by the third quarter.

For fiscal 2020, the decrease was primarily due to negative fluctuations in currency exchange rates of \$4.1 billion as well as a reduction in sales due to our sale of the majority stake in Walmart Brazil in August 2018, offset by a full year of net sales from Flipkart and positive comparable sales growth in the majority of our markets.

Gross profit rate increased 50 basis points and decreased 136 basis points for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year. For fiscal 2021, the increase was primarily due to Flipkart's improved margin mix and reduced fuel sales in the U.K. For fiscal 2020, the decrease was primarily due to Flipkart, as well as a change in merchandise mix.

Operating expenses as a percentage of segment net sales increased 14 basis points and decreased 13 basis points for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year. The increase in operating expenses as a percentage of segment net sales for fiscal 2021 was primarily due to \$0.5 billion of incremental costs related to the COVID-19 pandemic, partially offset by positive comparable sales in the majority of our markets and lapping the impairment charges in the prior year discussed below. Fiscal 2020 decreased primarily due to positive comparable sales in the majority of our markets as well as cost discipline across multiple markets, partially offset by \$0.4 billion in impairment charges primarily due to the write-off of the carrying value of one of Flipkart's two fashion trade names, Jabong.com, as a result of a strategic decision to focus our efforts on a single fashion platform in order to simplify the business and customer proposition.

As a result of the factors discussed above, segment operating income increased \$0.3 billion and decreased \$1.5 billion for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year.

Sam's Club Segment

	Fiscal Years Ended January 31,		
	2021	2020	2019
<i>(Amounts in millions, except unit counts)</i>			
Including Fuel			
Net sales	\$ 63,910	\$ 58,792	\$ 57,839
Percentage change from comparable period	8.7 %	1.6 %	(2.3)%
Calendar comparable sales increase	8.7 %	1.6 %	5.4 %
Operating income	\$ 1,906	\$ 1,642	\$ 1,520
Operating income as a percentage of net sales	3.0 %	2.8 %	2.6 %
Unit counts at period end	599	599	599
Retail square feet at period end	80	80	80
Excluding Fuel ⁽¹⁾			
Net sales	\$ 59,184	\$ 52,792	\$ 52,332
Percentage change from comparable period	12.1 %	0.9 %	(3.9)%
Operating income	\$ 1,645	\$ 1,486	\$ 1,383
Operating income as a percentage of net sales	2.8 %	2.8 %	2.6 %

(1) We believe the "Excluding Fuel" information is useful to investors because it permits investors to understand the effect of the Sam's Club segment's fuel sales on its results of operations, which are impacted by the volatility of fuel prices. Volatility in fuel prices may continue to impact the operating results of the Sam's Club segment in the future. Management uses such information to better measure underlying operating results in the segment.

Net sales for the Sam's Club segment increased \$5.1 billion or 8.7% and \$1.0 billion or 1.6% for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year. Our 8.7% growth in comparable sales for fiscal 2021 benefited from growth in transactions and average ticket resulting from the COVID-19 pandemic, partially offset by both our decision to remove tobacco from certain club locations and by lower fuel sales. Sam's Club eCommerce sales positively contributed approximately 2.2% to comparable sales. For fiscal 2020, the increase was primarily due to comparable sales, including fuel, of 1.6%. Comparable sales benefited from growth in transactions and higher fuel sales, which were partially offset by lower ticket due to our decision to remove tobacco from certain club locations. Sam's Club eCommerce sales positively contributed approximately 1.8% to comparable sales.

Gross profit rate increased 65 basis points and decreased 11 basis points for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year. The increase in gross profit rate was due to favorable sales mix, including lower fuel and tobacco sales, and improvement in inventory losses which was partially offset by price investment and higher eCommerce fulfillment costs. For fiscal 2020, gross profit rate decreased due to price investment and higher eCommerce fulfillment costs, partially offset by reduced tobacco sales.

Membership and other income increased 6.8% and 4.7% for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year. For fiscal 2021 and 2020, the increases were primarily due to growth in total members, which benefited from higher overall renewal rates, and higher Plus Member penetration. Fiscal 2021 growth was also positively affected by the COVID-19 pandemic. Fiscal 2020 was also benefited by gains on property sales and other income.

Operating expenses as a percentage of segment net sales increased 42 and decreased 19 basis points for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year. Despite increased net sales from the strong demand resulting from the COVID-19 pandemic, fiscal 2021 operating expenses as a percentage of net sales increased primarily due to \$0.3 billion of incremental costs related to the pandemic, which included additional costs such as special bonuses, expanded cleaning practices and security, expanded sick and emergency leave pay, and outfitting our associates with masks and gloves. Additionally, the increase in operating expense as a percentage of segment net sales was affected by reduced tobacco and fuel sales. For fiscal 2020, the decrease was primarily the result of lower labor-related costs and a charge of approximately \$50 million related to lease exit costs in the prior comparable period. These benefits were partially offset by a reduction in sales of tobacco and a higher level of technology investment.

As a result of the factors discussed above, segment operating income increased \$0.3 billion and \$0.1 billion for fiscal 2021 and 2020, respectively, when compared to the previous fiscal year.

Liquidity and Capital Resources

Liquidity

The strength and stability of our operations have historically supplied us with a significant source of liquidity. Our cash flows provided by operating activities, supplemented with our long-term debt and short-term borrowings, have been sufficient to fund our operations while allowing us to invest in activities that support the long-term growth of our operations. Generally, some or all of the remaining available cash flow has been used to fund dividends on our common stock and share repurchases. We believe our sources of liquidity will continue to be adequate to fund operations, finance our global investment and expansion activities, pay dividends and fund our share repurchases for the foreseeable future.

Net Cash Provided by Operating Activities

(Amounts in millions)	Fiscal Years Ended January 31,		
	2021	2020	2019
Net cash provided by operating activities	\$ 36,074	\$ 25,255	\$ 27,753

Net cash provided by operating activities was \$36.1 billion, \$25.3 billion and \$27.8 billion for fiscal 2021, 2020 and 2019, respectively. Net cash provided by operating activities for fiscal 2021 increased when compared to the previous fiscal year primarily due to the impact of the global health crisis which accelerated inventory sell-through, as well as the timing and payment of inventory purchases, incremental COVID-19 related expenses and certain benefit payments. The decrease in net cash provided by operating activities for fiscal 2020, when compared to the previous fiscal year, was primarily due to the contribution to our Asda pension plan in anticipation of its future settlement, the inclusion of a full year of Flipkart operations, and the timing of vendor payments.

Cash Equivalents and Working Capital Deficit

Cash and cash equivalents were \$17.7 billion and \$9.5 billion as of January 31, 2021 and 2020, respectively. We maintained more cash at January 31, 2021 compared to January 31, 2020 in order to provide us with enhanced financial flexibility due to the uncertainties related to the COVID-19 pandemic. Our working capital deficit, defined as total current assets less total current liabilities, was \$2.6 billion and \$16.0 billion as of January 31, 2021 and 2020, respectively. The decrease in working capital deficit as compared to the previous fiscal year is primarily driven by the increase in cash and cash equivalents as well as the increase in current assets and current liabilities due to the classification of the Company's operations in the U.K. and Japan as held for sale. We generally operate with a working capital deficit due to our efficient use of cash in funding operations, consistent access to the capital markets and returns provided to our shareholders in the form of payments of cash dividends and share repurchases.

We use intercompany financing arrangements in an effort to ensure cash can be made available in the country in which it is needed with the minimum cost possible. Additionally, from time-to-time, we repatriate earnings and related cash from jurisdictions outside of the U.S. Historically, U.S. taxes were due upon repatriation of foreign earnings. Due to the enactment of U.S. tax reform, repatriations of foreign earnings will generally be free of U.S. federal tax, but may incur other taxes such as withholding or state taxes. While we are awaiting anticipated technical guidance from the Internal Revenue Service ("IRS") and the U.S. Treasury Department, we do not expect current local laws, other existing limitations or potential taxes on anticipated future repatriations of cash amounts held outside the U.S. to have a material effect on our overall liquidity, financial position or results of operations.

As of January 31, 2021 and 2020, cash and cash equivalents of \$2.8 billion and \$2.3 billion, respectively, may not be freely transferable to the U.S. due to local laws or other restrictions. Of the \$2.8 billion as of January 31, 2021, approximately \$1.0 billion can only be accessed through dividends or intercompany financing arrangements subject to approval of the Flipkart minority shareholders; however, this cash is expected to be utilized to fund the operations of Flipkart.

Net Cash Used in Investing Activities

(Amounts in millions)	Fiscal Years Ended January 31,		
	2021	2020	2019
Net cash used in investing activities	\$ (10,071)	\$ (9,128)	\$ (24,036)

Net cash used in investing activities was \$10.1 billion, \$9.1 billion and \$24.0 billion for fiscal 2021, 2020 and 2019, respectively, and generally consisted of payments for business acquisitions and to expand our eCommerce capabilities, invest in other technologies and supply chain, remodel existing stores and clubs and add new stores and clubs. Net cash used in investing activities increased \$0.9 billion for fiscal 2021 when compared to the previous fiscal year primarily as a result of lapping the net proceeds received from the sale of our banking operations in Walmart Canada and the change in other investing activities, partially offset by decreased capital expenditures. Net cash used in investing activities decreased \$14.9 billion for fiscal 2020 when compared to the previous fiscal year, primarily as a result of the \$13.8 billion payment for the acquisition of Flipkart, net of cash acquired, as well as payments for other, smaller acquisitions in fiscal 2019.

Additionally, refer to the "[Strategic Capital Allocation](#)" section in our [Company Performance Metrics](#) for capital expenditure detail for fiscal 2021 and 2020.

Growth Activities

For the fiscal year ending January 31, 2022 ("fiscal 2022"), we project capital expenditures will be approximately \$14 billion, with a focus on supply chain, automation, customer-facing initiatives and technology.

Net Cash Used in Financing Activities

(Amounts in millions)	Fiscal Years Ended January 31,		
	2021	2020	2019
Net cash used in financing activities	\$ (16,117)	\$ (14,299)	\$ (2,537)

Net cash used in financing activities generally consists of transactions related to our short-term and long-term debt, financing obligations, dividends paid and the repurchase of Company stock. Transactions with noncontrolling interest shareholders are also classified as cash flows from financing activities. Fiscal 2021 net cash used in financing activities increased \$1.8 billion when compared to the same period in the previous fiscal year. The increase is primarily due to the timing of issuances and repayments of long-term debt, partially offset by both a reduction in cash used to pay down short-term borrowings as well as share repurchases as we manage our financial position during the current economic environment. Fiscal 2020 net cash used in financing activities increased \$11.8 billion for fiscal 2020 when compared to the same period in the previous fiscal year. The increase was primarily due to the \$15.9 billion of net proceeds received in fiscal 2019 from the issuance of long-term debt to fund a portion of the purchase price for Flipkart partially offset by \$5.5 billion of additional long-term debt in the fiscal 2020 to fund general business operations.

Short-term Borrowings

We generally utilize the liquidity provided by short-term borrowings to provide funding for our operations, dividend payments, share repurchases, capital expenditures and other cash requirements. The following table includes additional information related to the Company's short-term borrowings for fiscal 2021, 2020 and 2019:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2021	2020	2019
Maximum amount outstanding at any month-end	\$ 4,048	\$ 13,315	\$ 13,389
Average daily short-term borrowings	1,577	7,120	10,625
Annual weighted-average interest rate	3.1 %	2.5 %	2.4 %

We also have \$15.0 billion of various undrawn committed lines of credit in the U.S. as of January 31, 2021 that provide additional liquidity, if needed. Additionally, we maintain access to various credit facilities outside of the U.S. to further support our Walmart International segment operations, as needed.

Long-term Debt

The following table provides the changes in our long-term debt for fiscal 2021:

(Amounts in millions)	Long-term debt		Total
	due within one year	Long-term debt	
Balances as of February 1, 2020	\$ 5,362	\$ 43,714	\$ 49,076
Repayments of long-term debt	(5,382)	—	(5,382)
Reclassifications of long-term debt	3,126	(3,126)	—
Other	9	606	615
Balances as of January 31, 2021	\$ 3,115	\$ 41,194	\$ 44,309

Dividends

Our total dividend payments were \$6.1 billion, \$6.0 billion and \$6.1 billion for fiscal 2021, 2020 and 2019, respectively. The Board of Directors approved, effective February 18, 2021, the fiscal 2022 annual dividend of \$2.20

per share, an increase over the fiscal 2021 annual dividend of \$2.16 per share. For fiscal 2022, the annual dividend will be paid in four quarterly installments of \$0.55 per share, according to the following record and payable dates:

Record Date	Payable Date
March 19, 2021	April 5, 2021
May 7, 2021	June 1, 2021
August 13, 2021	September 7, 2021
December 10, 2021	January 3, 2022

Company Share Repurchase Program

From time to time, the Company repurchases shares of its common stock under share repurchase programs authorized by the Company's Board of Directors. All repurchases made during fiscal 2021 were made under the \$20 billion share repurchase program approved in October 2017, of which authorization for \$3.0 billion of share repurchases remained as of January 31, 2021. On February 18, 2021, the Board of Directors approved a new \$20.0 billion share repurchase program which, beginning February 22, 2021, replaced the previous share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status.

We regularly review share repurchase activity and consider several factors in determining when to execute share repurchases, including, among other things, current cash needs, capacity for leverage, cost of borrowings, our results of operations and the market price of our common stock. We anticipate that a majority of the ongoing share repurchase program will be funded through the Company's free cash flow. The following table provides, on a settlement date basis, the number of shares repurchased, average price paid per share and total amount paid for share repurchases for fiscal 2021, 2020 and 2019:

	Fiscal Years Ended January 31,		
	2021	2020	2019
(Amounts in millions, except per share data)			
Total number of shares repurchased	19.4	53.9	79.5
Average price paid per share	\$ 135.20	\$ 105.98	\$ 93.18
Total amount paid for share repurchases	\$ 2,625	\$ 5,717	\$ 7,410

Capital Resources

We believe cash flows from operations, our current cash position and access to capital markets will continue to be sufficient to meet our anticipated operating cash needs, which include funding seasonal buildups in merchandise inventories and funding our capital expenditures, acquisitions, dividend payments and share repurchases.

We have strong commercial paper and long-term debt ratings that have enabled and should continue to enable us to refinance our debt as it becomes due at favorable rates in capital markets. As of January 31, 2021, the ratings assigned to our commercial paper and rated series of our outstanding long-term debt were as follows:

Rating agency	Commercial paper
Standard & Poor's	A-1+
Moody's Investors Service	P-1
Fitch Ratings	F1+

Credit rating agencies review their ratings periodically and, therefore, the credit ratings assigned to us by each agency may be subject to revision at any time. Accordingly, we are not able to predict whether our current credit ratings will remain consistent over time. Factors that could affect our credit ratings include changes in our operating performance, the general economic environment, conditions in the retail industry, our financial position, including our total debt and capitalization, and changes in our business strategy. Any downgrade of our credit ratings by a credit rating agency could increase our future borrowing costs or impair our ability to access capital and credit markets on terms commercially acceptable to us. In addition, any downgrade of our current short-term credit ratings could impair our ability to access the commercial paper markets with the same flexibility that we have experienced historically, potentially requiring us to rely more heavily on more expensive types of debt financing. The credit rating agency ratings are not recommendations to buy, sell or hold our commercial paper or debt securities. Each rating may be subject to revision or withdrawal at any time by the assigning rating organization and should be evaluated independently of any other rating. Moreover, each credit rating is specific to the security to which it applies.

Contractual Obligations

The following table sets forth certain information concerning our obligations to make contractual future payments, such as debt and lease agreements, and certain contingent commitments as of January 31, 2021:

(Amounts in millions)	Payments Due During Fiscal Years Ending January 31,				
	Total	2022	2023-2024	2025-2026	Thereafter
Recorded contractual obligations:					
Long-term debt ⁽¹⁾	\$ 44,309	\$ 3,115	\$ 7,735	\$ 5,840	\$ 27,619
Short-term borrowings	224	224	—	—	—
Operating lease obligations ⁽²⁾	20,949	2,189	3,878	3,224	11,658
Finance lease obligations and other ⁽²⁾⁽³⁾	8,835	896	1,461	1,221	5,257
Obligations related to businesses held for sale ⁽⁴⁾	8,081	564	1,034	899	5,584
Unrecorded contractual obligations:					
Estimated interest on long-term debt	21,124	1,636	3,072	2,678	13,738
Syndicated and other letters of credit	2,019	2,019	—	—	—
Purchase obligations	15,004	7,017	5,562	1,495	930
Obligations related to businesses held for sale ⁽⁴⁾	856	621	210	22	3
Total contractual obligations	\$ 121,401	\$ 18,281	\$ 22,952	\$ 15,379	\$ 64,789

(1) Includes deferred loan costs, discounts, fair value hedges, foreign-held debt and secured debt.

(2) Represents our contractual obligations to make future payments under non-cancelable operating leases and finance lease agreements, both of which are recorded on the balance sheet at their present value. Refer to [Note 7](#) to our Consolidated Financial Statements for additional information regarding operating and finance leases.

(3) Finance lease obligations and other includes contractual obligations under other financing obligations of \$1.3 billion.

(4) Includes obligations related to our operations in Japan and the United Kingdom which are classified as held for sale as of January 31, 2021.

Under the terms of the sale of the majority stake of Walmart Brazil, we agreed to indemnify the purchaser for certain pre-closing tax and legal contingencies and other matters for up to R\$2.3 billion, adjusted for interest based on the Brazilian interbank deposit rate. As of January 31, 2021, the indemnification liability was \$0.6 billion and recorded in deferred income taxes and other in the Company's Consolidated Balance Sheet.

Estimated interest payments are based on our principal amounts and expected maturities of all debt outstanding as of January 31, 2021, and assumes interest rates remain at current levels for our variable rate debt. Additionally, we have \$15.0 billion of various undrawn committed lines of credit in the U.S. as of January 31, 2021.

Purchase obligations include legally binding contracts, such as firm commitments for inventory and utility purchases, as well as commitments to make capital expenditures, software acquisition and license commitments and legally binding service contracts. For the purposes of the above table, contractual obligations for the purchase of goods or services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Contracts that specify the Company will purchase all or a portion of its requirements of a specific product or service from a supplier, but do not include a fixed or minimum quantity, are excluded from the table above. Accordingly, purchase orders for inventory are not included in the table above as purchase orders represent authorizations to purchase rather than binding agreements. Our purchase orders are based on our current inventory needs and are fulfilled by our suppliers within short time periods. We also enter into contracts for outsourced services; however, the obligations under these contracts are not significant and the contracts generally contain clauses allowing for cancellation without significant penalty.

The expected timing for payment discussed above is estimated based on current information. Timing of payments and actual amounts paid may be different depending on the timing of receipt of goods or services or changes to agreed-upon amounts for some obligations.

In addition to the amounts shown in the table above, \$1.7 billion of net unrecognized tax benefits are considered uncertain tax positions and have been recorded as liabilities. The timing of the payment, if any, associated with these liabilities is uncertain. Refer to [Note 9](#) to our Consolidated Financial Statements for additional discussion of unrecognized tax benefits.

Off Balance Sheet Arrangements

As of January 31, 2021, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial position, results of operations, liquidity, capital expenditures or capital resources.

Other Matters

We discuss our "Asda Equal Value Claims" which includes certain existing employment claims against our recently divested United Kingdom subsidiary, Asda Group Limited, including certain risks arising therefrom, under the sub-caption "Legal Proceedings" in [Note 10](#) to our Consolidated Financial Statements. We also discuss the Opioids Litigation including certain risks arising therefrom, in [Item 1.A. Risk Factors](#) under the caption "Legal, Tax, Regulatory, Compliance, Reputational and Other Risks" and under the sub-caption "Legal Proceedings" in [Note 10](#) to our Consolidated Financial Statements. We also discuss various legal proceedings related to the Asda Equal Value Claims and Opioids Litigation in [Item 3. Legal Proceedings](#) herein under the caption "Supplemental Information." The foregoing matters and other matters described elsewhere in this Annual Report on Form 10-K represent contingencies of the Company that may or may not result in the Company incurring a material liability upon their final resolution.

Summary of Critical Accounting Estimates

Management strives to report our financial results in a clear and understandable manner, although in some cases accounting and disclosure rules are complex and require us to use technical terminology. In preparing the Company's Consolidated Financial Statements, we follow accounting principles generally accepted in the U.S. These principles require us to make certain estimates and apply judgments that affect our financial position and results of operations as reflected in our financial statements. These judgments and estimates are based on past events and expectations of future outcomes. Actual results may differ from our estimates.

Management continually reviews our accounting policies, how they are applied and how they are reported and disclosed in our financial statements. Following is a summary of our critical accounting estimates and how they are applied in preparation of the financial statements.

Inventories

We value inventories at the lower of cost or market as determined primarily by the retail inventory method of accounting, using the last-in, first-out ("LIFO") method for Walmart U.S. segment's inventories. The inventory at the Sam's Club segment is valued using the weighted-average cost LIFO method. When necessary, we record a LIFO provision for the estimated annual effect of inflation, and these estimates are adjusted to actual results determined at year-end. Our LIFO provision is calculated based on inventory levels, markup rates and internally generated retail price indices. As a measure of sensitivity, a 1% increase to our retail price indices would not have resulted in a decrease to the carrying value of inventory. As of January 31, 2021 and 2020, our inventories valued at LIFO approximated those inventories as if they were valued at first-in, first-out ("FIFO").

Impairment of Assets

We evaluate long-lived assets for indicators of impairment whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. Management's judgments regarding the existence of impairment indicators are based on market conditions and financial performance. The evaluation of long-lived assets is performed at the lowest level of identifiable cash flows, which is generally at the individual store level. The variability of these factors depends on a number of conditions, including uncertainty about future events and changes in demographics. Thus, our accounting estimates may change from period to period. These factors could cause management to conclude that indicators of impairment exist and require impairment tests be performed, which could result in management determining the value of long-lived assets is impaired, resulting in a write-down of the related long-lived assets. Impairment charges on assets held and used were immaterial in fiscal 2021, 2020 and 2019. As a measure of sensitivity, fiscal 2021 impairment would not change materially with a 10% decrease in the undiscounted cash flows for the stores or clubs with indicators of impairment.

In fiscal 2021, the Company's operations in Argentina, Japan and the United Kingdom met the held for sale criteria. As a result, the individual disposal groups were measured at fair value, less costs to sell, which resulted in impairment charges that were included in the total estimated pre-tax loss of \$8.3 billion recorded in fiscal 2021. Refer to [Note 12](#). Fiscal 2019 included a pre-tax loss of \$4.8 billion related to the sale of the majority stake in Walmart Brazil, which included full impairment of all related assets.

Business Combinations, Goodwill, and Acquired Intangible Assets

We account for business combinations using the acquisition method of accounting, which requires that once control is obtained, all the assets acquired and liabilities assumed, including amounts attributable to noncontrolling interests,

are recorded at their respective fair values at the date of acquisition. The determination of fair values of identifiable assets and liabilities requires estimates and the use of valuation techniques when market value is not readily available. For intangible assets acquired in a business combination, we typically use the income method. Significant estimates in valuing certain intangible assets include, but are not limited to, the amount and timing of future cash flows, growth rates, discount rates and useful lives. The excess of the purchase price over fair values of identifiable assets and liabilities is recorded as goodwill.

Goodwill is assigned to the reporting unit which consolidates the acquisition. Components within the same reportable segment are aggregated and deemed a single reporting unit if the components have similar economic characteristics. As of January 31, 2021, our reporting units consisted of Walmart U.S., Walmart International and Sam's Club. Goodwill and other indefinite-lived acquired intangible assets are not amortized, but are evaluated for impairment annually or whenever events or changes in circumstances indicate that the value of a certain asset may be impaired. Generally, this evaluation begins with a qualitative assessment to determine whether a quantitative impairment test is necessary. If we determine, after performing an assessment based on the qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative impairment test would be performed. The quantitative test for impairment requires management to make judgments relating to future cash flows, growth rates and economic and market conditions. These evaluations are based on determining the fair value of a reporting unit or asset using a valuation method such as discounted cash flow or a relative, market-based approach. Historically, our reporting units have generated sufficient returns to recover the cost of goodwill, as the fair value significantly exceeded the carrying value. Our indefinite-lived acquired intangible assets have also historically generated sufficient returns to recover their cost. Because of the nature of the factors used in these tests, if different conditions occur in future periods, future operating results could be materially impacted. Due to certain strategic restructuring decisions, we recorded approximately \$0.7 billion in impairment in fiscal 2020 related to acquired trade names and acquired developed software.

Contingencies

We are involved in a number of legal proceedings. We record a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. We also perform an assessment of the materiality of loss contingencies where a loss is either not probable or it is reasonably possible that a loss could be incurred in excess of amounts accrued. If a loss or an additional loss has at least a reasonable possibility of occurring and the impact on the financial statements would be material, we provide disclosure of the loss contingency in the footnotes to our financial statements. We review all contingencies at least quarterly to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or the range of the loss can be made. Although we are not able to predict the outcome or reasonably estimate a range of possible losses in certain matters described in [Note 10](#) to our Consolidated Financial Statements, and have not recorded an associated accrual related to these matters, an adverse judgment or negotiated resolution in any of these matters could have a material adverse effect on our business, financial position, results of operations or cash flows.

Income Taxes

Income taxes have a significant effect on our net earnings. We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Accordingly, the determination of our provision for income taxes requires judgment, the use of estimates in certain cases and the interpretation and application of complex tax laws. Our effective income tax rate is affected by many factors, including changes in our assessment of certain tax contingencies, increases and decreases in valuation allowances, changes in tax law, outcomes of administrative audits, the impact of discrete items and the mix of earnings among our U.S. and international operations where the statutory rates are generally higher than the U.S. statutory rate, and may fluctuate as a result.

Our tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions. The benefits of uncertain tax positions are recorded in our financial statements only after determining a more likely than not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities. When facts and circumstances change, we reassess these probabilities and record any changes in the financial statements as appropriate. We account for uncertain tax positions by determining the minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. This determination requires the use of judgment in evaluating our tax positions and assessing the timing and amounts of deductible and taxable items.

Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. Deferred tax assets are evaluated for future realization and reduced by a valuation allowance to the extent that a portion is not more likely than not to be realized. Many factors are considered when assessing whether it is more likely than not that the deferred tax assets will be realized, including recent cumulative earnings, expectations of future taxable income, carryforward periods and other relevant quantitative and qualitative factors. The recoverability of the deferred tax assets is evaluated by assessing the

adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. This evaluation relies on estimates.

On December 22, 2017, the Tax Act was enacted and contains significant changes to U.S. income tax law. Effective beginning January 2018, the Tax Act reduced the U.S. statutory tax rate from 35% to 21% and created new taxes on foreign-sourced earnings and related-party payments. As discussed in [Note 9](#) to our Consolidated Financial Statements, we completed our accounting for the tax effects of the Tax Act in fiscal 2019. As further guidance is issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, any resulting changes to our estimates will be treated in accordance with the relevant accounting guidance.

ITEM 7A.**QUANTITATIVE AND QUALITATIVE
DISCLOSURES ABOUT MARKET RISK****Market Risk**

In addition to the risks inherent in our operations, we are exposed to certain market risks, including changes in interest rates, currency exchange rates and the fair value of certain equity investments.

The analysis presented below for each of our market risk sensitive instruments is based on a hypothetical scenario used to calibrate potential risk and does not represent our view of future market changes. The effect of a change in a particular assumption is calculated without adjusting any other assumption. In reality, however, a change in one factor could cause a change in another, which may magnify or negate other sensitivities.

Interest Rate Risk

We are exposed to changes in interest rates as a result of our short-term borrowings and long-term debt. We hedge a portion of our interest rate risk by managing the mix of fixed and variable rate debt and by entering into interest rate swaps. For fiscal 2021, the net fair value of our interest rate swaps increased \$69 million primarily due to fluctuations in market interest rates.

The table below provides information about our financial instruments that are sensitive to changes in interest rates. For long-term debt, the table represents the principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps, the table represents the contractual cash flows and weighted-average interest rates by the contractual maturity date, unless otherwise noted. The notional amounts are used to calculate contractual cash flows to be exchanged under the contracts. The weighted-average variable rates are based upon prevailing market rates as of January 31, 2021.

(Amounts in millions)	Expected Maturity Date						
	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026	Thereafter	Total
Liabilities							
Short-term borrowings:							
Variable rate	\$ 224	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 224
Weighted-average interest rate	1.9 %	— %	— %	— %	— %	— %	1.9 %
Long-term debt⁽¹⁾:							
Fixed rate	\$ 2,365	\$ 3,014	\$ 4,721	\$ 4,360	\$ 1,480	\$ 27,619	\$ 43,559
Weighted-average interest rate	3.8 %	1.7 %	3.1 %	2.7 %	3.6 %	4.5 %	3.9 %
Variable rate	\$ 750	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 750
Weighted-average interest rate	0.5 %	— %	— %	— %	— %	— %	0.5 %
Interest rate derivatives							
Interest rate swaps:							
Fixed to variable	\$ —	\$ —	\$ 1,750	\$ 1,500	\$ —	\$ —	\$ 3,250
Weighted-average pay rate	— %	— %	0.6 %	1.3 %	— %	— %	0.9 %
Weighted-average receive rate	— %	— %	2.6 %	3.3 %	— %	— %	2.9 %

(1) Includes deferred loan costs, discounts, fair value hedges, foreign-held debt and secured debt.

As of January 31, 2021, our variable rate borrowings, including the effect of our commercial paper and interest rate swaps, represented 9% of our total short-term and long-term debt. Based on January 31, 2021 debt levels, a 100 basis point change in prevailing market rates would cause our annual interest costs to change by approximately \$42 million.

Foreign Currency Risk

We are exposed to fluctuations in currency exchange rates as a result of our net investments and operations in countries other than the U.S, as well as our foreign-currency-denominated long-term debt. For fiscal 2021, movements in currency exchange rates and the related impact on the translation of the balance sheets resulted in the \$0.2 billion net gain in the currency translation and other category of accumulated other comprehensive loss.

We hedge a portion of our foreign currency risk by entering into currency swaps. The aggregate fair value of these swaps was in a liability position of \$83 million and \$241 million as of January 31, 2021 and January 31, 2020, respectively. The change in the fair value of these swaps was due to fluctuations in currency exchange rates, primarily due to the strengthening of certain currencies relative to the U.S. dollar in fiscal 2021. The hypothetical result of a uniform 10% weakening in the value of the U.S. dollar relative to other currencies underlying these swaps would have resulted in a change in the value of the swaps of \$524 million. A hypothetical 10% change in interest rates underlying these swaps from the market rates in effect as of January 31, 2021 would have resulted in a change in the value of the swaps of \$46 million.

In addition to currency swaps, we also hedge a portion of our foreign currency risk by designating foreign-currency-denominated long-term debt as nonderivative hedges of net investments of certain of our foreign operations. We had outstanding long-term debt of £1.7 billion as of January 31, 2021 and January 31, 2020 that was designated as a hedge of our net investment in the U.K. As of January 31, 2021, a hypothetical 10% increase or decrease in the value of the U.S. dollar relative to the British pound would have resulted in a change in the value of the debt of \$210 million. In addition, we had outstanding long-term debt of ¥100 billion as of January 31, 2021 and ¥180 billion as of January 31, 2020 that was designated as a hedge of our net investment in Japan. As of January 31, 2021, a hypothetical 10% change in value of the U.S. dollar relative to the Japanese yen would have resulted in a change in the value of the debt of \$87 million. As of January 31, 2021, the Company's operations in the U.K. and Japan are classified as held for sale, and subsequently closed in February 2021 and March 2021, respectively. Refer to [Note 12](#) to our Consolidated Financial Statements.

In certain countries, we also enter into immaterial foreign currency forward contracts to hedge the purchase and payment of purchase commitments denominated in non-functional currencies.

Investment Risk

We are exposed to changes in the stock price of our equity investments with readily determinable fair values. The change in fair value is recorded within other gains and losses and resulted in a gain of \$8.7 billion in fiscal 2021 due to net increases in the stock price of those equity investments. As of January 31, 2021, the fair value of our equity investments with readily determinable fair values was \$14.4 billion. As of January 31, 2021, a hypothetical 10% change in the stock price of such investments would have changed the fair value of such investments by approximately \$1.4 billion.

ITEM 8.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA**

**Consolidated Financial Statements of Walmart Inc.
For the Fiscal Year Ended January 31, 2021**

Table of Contents

Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm on Internal Control
Reporting

Consolidated Statements of Income

Consolidated Statements of Comprehensive Income

Consolidated Balance Sheets

Consolidated Statements of Shareholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Walmart Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Walmart Inc. (the Company) as of January 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2021, and the related notes (collectively referred to as the "Consolidated Financial Statements"). In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company at January 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 19, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the Consolidated Financial Statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Description of
the Matter*

Contingencies

As described in Note 10 to the Consolidated Financial Statements, at January 31, 2021, the Company is involved in a number of legal proceedings and has made accruals with respect to these matters, where appropriate. For some matters, a liability is not probable, or the amount cannot be reasonably estimated and therefore an accrual has not been made. Where a liability is reasonably possible and may be material, such matters have been disclosed. Management assessed the probability of occurrence and the estimation of any potential loss based on the ability to predict the number of claims that may be filed or whether any loss or range of loss can be reasonably estimated. For example, in assessing the probability of occurrence in a particular legal proceeding, management exercises judgment to determine if it can predict the number of claims that may be filed and whether it can reasonably estimate any loss or range of loss that may arise from that proceeding. In connection with the sale of Asda, the Company is no longer liable for the Asda Equal Value Claims; however, the Company has agreed to provide indemnification for any potential Asda liability related to these claims up to a contractually determined amount.

Auditing management's accounting for, and disclosure of, loss contingencies and the estimated fair value of related indemnifications was complex and highly judgmental as it involved our assessment of the significant judgments made by management when assessing the probability of occurrence for contingencies or related indemnifications or when determining whether an estimate of the loss or range of loss could be made.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the identification and evaluation of contingencies and related indemnities. For example, we tested controls over the Company's assessment of the likelihood of loss and the Company's determinations regarding the measurement of loss.

To test the Company's assessment of the probability of occurrence or determination of an estimate of loss, or range of loss, among other procedures, we read the minutes of the meetings of the Board of Directors and committees of the Board of Directors, reviewed opinions provided to the Company by certain outside legal counsel, read letters received directly by us from internal and external counsel, and evaluated the current status of contingencies based on discussions with internal legal counsel. We also evaluated the appropriateness of the related disclosures. To test the estimated fair value of indemnities, we involved a valuation specialist to evaluate the valuation methodologies and significant assumptions including, among others, the discount rate.

Valuation of Indefinite-Lived Intangible Assets

*Description of
the Matter*

At January 31, 2021, the Company has \$4.9 billion of indefinite-lived intangible assets which primarily consist of acquired tradenames. As disclosed in Notes 1, 8 and 12 to the Consolidated Financial Statements, these assets are evaluated for impairment at least annually using valuation techniques to estimate fair value. These fair value estimates are sensitive to certain significant assumptions including revenue growth rates, discount rates, and royalty rates.

Auditing management's annual indefinite-lived intangible assets impairment tests was complex and highly judgmental due to the significant measurement uncertainty in determining the fair values of the indefinite-lived intangibles. For example, the fair value estimates are sensitive to significant assumptions identified above that are affected by future market or economic conditions.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's indefinite-lived intangible asset impairment review process. Our procedures included, among others, testing controls over management's review of the significant assumptions described above used to estimate the fair values of the indefinite-lived intangible assets.

To test the estimated fair values of the indefinite-lived intangible assets, we performed audit procedures that included, among others, assessing methodologies used to determine the fair value, testing the significant assumptions discussed above and testing the completeness and accuracy of the underlying data used by the Company. For example, we evaluated management's forecasted revenue growth rates used in the fair value estimates by comparing those assumptions to the historical results of the Company and current industry, market and economic forecasts. We involved a valuation specialist to assist in evaluating the valuation methodologies and the significant assumptions such as discount rates and royalty rates. Additionally, we performed sensitivity analyses of significant assumptions to evaluate the effect on the fair value estimates of the indefinite-lived intangible assets.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1969.

Rogers, Arkansas
March 19, 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Walmart Inc.

Opinion on Internal Control over Financial Reporting

We have audited Walmart Inc.'s internal control over financial reporting as of January 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Walmart Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the accompanying consolidated balance sheets of Walmart Inc. as of January 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2021, and the related notes and our report dated March 19, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Rogers, Arkansas
March 19, 2021

Walmart Inc.
Consolidated Statements of Income

	Fiscal Years Ended January 31,		
	2021	2020	2019
<i>(Amounts in millions, except per share data)</i>			
Revenues:			
Net sales	\$ 555,233	\$ 519,926	\$ 510,329
Membership and other income	3,918	4,038	4,076
Total revenues	559,151	523,964	514,405
Costs and expenses:			
Cost of sales	420,315	394,605	385,301
Operating, selling, general and administrative expenses	116,288	108,791	107,147
Operating income	22,548	20,568	21,957
Interest:			
Debt	1,976	2,262	1,975
Finance, capital lease and financing obligations	339	337	371
Interest income	(121)	(189)	(217)
Interest, net	2,194	2,410	2,129
Other (gains) and losses	(210)	(1,958)	8,368
Income before income taxes	20,564	20,116	11,460
Provision for income taxes	6,858	4,915	4,281
Consolidated net income	13,706	15,201	7,179
Consolidated net income attributable to noncontrolling interest	(196)	(320)	(509)
Consolidated net income attributable to Walmart	<u>\$ 13,510</u>	<u>\$ 14,881</u>	<u>\$ 6,670</u>
Net income per common share:			
Basic net income per common share attributable to Walmart	\$ 4.77	\$ 5.22	\$ 2.28
Diluted net income per common share attributable to Walmart	4.75	5.19	2.26
Weighted-average common shares outstanding:			
Basic	2,831	2,850	2,929
Diluted	2,847	2,868	2,945
Dividends declared per common share	\$ 2.16	\$ 2.12	\$ 2.08

See accompanying notes.

Walmart Inc.
Consolidated Statements of Comprehensive Income

<i>(Amounts in millions)</i>	Fiscal Years Ended January 31,		
	2021	2020	2019
Consolidated net income	\$ 13,706	\$ 15,201	\$ 7,179
Consolidated net income attributable to noncontrolling interest	(196)	(320)	(509)
Consolidated net income attributable to Walmart	13,510	14,881	6,670
Other comprehensive income (loss), net of income taxes			
Currency translation and other	842	286	(226)
Net investment hedges	(221)	122	272
Cash flow hedges	235	(399)	(290)
Minimum pension liability	(30)	(1,244)	131
Other comprehensive income (loss), net of income taxes	826	(1,235)	(113)
Other comprehensive (income) loss attributable to noncontrolling interest	213	(28)	188
Other comprehensive income (loss) attributable to Walmart	1,039	(1,263)	75
Comprehensive income, net of income taxes	14,532	13,966	7,066
Comprehensive (income) loss attributable to noncontrolling interest	17	(348)	(321)
Comprehensive income attributable to Walmart	\$ 14,549	\$ 13,618	\$ 6,745

See accompanying notes.

Walmart Inc.
Consolidated Balance Sheets

	As of January 31,	
	2021	2020
<i>(Amounts in millions)</i>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,741	\$ 9,465
Receivables, net	6,516	6,284
Inventories	44,949	44,435
Prepaid expenses and other	20,861	1,622
Total current assets	90,067	61,806
Property and equipment, net	92,201	105,208
Operating lease right-of-use assets	13,642	17,424
Finance lease right-of-use assets, net	4,005	4,417
Goodwill	28,983	31,073
Other long-term assets	23,598	16,567
Total assets	\$ 252,496	\$ 236,495
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	\$ 224	\$ 575
Accounts payable	49,141	46,973
Accrued liabilities	37,966	22,296
Accrued income taxes	242	280
Long-term debt due within one year	3,115	5,362
Operating lease obligations due within one year	1,466	1,793
Finance lease obligations due within one year	491	511
Total current liabilities	92,645	77,790
Long-term debt	41,194	43,714
Long-term operating lease obligations	12,909	16,171
Long-term finance lease obligations	3,847	4,307
Deferred income taxes and other	14,370	12,961
Commitments and contingencies		
Equity:		
Common stock	282	284
Capital in excess of par value	3,646	3,247
Retained earnings	88,763	83,943
Accumulated other comprehensive loss	(11,766)	(12,805)
Total Walmart shareholders' equity	80,925	74,669
Noncontrolling interest	6,606	6,883
Total equity	87,531	81,552
Total liabilities and equity	\$ 252,496	\$ 236,495

See accompanying notes.

Walmart Inc.
Consolidated Statements of Shareholders' Equity

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Walmart Shareholder Equity	Noncontrolling Interest	Total Equity
<i>(Amounts in millions)</i>	Shares	Amount						
Balances as of February 1, 2018	2,952	\$ 295	\$ 2,648	\$85,107	\$ (10,181)	\$ 77,869	\$ 2,953	\$ 80,822
Adoption of new accounting standards, net of income taxes	—	—	—	2,361	(1,436)	925	(1)	924
Consolidated net income	—	—	—	6,670	—	6,670	509	7,179
Other comprehensive income (loss), net of income taxes	—	—	—	—	75	75	(188)	(113)
Cash dividends declared (\$2.08 per share)	—	—	—	(6,102)	—	(6,102)	—	(6,102)
Purchase of Company stock	(80)	(8)	(245)	(7,234)	—	(7,487)	—	(7,487)
Cash dividend declared to noncontrolling interest	—	—	—	—	—	—	(488)	(488)
Noncontrolling interest of acquired entity	—	—	—	—	—	—	4,345	4,345
Other	6	1	562	(17)	—	546	8	554
Balances as of January 31, 2019	2,878	288	2,965	80,785	(11,542)	72,496	7,138	79,634
Adoption of new accounting standards on February 1, 2019, net of income taxes	—	—	—	(266)	—	(266)	(34)	(300)
Consolidated net income	—	—	—	14,881	—	14,881	320	15,201
Other comprehensive income (loss), net of income taxes	—	—	—	—	(1,263)	(1,263)	28	(1,235)
Cash dividends declared (\$2.12 per share)	—	—	—	(6,048)	—	(6,048)	—	(6,048)
Purchase of Company stock	(53)	(5)	(199)	(5,435)	—	(5,639)	—	(5,639)
Cash dividend declared to noncontrolling interest	—	—	—	—	—	—	(475)	(475)
Other	7	1	481	26	—	508	(94)	414
Balances as of January 31, 2020	2,832	284	3,247	83,943	(12,805)	74,669	6,883	81,552
Consolidated net income	—	—	—	13,510	—	13,510	196	13,706
Other comprehensive income (loss), net of income taxes	—	—	—	—	1,039	1,039	(213)	826
Cash dividends declared (\$2.16 per share)	—	—	—	(6,116)	—	(6,116)	—	(6,116)
Purchase of Company stock	(20)	(2)	(97)	(2,559)	—	(2,658)	—	(2,658)
Cash dividends declared to noncontrolling interest	—	—	—	—	—	—	(365)	(365)
Other	9	—	496	(15)	—	481	105	586
Balances as of January 31, 2021	2,821	\$ 282	\$ 3,646	\$88,763	\$ (11,766)	\$ 80,925	\$ 6,606	\$ 87,531

See accompanying notes.

Walmart Inc.
Consolidated Statements of Cash Flows

	Fiscal Years Ended January 31,		
	2021	2020	2019
(Amounts in millions)			
Cash flows from operating activities:			
Consolidated net income	\$ 13,706	\$ 15,201	\$ 7,179
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation and amortization	11,152	10,987	10,678
Net unrealized and realized (gains) and losses	(8,589)	(1,886)	3,516
Losses on disposal of business operations	8,401	15	4,850
Asda pension contribution	—	(1,036)	—
Deferred income taxes	1,911	320	(499)
Other operating activities	1,521	1,981	1,734
Changes in certain assets and liabilities, net of effects of acquisitions and dispositions:			
Receivables, net	(1,086)	154	(368)
Inventories	(2,395)	(300)	(1,311)
Accounts payable	6,966	(274)	1,831
Accrued liabilities	4,623	186	183
Accrued income taxes	(136)	(93)	(40)
Net cash provided by operating activities	36,074	25,255	27,753
Cash flows from investing activities:			
Payments for property and equipment	(10,264)	(10,705)	(10,344)
Proceeds from the disposal of property and equipment	215	321	519
Proceeds from the disposal of certain operations	56	833	876
Payments for business acquisitions, net of cash acquired	(180)	(56)	(14,656)
Other investing activities	102	479	(431)
Net cash used in investing activities	(10,071)	(9,128)	(24,036)
Cash flows from financing activities:			
Net change in short-term borrowings	(324)	(4,656)	(53)
Proceeds from issuance of long-term debt	—	5,492	15,872
Repayments of long-term debt	(5,382)	(1,907)	(3,784)
Dividends paid	(6,116)	(6,048)	(6,102)
Purchase of Company stock	(2,625)	(5,717)	(7,410)
Dividends paid to noncontrolling interest	(434)	(555)	(431)
Other financing activities	(1,236)	(908)	(629)
Net cash used in financing activities	(16,117)	(14,299)	(2,537)
Effect of exchange rates on cash, cash equivalents and restricted cash	235	(69)	(438)
Net increase in cash, cash equivalents and restricted cash	10,121	1,759	742
Cash and cash equivalents reclassified as assets held for sale	(1,848)	—	—
Cash, cash equivalents and restricted cash at beginning of year	9,515	7,756	7,014
Cash, cash equivalents and restricted cash at end of year	\$ 17,788	\$ 9,515	\$ 7,756
Supplemental disclosure of cash flow information:			
Income taxes paid	\$ 5,271	\$ 3,616	\$ 3,982
Interest paid	2,216	2,464	2,348

See accompanying notes.

Walmart Inc.
Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

General

Walmart Inc. ("Walmart" or the "Company") helps people around the world save money and live better – anytime and anywhere – by providing the opportunity to shop in retail stores and through eCommerce. Through innovation, the Company is striving to continuously improve a customer-centric experience that seamlessly integrates eCommerce and retail stores in an omni-channel offering that saves time for its customers.

The Company's operations comprise three reportable segments: Walmart U.S., Walmart International and Sam's Club.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Walmart and its subsidiaries as of and for the fiscal years ended January 31, 2021 ("fiscal 2021"), January 31, 2020 ("fiscal 2020") and January 31, 2019 ("fiscal 2019"). Intercompany accounts and transactions have been eliminated in consolidation. The Company consolidates variable interest entities where it has been determined that the Company is the primary beneficiary of those entities' operations. Investments for which the Company exercises significant influence but does not have control are accounted for under the equity method. These variable interest entities and equity method investments are immaterial to the Company's Consolidated Financial Statements.

The Company's Consolidated Financial Statements are based on a fiscal year ending on January 31 for the United States ("U.S.") and Canadian operations. The Company consolidates all other operations generally using a one-month lag and based on a calendar year. There were no significant intervening events during the month of January 2021 related to the operations consolidated using a lag that materially affected the Consolidated Financial Statements.

Use of Estimates

The Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles. Those principles require management to make estimates and assumptions, including potential impacts arising from the COVID-19 pandemic and related government actions, that affect the reported amounts of assets and liabilities. Management's estimates and assumptions also affect the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

The Company considers investments with a maturity when purchased of three months or less to be cash equivalents. All credit card, debit card and electronic transfer transactions that process in less than seven days are classified as cash and cash equivalents. The amounts due from banks for these transactions classified as cash and cash equivalents totaled \$4.1 billion and \$1.7 billion as of January 31, 2021 and 2020, respectively.

The Company's cash balances are held in various locations around the world. Of the Company's \$17.7 billion and \$9.5 billion in cash and cash equivalents as of January 31, 2021 and January 31, 2020, approximately 40% and 80% were held outside of the U.S., respectively. Cash and cash equivalents held outside of the U.S. are generally utilized to support liquidity needs in the Company's non-U.S. operations.

The Company uses intercompany financing arrangements in an effort to ensure cash can be made available in the country in which it is needed with the minimum cost possible.

As of January 31, 2021 and 2020, cash and cash equivalents of approximately \$2.8 billion and \$2.3 billion, respectively, may not be freely transferable to the U.S. due to local laws or other restrictions. Of the \$2.8 billion as of January 31, 2021, approximately \$1.0 billion can only be accessed through dividends or intercompany financing arrangements subject to approval of Flipkart Private Limited ("Flipkart") minority shareholders; however, this cash is expected to be utilized to fund the operations of Flipkart.

Receivables

Receivables are stated at their carrying values, net of a reserve for doubtful accounts, and are primarily due from the following: customers, which also includes insurance companies resulting from pharmacy sales, banks for customer credit, debit cards and electronic transfer transactions that take in excess of seven days to process; suppliers for marketing or incentive programs; governments for income taxes; and real estate transactions. As of January 31, 2021

and January 31, 2020, receivables from transactions with customers, net were \$2.7 billion and \$2.9 billion, respectively.

Inventories

The Company values inventories at the lower of cost or market as determined primarily by the retail inventory method of accounting, using the last-in, first-out ("LIFO") method for the Walmart U.S. segment's inventories. The inventory for the Walmart International segment is valued primarily by the retail inventory method of accounting, using the first-in, first-out ("FIFO") method. The retail inventory method of accounting results in inventory being valued at the lower of cost or market, since permanent markdowns are immediately recorded as a reduction of the retail value of inventory. The inventory at the Sam's Club segment is valued using the weighted-average cost LIFO method. As of January 31, 2021 and January 31, 2020, the Company's inventories valued at LIFO approximated those inventories as if they were valued at FIFO.

Held for Sale

Components and businesses that meet accounting requirements to be classified as held for sale are presented as single asset and liability amounts in the Company's financial statements with a valuation allowance, if necessary, to recognize the net carrying amount at the lower of cost or fair value, less costs to sell. The Company reviews its businesses and assets held for sale each reporting period to determine whether the existing carrying amounts are fully recoverable in comparison to estimated fair values. As of January 31, 2021, \$19.2 billion assets held for sale and \$12.7 billion liabilities held for sale were classified in prepaid expenses and other and accrued liabilities in the Consolidated Balance Sheets, respectively, reflecting the Company's operations in the U.K. and Japan classified as held for sale. Refer to [Note 12](#) for additional details. As of January 31, 2020, assets and liabilities held for sale were immaterial.

Property and Equipment

Property and equipment are initially recorded at cost. Gains or losses on disposition are recognized as earned or incurred. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are expensed as incurred. The following table summarizes the Company's property and equipment balances, and includes the estimated useful lives that are generally used to depreciate the assets on a straight-line basis:

(Amounts in millions)	Estimated Useful Lives	As of January 31,	
		2021	2020
Land	N/A	\$ 19,308	\$ 24,619
Buildings and improvements	3 - 40 years	97,582	105,674
Fixtures and equipment	1 - 30 years	56,639	58,607
Transportation equipment	3 - 15 years	2,301	2,377
Construction in progress	N/A	4,741	3,751
Property and equipment		180,571	195,028
Accumulated depreciation		(88,370)	(89,820)
Property and equipment, net		<u>\$ 92,201</u>	<u>\$ 105,208</u>

Leasehold improvements are depreciated or amortized over the shorter of the estimated useful life of the asset or the remaining expected lease term. Total depreciation and amortization expense for property and equipment, property under finance leases and financing obligations, property under capital leases and intangible assets for fiscal 2021, 2020 and 2019 was \$11.2 billion, \$11.0 billion and \$10.7 billion, respectively.

Leases

For any new or modified lease, the Company, at the inception of the contract, determines whether a contract is or contains a lease. The Company records right-of-use ("ROU") assets and lease obligations for its finance and operating leases, which are initially recognized based on the discounted future lease payments over the term of the lease. As the rate implicit in the Company's leases is not easily determinable, the Company's applicable incremental borrowing rate is used in calculating the present value of the sum of the lease payments.

Lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. The Company has elected not to recognize ROU asset and lease obligations for its short-term leases, which are defined as leases with an initial term of 12 months or less.

For a majority of all classes of underlying assets, the Company has elected to not separate lease from non-lease components. For leases in which the lease and non-lease components have been combined, the variable lease expense includes expenses such as common area maintenance, utilities, and repairs and maintenance.

Impairment of Long-Lived Assets

Management reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows, which is at the individual store or club level. Undiscounted cash flows expected to be generated by the related assets are estimated over the assets' useful lives based on updated projections. If the evaluation indicates that the carrying amount of the assets may not be recoverable, any potential impairment is measured based upon the fair value of the related asset or asset group as determined by an appropriate market appraisal or other valuation technique.

Goodwill and Other Acquired Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations and is allocated to the appropriate reporting unit when acquired. Other acquired intangible assets are stated at the fair value acquired as determined by a valuation technique commensurate with the intended use of the related asset. Goodwill and indefinite-lived intangible assets are not amortized; rather, they are evaluated for impairment annually and whenever events or changes in circumstances indicate that the value of the asset may be impaired. Definite-lived intangible assets are considered long-lived assets and are amortized on a straight-line basis over the periods that expected economic benefits will be provided.

Goodwill is assigned to the reporting unit which consolidates the acquisition. Components within the same reportable segment are aggregated and deemed a single reporting unit if the components have similar economic characteristics. As of January 31, 2021, the Company's reporting units consisted of Walmart U.S., Walmart International and Sam's Club. Goodwill is evaluated for impairment using either a qualitative or quantitative approach for each of the Company's reporting units. Generally, a qualitative assessment is first performed to determine whether a quantitative goodwill impairment test is necessary. If management determines, after performing an assessment based on the qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative goodwill impairment test would be required. The quantitative test for goodwill impairment is performed by determining the fair value of the related reporting units. Fair value is measured based on the discounted cash flow method and relative market-based approaches. After evaluation, management determined the fair value of each reporting unit is significantly greater than the carrying amount and, accordingly, the Company has not recorded any impairment charges related to goodwill.

The following table reflects goodwill activity, by reportable segment, for fiscal 2021 and 2020:

(Amounts in millions)	Walmart			
	Walmart U.S.	International	Sam's Club	Total
Balances as of February 1, 2019	\$ 2,552	\$ 28,316	\$ 313	\$ 31,181
Changes in currency translation and other	—	(149)	—	(149)
Acquisitions	41	—	—	41
Balances as of January 31, 2020	2,593	28,167	313	31,073
Changes in currency translation and other	—	10	—	10
Acquisitions	103	—	8	111
Amounts reclassified related to operations held for sale ⁽¹⁾	—	(2,211)	—	(2,211)
Balances as of January 31, 2021	<u>\$ 2,696</u>	<u>\$ 25,966</u>	<u>\$ 321</u>	<u>\$ 28,983</u>

⁽¹⁾ Represents goodwill associated with operations in the U.K. and Japan which are classified as held for sale as of January 31, 2021. Refer to [Note 12](#).

Intangible assets are included in other long-term assets in the Company's Consolidated Balance Sheets. As of January 31, 2021 and 2020, the Company had \$4.9 billion and \$5.2 billion, respectively, in indefinite-lived intangible assets which primarily consists of acquired trade names. Refer to [Note 12](#) for additional information related to acquired intangible assets for the Flipkart acquisition in fiscal 2019. There were no significant impairment charges related to intangible assets for fiscal 2021. During fiscal 2020, the Company incurred approximately \$0.7 billion in impairment charges related to its intangible assets. Refer to [Note 8](#) for additional information.

Fair Value Measurement

The Company records and discloses certain financial and non-financial assets and liabilities at fair value. The fair value of an asset is the price at which the asset could be sold in an orderly transaction between unrelated, knowledgeable and willing parties able to engage in the transaction. The fair value of a liability is the amount that would be paid to transfer the liability to a new obligor in a transaction between such parties, not the amount that would be paid to settle the liability with the creditor. Refer to [Note 8](#) for more information.

Additionally, the Company may provide routine indemnifications in connection with certain transactions, primarily divestitures, for which an indemnification liability equal to the estimated fair value of the obligation is recorded upon inception. Where necessary, these obligations are recorded at their fair value within deferred income taxes and other in the Consolidated Balance Sheets.

Investments

Investments in equity securities with readily determinable fair values are recorded at fair value in other long-term assets in the Consolidated Balance Sheets with changes in fair value recognized in other gains and losses in the Consolidated Statements of Income. Refer to [Note 8](#) for details. Equity investments without readily determinable fair values are carried at cost in other long-term assets in the Consolidated Balance Sheets, and adjusted for any observable price changes or impairments recorded in other gains and losses in the Consolidated Statements of Income.

Investments in debt securities classified as held-to-maturity are reported at amortized cost in other long-term assets in the Consolidated Balance Sheets with interest or dividend income recorded in interest income in the Consolidated Statements of Income.

Self Insurance Reserves

The Company self-insures a number of risks, including, but not limited to, workers' compensation, general liability, auto liability, product liability and certain employee-related healthcare benefits. Standard actuarial procedures and data analysis are used to estimate the liabilities associated with these risks as of the balance sheet date on an undiscounted basis. The recorded liabilities reflect the ultimate cost for claims incurred but not paid and any estimable administrative run-out expenses related to the processing of these outstanding claim payments. On a regular basis, the liabilities are evaluated for appropriateness with claims reserve valuations. To limit exposure to some risks, the Company maintains insurance coverage with varying limits and retentions, including stop-loss insurance coverage for workers' compensation, general liability and auto liability.

Derivatives

The Company uses derivatives for hedging purposes to manage its exposure to changes in interest and currency exchange rates, as well as to maintain an appropriate mix of fixed- and variable-rate debt. Use of derivatives in hedging programs subjects the Company to certain risks, such as market and credit risks. The Company may be exposed to credit-related losses in the event of nonperformance by its counterparties to derivatives. Credit risk is monitored through established approval procedures, including setting concentration limits by counterparty, reviewing credit ratings and requiring collateral from the counterparty. The Company enters into derivatives with counterparties rated only "A-" or better by nationally recognized credit rating agencies. The Company is subject to master netting arrangements which provides set-off and close out netting of exposures with counterparties, but the Company does not offset derivative assets and liabilities in its Consolidated Balance Sheets. The Company's collateral arrangements require the counterparty in a net liability position in excess of pre-determined thresholds, after considering the effects of netting arrangements, to pledge cash collateral. Cash collateral received under these arrangements was not significant as of January 31, 2021 and 2020. The Company was not required to provide any cash collateral to counterparties as of January 31, 2021 and 2020.

In order to qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge. If a derivative is recorded using hedge accounting, depending on the nature of the hedge, derivative gains and losses are recorded through the same financial statement line item in earnings or are recognized in accumulated other comprehensive loss until the hedged item is recognized in earnings. Derivatives that do not meet the criteria for hedge accounting, or contracts for which the Company has not elected hedge accounting, are recorded at fair value with unrealized gains or losses reported in earnings. Derivatives with an unrealized gain are recorded in the Company's Consolidated Balance Sheets as either current or non-current assets, based on maturity date, and derivatives with an unrealized loss are recorded as either current or non-current liabilities, based on maturity date. Refer to [Note 8](#) for the presentation of the Company's derivative assets and liabilities.

Fair Value Hedges

The Company is a party to receive fixed-rate, pay variable-rate interest rate swaps that the Company uses to hedge the fair value of fixed-rate debt. All interest rate swaps designated as fair value hedges of the related long-term debt meet the shortcut method requirements under U.S. GAAP. Accordingly, changes in the fair values of these interest rate swaps are considered to exactly offset changes in the fair value of the underlying long-term debt. These derivatives will mature on dates ranging from April 2023 to April 2024.

Cash Flow Hedges

The Company is a party to receive fixed-rate, pay fixed-rate cross currency interest rate swaps used to hedge the currency exposure associated with the forecasted payments of principal and interest of certain non-U.S. denominated debt. The Company records changes in the fair value of these swaps in accumulated other comprehensive loss which is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. These derivatives will mature on dates ranging from April 2022 to March 2034.

Net Investment Hedges

The Company is a party to receive fixed-rate, pay fixed-rate cross currency interest rate swaps used to hedge the currency exposure associated with net investments of certain of its foreign operations. The Company records changes in fair value attributable to the hedged risk in accumulated other comprehensive loss. These derivatives, which relate to the Company's operations in the United Kingdom held for sale as of January 31, 2021, have maturity dates ranging from October 2023 to February 2030. The Company also designated certain foreign currency denominated long-term debt as a hedge of currency exposure associated with the net investment of the Company's operations in the United Kingdom and Japan, both of which were classified as held for sale as of January 31, 2021. The Company records foreign currency gain or loss associated with designated long-term debt in accumulated other comprehensive loss. As of January 31, 2021 and 2020, the Company had \$3.3 billion and \$3.9 billion, respectively, of outstanding long-term debt designated as net investment hedges.

These derivative and non-derivative gains or losses continue to defer in accumulated other comprehensive loss until the sale or substantial liquidation of these foreign operations. Refer to [Note 12](#) for additional detail regarding the divestiture of the Company's operations in the United Kingdom and Japan.

Income Taxes

Income taxes are accounted for under the balance sheet method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences"). Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date.

Deferred tax assets are evaluated for future realization and reduced by a valuation allowance to the extent that a portion is not more likely than not to be realized. Many factors are considered when assessing whether it is more likely than not that the deferred tax assets will be realized, including recent cumulative earnings, expectations of future taxable income, carryforward periods, and other relevant quantitative and qualitative factors. The recoverability of the deferred tax assets is evaluated by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely on estimates.

The Tax Cuts and Jobs Act of 2017 (the "Tax Act") contains a provision which subjects a U.S. parent of a foreign subsidiary to current U.S. tax on its global intangible low-taxed income ("GILTI"). The GILTI income is eligible for a deduction, which lowers the effective tax rate to 10.5% for calendar years 2018 through 2025 and 13.125% after 2025. The Company will report the tax impact of GILTI as a period cost when incurred. Accordingly, the Company is not providing deferred taxes for basis differences expected to reverse as GILTI.

In determining the provision for income taxes, an annual effective income tax rate is used based on annual income, permanent differences between book and tax income, and statutory income tax rates. Discrete events such as audit settlements or changes in tax laws are recognized in the period in which they occur.

The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company records interest and penalties related to unrecognized tax benefits in interest expense and operating, selling, general and administrative expenses, respectively, in the Company's Consolidated Statements of Income. Refer to [Note 9](#) for additional income tax disclosures.

Revenue Recognition

Net Sales

The Company recognizes sales revenue, net of sales taxes and estimated sales returns, at the time it sells merchandise or services to the customer. eCommerce sales include shipping revenue and are recorded upon delivery to the customer. Estimated sales returns are calculated based on expected returns.

Membership Fee Revenue

The Company recognizes membership fee revenue both in the U.S. and internationally over the term of the membership, which is typically 12 months. Membership fee revenue was \$1.7 billion for fiscal 2021, \$1.5 billion for

fiscal 2020 and \$1.4 billion for fiscal 2019, respectively. Membership fee revenue is included in membership and other income in the Company's Consolidated Statements of Income. Deferred membership fee revenue is included in accrued liabilities in the Company's Consolidated Balance Sheets.

Gift Cards

Customer purchases of gift cards are not recognized as sales until the card is redeemed and the customer purchases merchandise using the gift card. Gift cards in the U.S. and some countries do not carry an expiration date; therefore, customers and members can redeem their gift cards for merchandise and services indefinitely. Gift cards in some countries where the Company does business have expiration dates. While gift cards are generally redeemed within 12 months, a certain number of gift cards, both with and without expiration dates, will not be fully redeemed. Management estimates unredeemed balances and recognizes revenue for these amounts in membership and other income in the Company's Consolidated Statements of Income over the expected redemption period.

Financial and Other Services

The Company recognizes revenue from service transactions at the time the service is performed. Generally, revenue from services is classified as a component of net sales in the Company's Consolidated Statements of Income.

Cost of Sales

Cost of sales includes actual product cost, the cost of transportation to the Company's distribution facilities, stores and clubs from suppliers, the cost of transportation from the Company's distribution facilities to the stores, clubs and customers and the cost of warehousing for the Sam's Club segment and import distribution centers. Cost of sales is reduced by supplier payments that are not a reimbursement of specific, incremental and identifiable costs.

Payments from Suppliers

The Company receives consideration from suppliers for various programs, primarily volume incentives, warehouse allowances and reimbursements for specific programs such as markdowns, margin protection, advertising and supplier-specific fixtures. Payments from suppliers are accounted for as a reduction of cost of sales, except in certain limited situations when the payment is a reimbursement of specific, incremental and identifiable costs, and are recognized in the Company's Consolidated Statements of Income when the related inventory is sold.

Operating, Selling, General and Administrative Expenses

Operating, selling, general and administrative expenses include all operating costs of the Company, except cost of sales, as described above. As a result, the majority of the cost of warehousing and occupancy for the Walmart U.S. and Walmart International segments' distribution facilities is included in operating, selling, general and administrative expenses. Because the Company only includes a portion of the cost of its Walmart U.S. and Walmart International segments' distribution facilities in cost of sales, its gross profit and gross profit as a percentage of net sales may not be comparable to those of other retailers that may include all costs related to their distribution facilities in cost of sales and in the calculation of gross profit.

Advertising Costs

Advertising costs are expensed as incurred, consist primarily of print, television and digital advertisements and are recorded in operating, selling, general and administrative expenses in the Company's Consolidated Statements of Income. In certain limited situations, reimbursements from suppliers that are for specific, incremental and identifiable advertising costs are recognized as a reduction of advertising costs in operating, selling, general and administrative expenses. Advertising costs were \$3.2 billion, \$3.7 billion and \$3.5 billion for fiscal 2021, 2020 and 2019, respectively.

Currency Translation

The assets and liabilities of all international subsidiaries are translated from the respective local currency to the U.S. dollar using exchange rates at the balance sheet date. Related translation adjustments are recorded as a component of accumulated other comprehensive loss. The Company's Consolidated Statements of Income of all international subsidiaries are translated from the respective local currencies to the U.S. dollar using average exchange rates for the period covered by the income statements.

Recent Accounting Pronouncements

Financial Instruments

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which modifies the measurement of expected credit losses of certain financial instruments. The Company adopted this ASU on February 1, 2020 with no material impact to the Company's Consolidated Financial Statements.

Note 2. Net Income Per Common Share

Basic net income per common share attributable to Walmart is based on the weighted-average common shares outstanding during the relevant period. Diluted net income per common share attributable to Walmart is based on the weighted-average common shares outstanding during the relevant period adjusted for the dilutive effect of share-based awards. The Company did not have significant share-based awards outstanding that were antidilutive and not included in the calculation of diluted net income per common share attributable to Walmart for fiscal 2021, 2020 and 2019.

The following table provides a reconciliation of the numerators and denominators used to determine basic and diluted net income per common share attributable to Walmart:

	Fiscal Years Ended January 31,		
	2021	2020	2019
<i>(Amounts in millions, except per share data)</i>			
Numerator			
Consolidated net income	\$ 13,706	\$ 15,201	\$ 7,179
Consolidated net income attributable to noncontrolling interest	(196)	(320)	(509)
Consolidated net income attributable to Walmart	<u>\$ 13,510</u>	<u>\$ 14,881</u>	<u>\$ 6,670</u>
Denominator			
Weighted-average common shares outstanding, basic	2,831	2,850	2,929
Dilutive impact of stock options and other share-based awards	16	18	16
Weighted-average common shares outstanding, diluted	<u>2,847</u>	<u>2,868</u>	<u>2,945</u>
Net income per common share attributable to Walmart			
Basic	\$ 4.77	\$ 5.22	\$ 2.28
Diluted	4.75	5.19	2.26

Note 3. Shareholders' Equity

The total authorized shares of \$0.10 par value common stock is 11.0 billion, of which 2.8 billion were issued and outstanding as of January 31, 2021 and 2020.

Share-Based Compensation

The Company has awarded share-based compensation to associates and nonemployee directors of the Company. The compensation expense recognized for all stock incentive plans, including expense associated with plans of the Company's consolidated subsidiaries granted in the subsidiaries' respective stock, was \$1.2 billion, \$0.9 billion and \$0.8 billion for fiscal 2021, 2020 and 2019, respectively. Share-based compensation expense is generally included in operating, selling, general and administrative expenses in the Company's Consolidated Statements of Income. The total income tax benefit recognized for share-based compensation was \$0.3 billion, \$0.2 billion and \$0.2 billion for fiscal 2021, 2020 and 2019, respectively. The following table summarizes the Company's share-based compensation expense by award type for all plans:

	Fiscal Years Ended Ja	
	2021	2020
<i>(Amounts in millions)</i>		
Restricted stock units	\$ 742	\$ 55
Restricted stock and performance-based restricted stock units	277	27
Other	150	3
Share-based compensation expense	<u>\$ 1,169</u>	<u>\$ 85</u>

The Walmart Inc. Stock Incentive Plan of 2015 (the "Plan"), as subsequently amended and restated, was established to grant stock options, restricted (non-vested) stock, performance share units and other equity compensation awards for which 260 million shares of Walmart common stock issued or to be issued under the Plan have been registered under the Securities Act of 1933. The Company believes that such awards serve to align the interests of its associates with those of its shareholders.

The Plan's award types are summarized as follows:

- *Restricted Stock Units.* Restricted stock units provide rights to Company stock after a specified service period. Beginning in fiscal 2020, restricted stock units generally vest at a rate of 25% each year over a four year period from the date of the grant. Prior to fiscal 2020, 50% of restricted stock units generally vested three years from the grant date and the remaining 50% were vested five years from the grant date. The fair value of each restricted stock unit is determined on the date of grant using the stock price discounted for the expected dividend yield through the vesting period and is recognized ratably over the vesting period. The expected dividend yield is based on the anticipated dividends over the vesting period. The weighted-average discount for the dividend yield used to determine the fair value of restricted stock units granted in fiscal 2021, 2020 and 2019 was 4.4%, 4.9% and 7.2%, respectively.

- **Restricted Stock and Performance-based Restricted Stock Units.** Restricted stock awards are for shares that vest based on the passage of time and include restrictions related to employment. Performance-based restricted stock units vest based on the passage of time and achievement of performance criteria and may range from 0% to 150% of the original award amount. Vesting periods for these awards are generally between one and three years. Restricted stock and performance-based restricted stock units may be settled or deferred in stock and are accounted for as equity in the Company's Consolidated Balance Sheets. The fair value of restricted stock awards is determined on the date of grant and is expensed ratably over the vesting period. The fair value of performance-based restricted stock units is determined on the date of grant using the Company's stock price discounted for the expected dividend yield through the vesting period and is recognized over the vesting period. The weighted-average discount for the dividend yield used to determine the fair value of performance-based restricted stock units in fiscal 2021, 2020 and 2019 was 4.5%, 5.1% and 6.2%, respectively.

In addition to the Plan, Flipkart has certain share-based compensation plans for associates under which options to acquire Flipkart common shares may be issued. Share-based compensation expense associated with these plans is included in the Other line in the table above.

The following table shows the activity for restricted stock units and restricted stock and performance-based restricted stock units during fiscal 2021:

	Restricted Stock Units		Restricted Stock and Performance-based Restricted Stock Units	
	Shares	Weighted-Average Grant-Date Fair Value Per Share	Shares	Weighted-Average Grant-Date Fair Value Per Share
<i>(Shares in thousands)</i>				
Outstanding as of February 1, 2020	23,261	\$ 79.51	6,045	\$ 93.04
Granted	7,472	114.51	2,867	120.47
Adjustment for performance achievement ⁽¹⁾	—	—	576	86.46
Vested/exercised	(7,798)	76.11	(3,075)	88.88
Forfeited	(3,035)	92.20	(1,000)	96.36
Outstanding as of January 31, 2021	19,900	\$ 92.13	5,413	\$ 108.72

(1) Represents the adjustment to previously granted performance share units for performance achievement.

The following table includes additional information related to restricted stock units and restricted stock and performance-based restricted stock units:

	Fiscal Years Ended January 31,		
	2021	2020	2019
<i>(Amounts in millions, except years)</i>			
Fair value of restricted stock units vested	\$ 597	\$ 442	\$ 386
Fair value of restricted stock and performance-based restricted stock units vested	275	365	183
Unrecognized compensation cost for restricted stock units	1,062	1,096	1,002
Unrecognized compensation cost for restricted stock and performance-based restricted stock units	344	326	362
Weighted average remaining period to expense for restricted stock units (years)	1.1	1.3	1.6
Weighted average remaining period to expense for restricted stock and performance-based restricted stock units (years)	1.4	1.4	1.1

Share Repurchase Program

From time to time, the Company repurchases shares of its common stock under share repurchase programs authorized by the Company's Board of Directors. All repurchases made during fiscal 2021 were made under the \$20.0 billion share repurchase program approved in October 2017, of which authorization for \$3.0 billion of share repurchases remained as of January 31, 2021. On February 18, 2021, the Board of Directors approved a new \$20.0 billion share repurchase program which, beginning February 22, 2021, replaced the previous share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status.

The Company regularly reviews share repurchase activity and considers several factors in determining when to execute share repurchases, including, among other things, current cash needs, capacity for leverage, cost of borrowings, results of operations and the market price of the Company's common stock. The following table provides, on a settlement date basis, the number of shares repurchased, average price paid per share and total amount paid for share repurchases for fiscal 2021, 2020 and 2019:

	Fiscal Years Ended January 31,		
	2021	2020	2019
<i>(Amounts in millions, except per share data)</i>			
Total number of shares repurchased	19.4	53.9	79.5
Average price paid per share	\$ 135.20	\$ 105.98	\$ 93.18
Total cash paid for share repurchases	\$ 2,625	\$ 5,717	\$ 7,410

Note 4. Accumulated Other Comprehensive Loss

The following table provides the changes in the composition of total accumulated other comprehensive loss for fiscal 2021, 2020, and 2019:

<i>(Amounts in millions and net of immaterial income taxes)</i>	Currency Translation and Other	Net Investment Hedges	Unrealized Gain on Available-for- Sale Securities	Cash Flow Hedges	Minimum Pension Liability	Total
Balances as of February 1, 2018	\$ (12,136)	\$ 1,030	\$ 1,646	\$ 122	\$ (843)	\$ (10,181)
Adoption of new accounting standards ⁽¹⁾	89	93	(1,646)	28	—	(1,436)
Other comprehensive income (loss) before reclassifications, net	(2,093)	272	—	(339)	93	(2,067)
Reclassifications to income, net ⁽²⁾	2,055	—	—	49	38	2,142
Balances as of January 31, 2019	(12,085)	1,395	—	(140)	(712)	(11,542)
Other comprehensive income (loss) before reclassifications, net ⁽³⁾	281	122	—	(399)	(1,283)	(1,279)
Reclassifications to income, net	(23)	—	—	—	39	16
Balances as of January 31, 2020	(11,827)	1,517	—	(539)	(1,956)	(12,805)
Other comprehensive income (loss) before reclassifications, net	214	(221)	—	186	(172)	7
Reclassifications to income, net ⁽⁴⁾	841	—	—	49	142	1,032
Balances as of January 31, 2021	<u>\$ (10,772)</u>	<u>\$ 1,296</u>	<u>\$ —</u>	<u>\$ (304)</u>	<u>\$ (1,986)</u>	<u>\$ (11,766)</u>

(1) Primarily relates to the adoption of ASU 2016-01 and ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*.

(2) Includes a cumulative foreign currency translation loss of \$2.0 billion, for which there was no related income taxes, upon sale of the majority stake in Walmart Brazil. Refer to [Note 12](#).

(3) Primarily includes the remeasurement of Asda Group Limited's ("Asda") pension benefit obligation subsequent to the cash contribution made by Asda in fiscal 2020. Refer to [Note 11](#).

(4) Includes a cumulative foreign currency translation loss of \$0.8 billion, for which there was no related income taxes, upon sale of the majority stake in Walmart Argentina. Refer to [Note 12](#).

Amounts reclassified from accumulated other comprehensive loss for derivatives are recorded in interest, net, in the Company's Consolidated Statements of Income, and the amounts for the minimum pension liability, as well as the cumulative translation resulting from the disposition of a business, are recorded in other gains and losses in the Company's Consolidated Statements of Income.

Note 5. Accrued Liabilities

The Company's accrued liabilities consist of the following as of January 31, 2021 and 2020:

<i>(Amounts in millions)</i>	January 31,	
	2021	2020
Liabilities held for sale ⁽¹⁾	\$ 12,734	\$ —
Accrued wages and benefits ⁽²⁾	7,654	6,093
Self-insurance ⁽³⁾	4,698	4,469
Accrued non-income taxes ⁽⁴⁾	3,328	3,039
Deferred gift card revenue	2,310	1,990
Other ⁽⁵⁾	7,242	6,705
Total accrued liabilities	<u>\$ 37,966</u>	<u>\$ 22,296</u>

(1) Liabilities held for sale relate to the Company's operations in Japan and the U.K. classified as held for sale as of January 31, 2021. See [Note 12](#).

- (2) Accrued wages and benefits include accrued wages, salaries, vacation, bonuses and other incentive plans.
- (3) Self-insurance consists of insurance-related liabilities, such as workers' compensation, general liability, auto liability, product liability and certain employee-related healthcare benefits.
- (4) Accrued non-income taxes include accrued payroll, property, value-added, sales and miscellaneous other taxes.
- (5) Other accrued liabilities consist of various items such as interest, maintenance, utilities, legal contingencies, and advertising.

Note 6. Short-term Borrowings and Long-term Debt

Short-term borrowings consist of commercial paper and lines of credit. Short-term borrowings as of January 31, 2021 and 2020 were \$0.2 billion and \$0.6 billion, respectively, with weighted-average interest rates of 1.9% and 5.0%, respectively. Short-term borrowings as of January 31, 2020 were primarily outside of the U.S.

The Company has various committed lines of credit in the U.S. to support its commercial paper program and are summarized in the following table:

(Amounts in millions)	January 31, 2021			January 31, 2020		
	Available	Drawn	Undrawn	Available	Drawn	Undrawn
Five-year credit facility	\$ 5,000	\$ —	\$ 5,000	\$ 5,000	\$ —	\$ 5,000
364-day revolving credit facility ⁽¹⁾	10,000	—	10,000	10,000	—	10,000
Total	\$ 15,000	\$ —	\$ 15,000	\$ 15,000	\$ —	\$ 15,000

(1) In April 2020, the Company renewed and extended its existing 364-day revolving credit facility.

The committed lines of credit in the table above mature at various times between April 2021 and May 2024, carry interest rates generally ranging between LIBOR plus 10 basis points and LIBOR plus 75 basis points, and incur commitment fees ranging between 1.5 and 4.0 basis points. In conjunction with the committed lines of credit listed in the table above, the Company has agreed to observe certain covenants, the most restrictive of which relates to the maximum amount of secured debt. Additionally, the Company has syndicated and fronted letters of credit available which totaled \$1.8 billion as of January 31, 2021 and 2020, of which \$1.8 billion and \$1.6 billion was drawn as of January 31, 2021 and 2020, respectively.

The Company's long-term debt, which includes the fair value instruments further discussed in [Note 8](#), consists of the following as of January 31, 2021 and 2020:

(Amounts in millions)	January 31, 2021			January 31, 2020	
	Maturity Dates By Fiscal Year	Amount	Average Rate ⁽¹⁾	Amount	Average Rate ⁽¹⁾
Unsecured debt					
Fixed	2022 - 2050	\$ 35,216	3.9%	\$ 39,752	3.8%
Variable	2022	750	0.5%	1,500	2.1%
Total U.S. dollar denominated		35,966		41,252	
Fixed	2023 - 2030	3,034	3.3%	2,758	3.3%
Variable		—		—	
Total Euro denominated		3,034		2,758	
Fixed	2031 - 2039	3,682	5.4%	3,518	5.4%
Variable		—		—	
Total Sterling denominated		3,682		3,518	
Fixed	2023-2028	1,624	0.3%	1,652	0.4%
Variable		—		—	
Total Yen denominated		1,624		1,652	
Total unsecured debt		44,306		49,180	
Total other⁽²⁾		3		(104)	
Total debt		44,309		49,076	
Less amounts due within one year		(3,115)		(5,362)	
Long-term debt		\$ 41,194		\$ 43,714	

(1) The average rate represents the weighted-average stated rate for each corresponding debt category, based on year-end balances and year-end interest rates.

(2) Includes deferred loan costs, discounts, fair value hedges, foreign-held debt and secured debt.

Annual maturities of long-term debt during the next five years and thereafter are as follows:

(Amounts in millions)

Fiscal Year	Annual Maturities
2022	\$ 3,115
2023	3,014
2024	4,721
2025	4,360
2026	1,480
Thereafter	27,619
Total	\$ 44,309

Debt Issuances

There were no long-term debt issuances in fiscal 2021. Information on long-term debt issued during fiscal 2020, for general corporate purposes, is as follows:

(Amounts in millions)

Issue Date	Principal Amount	Maturity Date	Fixed vs. Floating	Interest Rate	Net Proceeds
April 23, 2019	\$1,500	July 8, 2024	Fixed	2.850%	\$ 1,493
April 23, 2019	\$1,250	July 8, 2026	Fixed	3.050%	1,242
April 23, 2019	\$1,250	July 8, 2029	Fixed	3.250%	1,243
September 24, 2019	\$500	September 24, 2029	Fixed	2.375%	497
September 24, 2019	\$1,000	September 24, 2049	Fixed	2.950%	975
Various	\$42	Various	Various	Various	42
Total					\$ 5,492

The fiscal 2020 issuances are senior, unsecured notes which rank equally with all other senior, unsecured debt obligations of the Company, and are not convertible or exchangeable. These issuances do not contain any financial covenants which restrict the Company's ability to pay dividends or repurchase company stock.

Repayments

The following table provides details of debt repayments during fiscal 2021:

(Amounts in millions)

Maturity Date	Principal Amount	Fixed vs. Floating	Interest Rate	Repayment
June 23, 2020	\$750	Floating	Floating	\$ 750
June 23, 2020	\$1,250	Fixed	2.850%	1,250
July 8, 2020	\$840	Fixed	3.630%	840
July 28, 2020	¥10,000	Fixed	1.600%	95
October 25, 2020	\$1,197	Fixed	3.250%	1,197
December 15, 2020	\$1,250	Fixed	1.900%	1,250
Total repayment of matured debt				\$ 5,382

The following table provides details of debt repayments during fiscal 2020:

(Amounts in millions)

Maturity Date	Principal Amount	Fixed vs. Floating	Interest Rate	Repayment
February 1, 2019	\$364	Fixed	4.125%	\$ 364
October 20, 2019	\$300	Floating	Floating	300
October 20, 2019	\$1,200	Fixed	1.750%	1,200
Various ⁽¹⁾	\$43	Various	Various	43
Total repayment of matured debt				\$ 1,907

(1) Includes repayments of smaller long-term debt as it matured in several non-U.S. operations.

Note 7. Leases

The Company leases certain retail locations, distribution and fulfillment centers, warehouses, office spaces, land and equipment throughout the U.S. and internationally.

The Company's lease costs recognized in the Consolidated Statement of Income consist of the following:

<i>(Amounts in millions)</i>	Fiscal years ended January 31,	
	2021	2020
Operating lease cost ⁽¹⁾	\$ 2,626	\$ 2,670
Finance lease cost:		
Amortization of right-of-use assets	583	480
Interest on lease obligations	298	306
Variable lease cost	777	691

⁽¹⁾ Rentals (including amounts applicable to taxes, insurance, maintenance, other operating expenses and contingent rentals) under operating leases and other short-term rental arrangements were \$3.0 billion in fiscal 2019.

Other lease information is as follows:

	Fiscal years ended January 31,	
	2021	2020
<i>(Dollar amounts in millions)</i>		
Cash paid for amounts included in measurement of lease obligations:		
Operating cash flows from operating leases	\$ 2,629	\$ 2,614
Operating cash flows from finance leases	286	278
Financing cash flows from finance leases	546	485
Assets obtained in exchange for operating lease obligations	2,131	2,151
Assets obtained in exchange for finance lease obligations	1,547	1,081

	As of January 31,	
	2021	2020
Weighted-average remaining lease term - operating leases ⁽¹⁾	12.5 years	15.6 years
Weighted-average remaining lease term - finance leases ⁽¹⁾	13.7 years	14.4 years
Weighted-average discount rate - operating leases ⁽¹⁾	6.1%	5.4%
Weighted-average discount rate - finance leases ⁽¹⁾	6.8%	8.6%

⁽¹⁾ For fiscal 2021, weighted average remaining lease term and discount rate amounts exclude operations classified as held for sale.

The aggregate annual lease obligations at January 31, 2021, are as follows:

<i>(Amounts in millions)</i>		
Fiscal Year	Operating Leases	Finance Leases
2022	\$ 2,189	\$ 717
2023	2,017	613
2024	1,861	551
2025	1,697	496
2026	1,527	449
Thereafter	11,658	4,746
Total undiscounted lease obligations	20,949	7,572
Less imputed interest	(6,574)	(3,234)
Net lease obligations	\$ 14,375	\$ 4,338

Note 8. Fair Value Measurements

Assets and liabilities recorded at fair value are measured using the fair value hierarchy, which prioritizes the inputs used in measuring fair value. The levels of the fair value hierarchy are:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3: unobservable inputs for which little or no market data exists, therefore requiring the Company to develop its own assumptions.

The Company measures the fair value of equity investments on a recurring basis in the accompanying Consolidated Balance Sheets. The fair value of the Company's equity investments with readily determinable fair values are as follows:

<i>(Amounts in millions)</i>	Fair Value as of January 31, 2021	Fair Value as of January 31, 2020
Equity investments measured using Level 1 inputs	\$ 6,517	\$ 2,715
Equity investments measured using Level 2 inputs	7,905	2,723
Total	\$ 14,422	\$ 5,438

Derivatives

The Company also has derivatives recorded at fair value. Derivative fair values are the estimated amounts the Company would receive or pay upon termination of the related derivative agreements as of the reporting dates. The fair values have been measured using the income approach and Level 2 inputs, which include the relevant interest rate and foreign currency forward curves. As of January 31, 2021 and January 31, 2020, the notional amounts and fair values of these derivatives were as follows:

	January 31, 2021		January 31, 2020	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<i>(Amounts in millions)</i>				
Receive fixed-rate, pay variable-rate interest rate swaps designated as fair value hedges	\$ 3,250	\$ 166 ⁽¹⁾	\$ 4,000	\$ 97 ⁽¹⁾
Receive fixed-rate, pay fixed-rate cross-currency swaps designated as net investment hedges	1,250	311 ⁽¹⁾	3,750	455 ⁽¹⁾
Receive fixed-rate, pay fixed-rate cross-currency swaps designated as cash flow hedges	5,073	(394) ⁽³⁾	4,067	(696) ⁽²⁾
Total	\$ 9,573	\$ 83	\$ 11,817	\$ (144)

⁽¹⁾ Classified in other long-term assets within the Company's Consolidated Balance Sheets.

⁽²⁾ Classified in deferred income taxes and other within the Company's Consolidated Balance Sheets.

⁽³⁾ Approximately \$456 million of cash flow hedges were classified in deferred income taxes and other and \$62 million of cash flow were classified in other long-term assets in the Company's Consolidated Balance Sheets.

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company's assets and liabilities are also subject to nonrecurring fair value measurements. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges.

As further discussed in [Note 12](#), the Company's operations in Argentina, Japan and the U.K. met the held for sale criteria in fiscal 2021. As a result, the individual disposal groups were measured at fair value, less costs to sell, which is considered a Level 3 fair value measurement based on each transaction's expected consideration. The carrying value of the Argentina, Japan and U.K. disposal groups exceeded their fair value, less costs to sell, and as a result, the Company recognized non-recurring impairment charges. The aggregate pre-tax loss of \$8.3 billion associated with the divestiture of these operations in the Walmart International segment was recorded in other gains and losses in the Consolidated Statements of Income for the year ended January 31, 2021 and included these impairment charges as well as a \$2.3 billion charge related to the Asda pension plan. These impairment charges include the anticipated release of non-cash cumulative foreign currency translation losses associated with the disposal groups. Other impairment charges for assets measured at fair value on a nonrecurring basis during fiscal 2021 were immaterial.

For the fiscal year ended January 31, 2020, the Company recorded impairment charges related to assets measured at fair value on a non-recurring basis primarily related to the following:

- in the Walmart U.S. segment, \$0.5 billion in impairment charges for impaired assets consisting primarily of trade names and acquired developed software due to strategic decisions that resulted in the write-down of certain eCommerce assets; and
- in the Walmart International segment, \$0.4 billion in impairment charges consisting primarily of the write-off of the carrying value of one of Flipkart's two fashion trade names, Jabong.com, as a result of a strategic decision to focus on the Myntra.com fashion platform.

These impairment charges were classified in operating, selling, general and administrative expenses in the Company's Consolidated Statements of Income. Other impairment charges for assets measured at fair value on a nonrecurring basis during fiscal 2020 were immaterial.

For the fiscal year ended January 31, 2019, the Company sold the majority stake in Walmart Brazil during fiscal 2019 as discussed in [Note 12](#). The assets of the disposal group totaled \$3.3 billion and were comprised of \$1.0 billion in current assets, \$1.6 billion in property and equipment and property under capital lease and financing obligations, net, and \$0.7 billion of other long-term assets. When measured as held for sale, these assets were fully impaired as the carrying value of the disposal group exceeded the fair value, less costs to sell and contributed to a pre-tax net loss of \$4.8 billion in the Walmart International segment, which was recorded in other gains and losses in the Company's

Consolidated Statement of Income. Other impairment charges to assets measured at fair value on a nonrecurring basis during fiscal 2019 were immaterial.

Other Fair Value Disclosures

The Company records cash and cash equivalents, restricted cash and short-term borrowings at cost. The carrying values of these instruments approximate their fair value due to their short-term maturities.

The Company's long-term debt is also recorded at cost. The fair value is estimated using Level 2 inputs based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. The carrying value and fair value of the Company's long-term debt as of January 31, 2021 and 2020, are as follows:

(Amounts in millions)	January 31, 2021		January 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including amounts due within one year	\$ 44,309	\$ 54,240	\$ 49,076	\$ 57,769

Note 9. Taxes

The components of income (loss) before income taxes are as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2021	2020	2019
U.S.	\$ 20,003	\$ 17,098	\$ 15,875
Non-U.S.	561	3,018	(4,415)
Total income before income taxes	\$ 20,564	\$ 20,116	\$ 11,460

A summary of the provision for income taxes is as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2021	2020	2019
Current:			
U.S. federal	\$ 2,991	\$ 2,794	\$ 2,763
U.S. state and local	742	587	493
International	1,127	1,205	1,495
Total current tax provision	4,860	4,586	4,751
Deferred:			
U.S. federal	2,316	663	(361)
U.S. state and local	23	35	(16)
International	(341)	(369)	(93)
Total deferred tax expense (benefit)	1,998	329	(470)
Total provision for income taxes	\$ 6,858	\$ 4,915	\$ 4,281

In December 2017, the Tax Act was enacted and significantly changed U.S. income tax law. Beginning January 2018, the Tax Act reduced the U.S. statutory tax rate and created new taxes focused on foreign-sourced earnings and related-party payments, including the creation of the base erosion anti-abuse tax and a new tax on global intangible low-taxed income ("GILTI"). In addition, the Company was subject to a one-time transition tax in fiscal 2018 on accumulated foreign subsidiary earnings not previously subject to U.S. income tax.

The SEC staff issued Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act* ("SAB 118"), which allowed companies to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, the Company made reasonable estimates of the effects and recorded provisional amounts in its financial statements as of January 31, 2018, in accordance with SAB 118. The Company elected to apply the measurement period provisions of this guidance to certain income tax effects of the Tax Act when it became effective. The provisional measurement period ended in the fourth quarter of fiscal 2019. Management completed the Company's accounting for tax reform in fiscal 2019 based on prevailing regulations and currently available information, and any additional guidance issued by the IRS could impact the aforementioned amounts in future periods. In fiscal 2019, the Company recorded \$442 million of additional tax expense related to the Tax Act, included as a component of provision for income taxes.

One-time Transition Tax

The Tax Act required the Company to pay U.S. income taxes on accumulated foreign subsidiary earnings not previously subject to U.S. income tax at a rate of 15.5% to the extent of foreign cash and certain other net current assets, as defined by the Tax Act, and 8.0% on the remaining earnings. The Company calculated the transition tax liability and increased the provisional amount by \$413 million, with the increase included as a component of provision for income taxes in fiscal 2019.

Effective Income Tax Rate Reconciliation

A reconciliation of the significant differences between the U.S. statutory tax rate and the effective income tax rate on pre-tax income from continuing operations is as follows:

	Fiscal Years Ended January 31,		
	2021	2020	2019
U.S. statutory tax rate	21.0 %	21.0 %	21.0 %
U.S. state income taxes, net of federal income tax benefit	2.9 %	2.2 %	3.0 %
Impact of the Tax Act:			
One-time transition tax	— %	— %	3.6 %
Deferred tax effects	— %	— %	(0.7) %
Income taxed outside the U.S.	(0.1) %	(1.0) %	(3.4) %
Disposal and wind-down of certain business operations	7.1 %	— %	6.7 %
Valuation allowance	2.3 %	2.3 %	6.3 %
Net impact of repatriated international earnings	(0.4) %	0.4 %	0.8 %
Federal tax credits	(0.9) %	(0.8) %	(1.3) %
Enacted change in tax laws	— %	(1.9) %	— %
Change in reserve for tax contingencies	0.8 %	2.5 %	0.6 %
Other, net	0.6 %	(0.3) %	0.8 %
Effective income tax rate	33.3 %	24.4 %	37.4 %

The following sections regarding deferred taxes, unremitted earnings, net operating losses, tax credit carryforwards, valuation allowances and uncertain tax positions exclude amounts related to operations classified as held for sale as of January 31, 2021.

Deferred Taxes

The significant components of the Company's deferred tax account balances are as follows:

(Amounts in millions)	January 31,	
	2021	2020
Deferred tax assets:		
Loss and tax credit carryforwards	\$ 9,179	\$ 9,056
Accrued liabilities	2,582	2,483
Share-based compensation	224	250
Lease obligations	4,450	4,098
Other	589	887
Total deferred tax assets	17,024	16,774
Valuation allowances	(8,782)	(8,588)
Deferred tax assets, net of valuation allowances	8,242	8,186
Deferred tax liabilities:		
Property and equipment	4,802	4,364
Acquired intangibles	1,071	1,153
Inventory	1,235	1,414
Lease right of use assets	4,390	3,998
Mark-to-market investments	2,678	723
Other	675	824
Total deferred tax liabilities	14,851	12,476
Net deferred tax liabilities	\$ 6,609	\$ 4,290

The deferred taxes noted above are classified as follows in the Company's Consolidated Balance Sheets:

<i>(Amounts in millions)</i>	January 31,	
	2021	2020
Balance Sheet classification		
Assets:		
Other long-term assets	\$ 1,836	\$ 1,914
Liabilities:		
Deferred income taxes and other	8,445	6,204
Net deferred tax liabilities	<u>\$ 6,609</u>	<u>\$ 4,290</u>

Unremitted Earnings

Prior to the Tax Act, the Company asserted that all unremitted earnings of its foreign subsidiaries were considered indefinitely reinvested. As a result of the Tax Act, the Company reported and paid U.S. tax on the majority of its previously unremitted foreign earnings, and repatriations of foreign earnings will generally be free of U.S. federal tax, but may incur other taxes such as withholding or state taxes. As of January 31, 2021, the Company has not recorded approximately \$2 billion of deferred tax liabilities associated with remaining unremitted foreign earnings considered indefinitely reinvested, for which U.S. and foreign income and withholding taxes would be due upon repatriation.

Net Operating Losses, Tax Credit Carryforwards and Valuation Allowances

As of January 31, 2021, the Company's net operating loss and capital loss carryforwards totaled approximately \$38.4 billion. Of these carryforwards, approximately \$26.4 billion will expire, if not utilized, in various years through 2041. The remaining carryforwards have no expiration.

The recoverability of these future tax deductions and credits is evaluated by assessing the adequacy of future expected taxable income from all sources, including taxable income in prior carryback years, reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. To the extent the Company does not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is generally established. To the extent that a valuation allowance was established and it is subsequently determined that it is more likely than not that the deferred tax assets will be recovered, the change in the valuation allowance is recognized in the Consolidated Statements of Income.

The Company had valuation allowances of \$8.8 billion and \$8.6 billion as of January 31, 2021 and 2020, respectively, on deferred tax assets associated primarily with the net operating loss carryforwards. Activity in the valuation allowance during fiscal 2021 related to valuation allowance builds in multiple markets, as well as releases due to the expiration of underlying deferred tax assets.

Uncertain Tax Positions

The benefits of uncertain tax positions are recorded in the Company's Consolidated Financial Statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities.

As of January 31, 2021 and 2020, the amount of gross unrecognized tax benefits related to continuing operations was \$3.1 billion and \$1.8 billion, respectively. The amount of unrecognized tax benefits that would affect the Company's effective income tax rate was \$1.7 billion and \$1.6 billion as of January 31, 2021 and 2020, respectively.

A reconciliation of gross unrecognized tax benefits from continuing operations is as follows:

	Fiscal Years Ended January 31,		
	2021	2020	2019
(Amounts in millions)			
Gross unrecognized tax benefits, beginning of year	\$ 1,817	\$ 1,305	\$ 1,010
Increases related to prior year tax positions	92	516	620
Decreases related to prior year tax positions	(264)	(15)	(107)
Increases related to current year tax positions	1,582	66	203
Settlements during the period	(64)	(29)	(390)
Lapse in statutes of limitations	(28)	(26)	(31)
Gross unrecognized tax benefits, end of year	<u>\$ 3,135</u>	<u>\$ 1,817</u>	<u>\$ 1,305</u>

The Company classifies interest and penalties related to uncertain tax benefits as interest expense and as operating, selling, general and administrative expenses, respectively. Interest expense and penalties related to these positions were immaterial for fiscal 2021, 2020 and 2019. During the next twelve months, it is reasonably possible that tax audit resolutions could reduce unrecognized tax benefits by an immaterial amount, either because the tax positions are sustained on audit or because the Company agrees to their disallowance. The Company is focused on resolving tax audits as expeditiously as possible. As a result of these efforts, unrecognized tax benefits could potentially be reduced beyond the provided range during the next twelve months. The Company does not expect any change to have a material impact to its Consolidated Financial Statements.

The Company remains subject to income tax examinations for its U.S. federal income taxes generally for fiscal 2014, and 2018 through 2021. The Company also remains subject to income tax examinations for international income taxes for fiscal 2013 through 2021, and for U.S. state and local income taxes generally for the fiscal years ended 2013 through 2021. With few exceptions, the Company is no longer subject to U.S. federal, state, local, or foreign examinations by tax authorities for years before fiscal 2012.

Other Taxes

The Company is subject to tax examinations for value added, sales-based, payroll and other non-income taxes. A number of these examinations are ongoing in various jurisdictions. In certain cases, the Company has received assessments from the respective taxing authorities in connection with these examinations. Unless otherwise indicated, the possible losses or range of possible losses associated with these matters are individually immaterial, but a group of related matters, if decided adversely to the Company, could result in a liability material to the Company's Consolidated Financial Statements.

Note 10. Contingencies

Legal Proceedings

The Company is involved in a number of legal proceedings. The Company has made accruals with respect to these matters, where appropriate, which are reflected in the Company's Consolidated Financial Statements. For some matters, a liability is not probable or the amount cannot be reasonably estimated and therefore an accrual has not been made. However, where a liability is reasonably possible and may be material, such matters have been disclosed. The Company may enter into discussions regarding settlement of these matters, and may enter into settlement agreements, if it believes settlement is in the best interest of the Company and its shareholders.

Unless stated otherwise, the matters discussed below, if decided adversely to or settled by the Company, individually or in the aggregate, may result in a liability material to the Company's financial position, results of operations or cash flows.

Asda Equal Value Claims

Asda, a wholly-owned subsidiary of the Company which was sold in February 2021, is a defendant in over 40,000 "equal value" claims that began in 2008 and are proceeding before an Employment Tribunal in Manchester (the "Employment Tribunal") in the United Kingdom ("U.K.") on behalf of current and former Asda store employees, and further claims may be asserted in the future. The claimants allege that the work performed by employees in Asda's retail stores is of equal value in terms of, among other things, the demands of their jobs compared to that of employees working in Asda's warehouse and distribution facilities, and that the difference in pay between these job positions disparately impacts women because more women work in retail stores while more men work in warehouses and distribution facilities, and that the pay difference is not objectively justified. The claimants are requesting differential back pay based on higher wage rates in the warehouse and distribution facilities and higher wage rates on a prospective basis.

In October 2016, following a preliminary hearing, the Employment Tribunal ruled that claimants could compare their positions in Asda's retail stores with those of employees in Asda's warehouse and distribution facilities. Asda appealed the ruling and is awaiting a decision from the Supreme Court of the U.K. Notwithstanding the appeal, claimants are now proceeding in the next phase of their claims. That phase will determine whether the work performed by the claimants is of equal value to the work performed by employees in Asda's warehouse and distribution facilities.

The Company cannot predict the number of such claims that may be filed, and cannot reasonably estimate any loss or range of loss that may arise from these proceedings. Accordingly, the Company can provide no assurance as to the scope and outcomes of these matters and no assurance as to whether its business, financial position, results of operations or cash flows will not be materially adversely affected. The Company believes it has substantial factual and legal defenses to these claims, and intends to defend the claims vigorously. Following the sale of Asda described in [Note 12](#), the Company will continue to conduct the defense of these claims. While potential liability for these claims remains with Asda, the Company has agreed to provide indemnification with respect to these claims up to a contractually determined amount.

Opioids Litigation

In December 2017, the United States Judicial Panel on Multidistrict Litigation consolidated numerous lawsuits filed against a wide array of defendants by various plaintiffs, including counties, cities, healthcare providers, Native American tribes, individuals, and third-party payers, asserting claims generally concerning the impacts of widespread opioid abuse. The consolidated multidistrict litigation is entitled *In re National Prescription Opiate Litigation (MDL No. 2804)*, and is pending in the U.S. District Court for the Northern District of Ohio. The Company is named as a defendant in some of the cases included in this multidistrict litigation. Similar cases that name the Company have also been filed in state courts by state, local and tribal governments, health care providers and other plaintiffs. Plaintiffs are seeking compensatory and punitive damages, as well as injunctive relief including abatement. The

Company cannot predict the number of such claims that may be filed, but believes it has substantial factual and legal defenses to these claims, and intends to defend the claims vigorously. The Company has also been responding to subpoenas, information requests and investigations from governmental entities related to nationwide controlled substance dispensing and distribution practices involving opioids. On October 22, 2020, the Company filed a declaratory judgment action in the U.S. District Court for the Eastern District of Texas against the U.S. Department of Justice (the “DOJ”) and the U.S. Drug Enforcement Administration, asking a federal court to clarify the roles and responsibilities of pharmacists and pharmacies as to the dispensing and distribution of opioids under the Controlled Substances Act (the “CSA”). The Company’s action was dismissed and the Company is appealing the decision. On December 22, 2020, the DOJ filed a civil complaint in the U.S. District Court for the District of Delaware alleging that the Company unlawfully dispensed controlled

substances from its pharmacies and unlawfully distributed controlled substances to those pharmacies. The complaint alleges that this conduct resulted in violations of the CSA. The DOJ is seeking civil penalties and injunctive relief. The Company filed a motion to dismiss the DOJ complaint on February 22, 2021. In addition, the Company is the subject of two securities class actions alleging violations of the federal securities laws regarding the Company's disclosures with respect to opioids, filed in the U.S. District Court for the District of Delaware on January 20, 2021 and March 5, 2021 purportedly on behalf of a class of investors who acquired Walmart stock from March 30, 2016 through December 22, 2020. A derivative action was also filed by one of the Company's shareholders in the U.S. District Court for the District of Delaware on February 9, 2021 alleging breach of fiduciary duties against certain of its current and former directors with respect to oversight of the Company's distribution and dispensing of opioids.

The Company cannot reasonably estimate any loss or range of loss that may arise from the various Opioids Litigation and intends to vigorously defend these litigation matters. Accordingly, the Company can provide no assurance as to the scope and outcome of these matters and no assurance as to whether its business, financial position, results of operations or cash flows will not be materially adversely affected.

Note 11. Retirement-Related Benefits

The Company offers a 401(k) plan for associates in the U.S. under which eligible associates can begin contributing to the plan immediately upon hire. The Company also offers a 401(k) type plan for associates in Puerto Rico under which associates can begin to contribute generally after one year of employment. Under these plans, after one year of employment, the Company matches 100% of participant contributions up to 6% of annual eligible earnings. The matching contributions immediately vest at 100% for each associate. Participants can contribute up to 50% of their pre-tax earnings, but not more than the statutory limits.

Associates in international countries who are not U.S. citizens are covered by various defined contribution post-employment benefit arrangements. These plans are administered based upon the legislative and tax requirements in the countries in which they are established.

The following table summarizes the contribution expense related to the Company's defined contribution plans for fiscal 2021, 2020 and 2019:

	Fiscal Years Ended January 31,		
	2021	2020	2019
<i>(Amounts in millions)</i>			
Defined contribution plans:			
U.S.	\$ 1,290	\$ 1,184	\$ 1,165
International	200	177	126
Total contribution expense for defined contribution plans	\$ 1,490	\$ 1,361	\$ 1,291

Additionally, the Company's subsidiary in the United Kingdom has a sponsored defined benefit pension plan. In October 2019, Asda, Walmart and the Trustee of the Asda Group Pension Scheme (the "Plan") entered into an agreement pursuant to which Asda made a cash contribution of \$1.0 billion to the Plan (the "Asda Pension Contribution") which enabled the Plan to purchase a bulk annuity insurance contract for the benefit of Plan participants. The agreement between Asda, Walmart and the Trustee of the Plan contemplates that subsequent to the purchase of the bulk annuity insurance contract by the Plan, each of the Plan participants will be issued an individual annuity contract. The issuer of the individual annuity insurance contracts will be solely responsible for paying each participant's benefits in full and will release the Plan and Asda from any future obligations. In connection with the sale of Asda, all accumulated pension components of \$2.3 billion were included in the disposal group and the estimated pre-tax loss recognized during the fourth quarter of fiscal 2021 as discussed in [Note 8](#) and [Note 12](#).

Note 12. Disposals, Acquisitions and Related Items

The following disposals and acquisitions impact the Company's Walmart International segment.

Walmart Argentina

In November 2020, the Company completed the sale of Walmart Argentina. As a result, the Company recorded a pre-tax loss of \$1.0 billion in the third quarter of fiscal 2021 in other gains and losses in its Consolidated Statement of Income primarily due to the impact of cumulative translation losses on the carrying value of the disposal group.

Asda

In October 2020, the Company agreed to sell Asda, the Company's retail operations in the U.K., for net consideration of \$9.4 billion, which was classified as held for sale in the Consolidated Balance Sheet as of January 31, 2021. Under the terms of the agreement, the Company agreed to indemnify the buyer for certain legal and tax matters and will retain an investment in Asda that will be accounted for as a debt security. As a result, the Company recognized an estimated pre-tax loss of \$5.5 billion in other gains and losses in its Consolidated Statement of Income in the fourth quarter of fiscal 2021. In calculating the loss, the fair value of the disposal group was reduced by approximately \$0.8 billion related to the estimated fair value of certain indemnities and other transaction related costs. The Company completed the sale in February 2021, and will deconsolidate the financial statements of Asda in the first quarter of fiscal 2022 and begin recognizing immaterial interest income related to its debt security.

In October 2019, Asda, Walmart, and the Trustee of the Plan entered into an agreement which provides for the issuance of individual annuity contracts to each Plan participant and will release the Plan and Asda from any future obligations. Upon classifying the Asda disposal group as held for sale, \$2.3 billion of accumulated pension components associated with the expected derecognition of the Asda pension plan were included as part of the loss mentioned above, which will be reclassified from accumulated other comprehensive loss upon completion of the sale in February 2021.

Seiyu

In November 2020, the Company agreed to sell Seiyu, the Company's retail operations in Japan, for net consideration of \$1.2 billion, which was classified as held for sale in the Consolidated Balance Sheet as of January 31, 2021. As a result, the Company recognized an estimated pre-tax loss of \$1.9 billion in other gains and losses in its Consolidated Statement of Income in the fourth quarter of fiscal 2021. The sale was completed in March 2021 and the Company will deconsolidate the financial statements of Seiyu in the first quarter of fiscal 2022 and account for its retained 15 percent ownership interest as an equity investment.

Assets and liabilities held for sale associated with the Asda and Seiyu disposal groups as of January 31, 2021 were as follows:

	January 31, 2021
(Amounts in millions)	
Cash and cash equivalents	\$ 1,848
Other current assets ⁽¹⁾	2,545
Property and equipment, net	13,193
Operating lease right-of-use assets	4,360
Finance lease right-of-use assets, net	1,395
Goodwill	2,211
Other long-term assets	1,063
Valuation allowance against assets held for sale ⁽²⁾	(7,420)
Total assets held for sale	\$ 19,195
Current liabilities ⁽³⁾	6,535
Operating lease obligations, including amounts due within one year	4,245
Finance lease obligations, including amounts due within one year	1,495
Deferred income taxes and other	459
Total liabilities held for sale	\$ 12,734

- ⁽¹⁾ Includes inventories, receivables, net and prepaid expenses and other.
- ⁽²⁾ Includes the \$2.3 billion loss associated with the derecognition of the Asda pension plan and \$1.3 billion cumulative foreign currency and related net investment hedge and other impacts included within the disposal groups, which will be reclassified from accumulated other comprehensive loss upon closure of each transaction.
- ⁽³⁾ Includes accounts payable and accrued liabilities.

Walmart Brazil

In August 2018, the Company sold an 80 percent stake of Walmart Brazil to Advent International ("Advent"). Under the terms of the sale, Advent agreed to contribute additional capital to the business over a three-year period and Walmart agreed to indemnify Advent for certain matters.

As a result, the Company recorded a pre-tax net loss of \$4.8 billion during fiscal 2019 in other gains and losses in the Company's Consolidated Statement of Income. Substantially all of this charge was recorded during the second quarter of fiscal 2019 upon meeting the held for sale criteria. In calculating the loss, the fair value of the disposal group was reduced by \$0.8 billion related to an indemnity, for which a liability was recognized upon closing and is recorded in deferred income taxes and other in the Company's Consolidated Balance Sheets. Under the indemnity, the Company will indemnify Advent for certain pre-closing tax and legal contingencies and other matters for up to R\$2.3 billion, adjusted for interest based on the Brazilian interbank deposit rate.

The Company deconsolidated the financial statements of Walmart Brazil during the third quarter of fiscal 2019 and began accounting for its remaining 20 percent ownership interest using the equity method of accounting. This equity method investment was determined to have no fair value and continues to have no carrying value.

Flipkart

In August 2018, the Company acquired 81 percent of the outstanding shares, or 77 percent of the diluted shares, of Flipkart, an eCommerce marketplace in India, for cash consideration of approximately \$16 billion. The acquisition increases the Company's investment in India, a large, growing economy. In the second quarter of fiscal 2020, the Company finalized the valuation of assets acquired and liabilities assumed for the Flipkart acquisition as follows:

- Assets of \$24.1 billion, which comprise primarily of \$2.2 billion in cash and cash equivalents, \$2.8 billion in other current assets, \$5.0 billion in intangible assets and \$13.5 billion in goodwill. Of the intangible assets, \$4.7 billion represents the fair value of trade names, each with an indefinite life, which were estimated using the income approach based on Level 3 unobservable inputs. The remaining \$0.3 billion of intangible assets primarily relate to acquired technology with a life of 3 years. The goodwill arising from the acquisition consists largely of anticipated synergies and economies of scale primarily related to procurement and logistics and is not expected to be deductible for tax purposes;
- Liabilities of \$3.7 billion, which comprise primarily of \$1.8 billion of current liabilities and \$1.7 billion of deferred income taxes; and
- Noncontrolling interest of \$4.3 billion, for which the fair value was estimated using the income approach based on Level 3 unobservable inputs.

The Company began consolidating the financial statements of Flipkart in the third quarter of fiscal 2019, using a one-month lag. To finance the acquisition, the Company used a combination of cash provided by long-term debt as discussed in [Note 6](#) and cash on hand. The Flipkart results of operations since acquisition and the pro forma financial information are immaterial.

Note 13. Segments and Disaggregated Revenue

Segments

The Company is engaged in the operation of retail, wholesale and other units, as well as eCommerce websites, located throughout the U.S., Africa, Canada, Central America, Chile, China, India and Mexico. The Company also engaged in operations in Japan and the United Kingdom, both of which were classified as held for sale as of January 31, 2021, and subsequently sold in February 2021 and March 2021, respectively. The Company also operated in Argentina prior to the sale of Walmart Argentina in November 2020 and in Brazil prior to sale of the majority stake of Walmart Brazil in fiscal 2019. Refer to [Note 12](#) for discussion of recent divestitures. The Company's operations are conducted in three reportable segments: Walmart U.S., Walmart International and Sam's Club. The Company defines its segments as those operations whose results the chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources. The Company sells similar individual products and services in each of its segments. It is impracticable to segregate and identify revenues for each of these individual products and services.

The Walmart U.S. segment includes the Company's mass merchant concept in the U.S., as well as eCommerce and omni-channel initiatives. The Walmart International segment consists of the Company's operations outside of the U.S., as well as eCommerce and omni-channel initiatives. The Sam's Club segment includes the warehouse

membership clubs in the U.S., as well as eCommerce and omni-channel initiatives. Corporate and support consists of corporate overhead and other items not allocated to any of the Company's segments.

The Company measures the results of its segments using, among other measures, each segment's net sales and operating income, which includes certain corporate overhead allocations. From time to time, the Company revises the measurement of each segment's operating income, including any corporate overhead allocations, as determined by the information regularly

reviewed by its CODM. Beginning with the first quarter in fiscal 2021, the Company revised its definition of eCommerce net sales to include certain pharmacy transactions, and accordingly, revised prior period amounts to maintain comparability. Information for the Company's segments, as well as for Corporate and support, including the reconciliation to income before income taxes, is provided in the following table:

<i>(Amounts in millions)</i>	Walmart U.S.	Walmart International	Sam's Club	Corporate and support	Consolidated
Fiscal Year Ended January 31, 2021					
Net sales	\$ 369,963	\$ 121,360	\$ 63,910	\$ —	\$ 555,233
Operating income (loss)	19,116	3,660	1,906	(2,134)	22,548
Interest, net					(2,194)
Other gains and (losses)					210
Income before income taxes					\$ 20,564
Total assets	\$ 113,490	\$ 109,445	\$ 13,415	\$ 16,146	\$ 252,496
Depreciation and amortization	6,561	2,633	599	1,359	11,152
Capital expenditures	6,131	2,436	488	1,209	10,264
Fiscal Year Ended January 31, 2020					
Net sales	\$ 341,004	\$ 120,130	\$ 58,792	\$ —	\$ 519,926
Operating income (loss)	17,380	3,370	1,642	(1,824)	20,568
Interest, net					(2,410)
Other gains and (losses)					1,958
Income before income taxes					\$ 20,116
Total assets	\$ 110,353	\$ 105,811	\$ 13,494	\$ 6,837	\$ 236,495
Depreciation and amortization	6,408	2,682	605	1,292	10,987
Capital expenditures	6,315	2,801	525	1,064	10,705
Fiscal Year Ended January 31, 2019					
Net sales	\$ 331,666	\$ 120,824	\$ 57,839	\$ —	\$ 510,329
Operating income (loss)	17,386	4,883	1,520	(1,832)	21,957
Interest, net					(2,129)
Loss on extinguishment of debt					(8,368)
Income before income taxes					\$ 11,460
Total assets	\$ 105,114	\$ 97,066	\$ 12,893	\$ 4,222	\$ 219,295
Depreciation and amortization	6,201	2,590	639	1,248	10,678
Capital expenditures	6,034	2,661	450	1,199	10,344

Total revenues, consisting of net sales and membership and other income, and long-lived assets, consisting primarily of property and equipment, net and lease right-of-use assets, aggregated by the Company's U.S. and non-U.S. operations for fiscal 2021, 2020 and 2019, are as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2021	2020	2019
Revenues			
U.S. operations	\$ 436,649	\$ 402,532	\$ 392,265
Non-U.S. operations	122,502	121,432	122,140
Total revenues	<u>\$ 559,151</u>	<u>\$ 523,964</u>	<u>\$ 514,405</u>
Long-lived assets			
U.S. operations	\$ 87,068	\$ 86,944	\$ 81,144
Non-U.S. operations	22,780	40,105	30,251
Total long-lived assets	<u>\$ 109,848</u>	<u>\$ 127,049</u>	<u>\$ 111,395</u>

No individual country outside of the U.S. had total revenues or long-lived assets that were material to the consolidated totals. Long-lived assets related to operations classified as held for sale are excluded from the table above. Additionally, the Company did not generate material revenues from any single customer.

Disaggregated Revenues

In the following tables, segment net sales are disaggregated by either merchandise category or market. In addition, net sales related to eCommerce are provided for each segment, which include omni-channel sales, where a customer initiates an order digitally and the order is fulfilled through a store or club.

(Amounts in millions)

Walmart U.S. net sales by merchandise category	Fiscal Years Ended January 31,	
	2021	2020
Grocery	\$ 208,413	\$ 192,428
General merchandise	119,406	108,687
Health and wellness	38,522	36,558
Other categories	3,622	3,331
Total	\$ 369,963	\$ 341,004

Of Walmart U.S.'s total net sales, approximately \$43.0 billion and \$24.1 billion related to eCommerce for fiscal 2021 and fiscal 2020, respectively.

(Amounts in millions)

Walmart International net sales by market	Fiscal Years Ended January 31,	
	2021	2020
Mexico and Central America	\$ 32,642	\$ 33,350
United Kingdom	29,234	29,243
Canada	19,991	18,420
China	11,430	10,671
Other	28,063	28,446
Total	\$ 121,360	\$ 120,130

Of Walmart International's total net sales, approximately \$16.6 billion and \$11.8 billion related to eCommerce for fiscal 2021 and fiscal 2020, respectively.

(Amounts in millions)

Sam's Club net sales by merchandise category	Fiscal Years Ended January 31,	
	2021	2020
Grocery and consumables	\$ 42,148	\$ 35,043
Fuel, tobacco and other categories	7,838	10,571
Home and apparel	7,092	6,744
Health and wellness	3,792	3,372
Technology, office and entertainment	3,040	3,062
Total	\$ 63,910	\$ 58,792

Of Sam's Club's total net sales, approximately \$5.3 billion and \$3.8 billion related to eCommerce for fiscal 2021 and fiscal 2020, respectively.

Note 14. Subsequent Event

Dividends Declared

The Board of Directors approved, effective February 18, 2021, the fiscal 2022 annual dividend of \$2.20 per share, an increase over the fiscal 2021 dividend of \$2.16 per share. For fiscal 2022, the annual dividend will be paid in four quarterly installments of \$0.55 per share, according to the following record and payable dates:

Record Date	Payable Date
March 19, 2021	April 5, 2021
May 7, 2021	June 1, 2021
August 13, 2021	September 7, 2021
December 10, 2021	January 3, 2022

ITEM 9.**CHANGES IN AND DISAGREEMENTS WITH
ACCOUNTANTS ON ACCOUNTING AND
FINANCIAL DISCLOSURE**

None.

ITEM 9A.**CONTROLS AND PROCEDURES****Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information, which is required to be timely disclosed, is accumulated and communicated to management in a timely fashion. In designing and evaluating such controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management is necessarily required to use judgment in evaluating controls and procedures. Also, we have investments in unconsolidated entities. Since we do not control or manage those entities, our controls and procedures with respect to those entities are substantially more limited than those we maintain with respect to our consolidated subsidiaries.

In the ordinary course of business, we review our internal control over financial reporting and make changes to our systems and processes to improve such controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, updating existing systems, automating manual processes, standardizing controls globally, migrating certain processes to our shared services organizations and increasing monitoring controls. These changes have not materially affected, and are not reasonably likely to materially affect, the Company's internal control over financial reporting. However, they allow us to continue to enhance our internal control over financial reporting and ensure that our internal control environment remains effective.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

Report on Internal Control Over Financial Reporting

Management has responsibility for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the Company's internal control over financial reporting as of January 31, 2021. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control-Integrated Framework (2013). Management concluded that based on its assessment, Walmart's internal control over financial reporting was effective as of January 31, 2021. The Company's internal control over financial reporting as of January 31, 2021, has been audited by Ernst & Young LLP as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting as of January 31, 2021, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B.**OTHER INFORMATION**

None.

PART III

ITEM 10.

DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Please see the information concerning our executive officers contained in "[Item 1. Business](#)" herein under the caption "Information About Our Executive Officers," which is included in accordance with the Instruction to Item 401 of the SEC's Regulation S-K.

Information required by this Item 10 with respect to the Company's directors and certain family relationships is incorporated by reference to such information under the caption "Proposal No. 1 – Election of Directors" included in our Proxy Statement relating to our 2021 Annual Meeting of Shareholders (our "Proxy Statement").

No material changes have been made to the procedures by which shareholders of the Company may recommend nominees to our Board of Directors since those procedures were disclosed in our proxy statement relating to our 2020 Annual Shareholders' Meeting as previously filed with the SEC.

The information regarding our Audit Committee, including our audit committee financial experts and our Reporting Protocols for Senior Financial Officers and our Code of Conduct applicable to all of our associates, including our Chief Executive Officer, Chief Financial Officer and our Controller, who is our principal accounting officer, required by this Item 10 is incorporated herein by reference to the information under the captions "Corporate Governance" and "Proposal No. 3: Ratification of Independent Accountants" included in our Proxy Statement. "[Item 1. Business](#)" above contains information relating to the availability of a copy of our Reporting Protocols for Senior Financial Officers and our Code of Conduct and the posting of amendments to and any waivers of the Reporting Protocols for Senior Financial Officers and our Code of Conduct on our website.

ITEM 11.

EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated herein by reference to the information under the captions "Corporate Governance – Director Compensation" and "Executive Compensation" included in our Proxy Statement.

ITEM 12.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is incorporated herein by reference to the information that appears under the caption "Stock Ownership" included in our Proxy Statement.

ITEM 13.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated herein by reference to the information under the caption "Corporate Governance – Board Processes and Practices" included in our Proxy Statement.

ITEM 14.

PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item 14 is incorporated herein by reference to the information under the caption "Proposal No. 3 – Ratification of Independent Accountants" included in our Proxy Statement.

PART IV

ITEM 15.

EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report are as follows:

1.

Financial Statements: See the Financial Statements in "[Item 8. Financial Statements and Supplementary Data.](#)"

2

Financial Statement Schedules:

Certain schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements, including the notes thereto.

3.

Exhibits:

See exhibits listed under part (b) below.

(b) The required exhibits are filed as part of this Form 10-K or are incorporated by reference herein.⁽¹⁾

- 3.1 [Restated Certificate of Incorporation of the Company dated February 1, 2018 is incorporated herein by reference to Exhibit 3.1 to the Report on Form 8-K filed by the Company on February 1, 2018](#)
- 3.2 [Amended and Restated Bylaws of the Company dated July 23, 2019 are incorporated herein by reference to Exhibit 3.1 to the Report on Form 8-K filed by the Company on July 26, 2019](#)
- 4.1 Indenture dated as of April 1, 1991, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, as successor trustee to The First National Bank of Chicago, Trustee, is incorporated herein by reference to Exhibit 4(a) to Registration Statement on Form S-3 (File Number 33-51344) ^(P)
- 4.2 First Supplemental Indenture dated as of September 9, 1992, to the Indenture dated as of April 1, 1991, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, as successor trustee to The First National Bank of Chicago, Trustee, is incorporated herein by reference to Exhibit 4(b) to Registration Statement on Form S-3 (File Number 33-51344) ^(P)
- 4.3 [Indenture dated as of December 11, 2002, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, is incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-3 \(File Number 333-101847\)](#)
- 4.4 [Indenture dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association is incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-3 \(File Number 333-126512\)](#)
- 4.5 [First Supplemental Indenture, dated December 1, 2006, between the Company and The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, National Association, as Trustee, under the Indenture, dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association, as Trustee, is incorporated herein by reference to Exhibit 4.6 to Post-Effective Amendment No. 1 to Registration Statement on Form S-3 \(File Number 333-130569\)](#)
- 4.6 [Second Supplemental Indenture, dated December 19, 2014, between the Company and The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, National Association, as Trustee, under the Indenture, dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association, as Trustee, is incorporated herein by reference to Exhibit 4.3 to Registration Statement on Form S-3 \(File Number 333-201074\)](#)
- 4.7 [Third Supplemental Indenture, dated June 26, 2018, between the Company and The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, National Association, as Trustee, under the Indenture, dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association, as Trustee, is incorporated herein by reference to Exhibit 4\(S\) to Current Report on Form 8-K filed on June 26, 2018.](#)
- 4.8 [Description of Registrant's Securities is incorporated herein by reference to Exhibit 4.8 to the Annual Report on Form 10-K filed on March 20, 2020](#)

- 10.1 [Walmart Inc. Officer Deferred Compensation Plan, as amended effective February 1, 2019 is incorporated by reference to Exhibit 10\(a\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2019, filed on March 30, 2019](#) ^(C)
- 10.2 [Walmart Inc. Management Incentive Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(b\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018](#) ^(C)
- 10.3 [Walmart Inc. 2016 Associate Stock Purchase Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(c\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018](#) ^(C)
- 10.4 [Walmart Inc. Stock Incentive Plan of 2015, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(d\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018](#) ^(C)
- 10.5 [Walmart Inc. Supplemental Executive Retirement Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(e\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018](#) ^(C)
- 10.6 [Walmart Inc. Director Compensation Deferral Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(f\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018](#) ^(C)
- 10.7 [Form of Post-Termination Agreement and Covenant Not to Compete with attached Schedule of Executive Officers who have executed a Post-Termination Agreement and Covenant Not to Compete is incorporated by reference to Exhibit 10\(p\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2011, filed on March 30, 2011](#) ^(C)

- 10.7(a) [Amended Schedule of Executive Officers who have executed a Post-Termination Agreement and Covenant Not to Compete in the form filed as Exhibit 10\(p\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2011 is incorporated herein by reference to Exhibit 10.7\(a\) to the Annual Report on Form 10-K filed on March 20, 2020](#)^(C)
- 10.8 [Form of Walmart Inc. Stock Incentive Plan of 2015 Restricted Stock Award, Notification of Award and Terms and Conditions of Award is incorporated herein by reference to Exhibit 10.8 to the Annual Report on Form 10-K filed on March 20, 2020](#)^(C)
- 10.9 [Form of Walmart Inc. Stock Incentive Plan of 2015 Global Share-Settled Performance-Based Restricted Stock Unit Notification and Terms and Conditions \(January 2020 annual award - all executive officers\) is incorporated herein by reference to Exhibit 10.9 to the Annual Report on Form 10-K filed on March 20, 2020](#)^(C)
- 10.10 [Share Settled Restricted Stock Unit Notification and Terms and Conditions Awarded to Marc Lore on September 19, 2016, is incorporated by reference to Exhibit 10\(a\) to the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended October 31, 2016, filed on December 1, 2016](#)^(C)
- 10.11 [Deferred Contingent Merger Consideration Agreement dated August 7, 2016, between the Company and Marc Lore is incorporated herein by reference to Exhibit 10\(v\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2017 filed on March 30, 2017](#)^(C)
- 10.12 [Amendment to Deferred Contingent Merger Consideration Agreement dated September 12, 2016, between the Company and Marc Lore is incorporated herein by reference to Exhibit 10\(w\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2017 filed on March 30, 2017](#)^(C)
- 10.13 [Non-Competition, Non-Solicitation and No-Hire Agreement between the Company and Marc Lore dated September 19, 2016 is incorporated herein by reference to Exhibit 10\(x\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2017 filed on March 30, 2017](#)^(C)
- 10.14 [Form of Walmart Inc. Restricted Stock Award Notification of Award and Terms and Conditions of Award \(Suresh Kumar\) dated July 9, 2019 is incorporated by reference to Exhibit 10.1 to the Quarterly Report of the Company for the fiscal quarter ended July 31, 2019 filed on September 6, 2019](#)^(C)

10.15	<u>Form of Share Settled Restricted Stock Unit Notification and Terms and Conditions Awarded to Suresh Kumar on July 9, 2019 is incorporated by reference to Exhibit 10.2 to the Quarterly Report of the Company for the fiscal quarter ended July 31, 2019 filed on September 6, 2019</u> ^(C)
10.16	<u>Post Termination Agreement and Covenant Not to Compete between the Company and Suresh Kumar dated June 6, 2019 is incorporated herein by reference to Exhibit 10.16 to the Annual Report on Form 10-K filed on March 20, 2020</u> ^(C)
10.17	<u>Separation Agreement between the Company and Gregory S. Foran dated December 3, 2019 is incorporated herein by reference to Exhibit 10.17 to the Annual Report on Form 10-K filed on March 20, 2020</u> ^(C)
10.18*	<u>Separation Agreement between the Company and Marc Lore dated January 26, 2021</u> ^(C)
10.19	<u>Share Issuance and Acquisition Agreement by and Between Flipkart Private Limited and Walmart Inc. dated as of May 9, 2018. is incorporated herein by reference to Exhibit 10.1. to the Quarterly Report of the Company for the fiscal quarter ended July 31, 2018 filed on September 6, 2018 (portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.)</u>
10.20	<u>Counterpart Form of Share Purchase Agreement by and Among Wal-Mart International Holdings, Inc. the shareholders of Flipkart Private Limited identified on Schedule I thereto, Fortis Advisors LLC and Walmart Inc. dated as of May 9, 2018 is incorporated herein by reference to Exhibit 10.2. to the Quarterly Report of the Company for the fiscal quarter ended July 31, 2018 filed on September 6, 2018 (Portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.)</u>
21*	<u>List of the Company's Significant Subsidiaries</u>
23*	<u>Consent of Independent Registered Public Accounting Firm</u>
31.1*	<u>Chief Executive Officer Section 302 Certification</u>
31.2*	<u>Chief Financial Officer Section 302 Certification</u>
32.1**	<u>Chief Executive Officer Section 906 Certification</u>
32.2**	<u>Chief Financial Officer Section 906 Certification</u>
99.1*	<u>State Court Opioids Litigation Case Citations and Currently Scheduled Trial Dates</u>
101.INS*	XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith as an Exhibit.

** Furnished herewith as an Exhibit.

(C) This Exhibit is a management contract or compensatory plan or arrangement

(P) This Exhibit was originally filed in paper format. Accordingly, a hyperlink has not been provided.

(I) Certain instruments defining the rights of holders of long-term debt securities of the Registrant are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Company hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.

(c) Financial Statement Schedules: None.

ITEM 16.

FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Walmart Inc.

Date: March 19, 2021

By /s/ C. Douglas McMillon

C. Douglas McMillon

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Date: March 19, 2021

By /s/ C. Douglas McMillon

C. Douglas McMillon

President and Chief Executive Officer and Director

(Principal Executive Officer)

Date: March 19, 2021

By /s/ Gregory B. Penner

Gregory B. Penner

Chairman of the Board and Director

Date: March 19, 2021

By /s/ M. Brett Biggs

M. Brett Biggs

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: March 19, 2021

By /s/ David M. Chojnowski

David M. Chojnowski

Senior Vice President and Controller

(Principal Accounting Officer)

Signature Page to Walmart Inc.
Form 10-K for the Fiscal Year Ended January 31, 2021

Date: March 19, 2021	By	/s/ Cesar Conde
		Cesar Conde
		Director
Date: March 19, 2021	By	/s/ Timothy P. Flynn
		Timothy P. Flynn
		Director
Date: March 19, 2021	By	/s/ Sarah Friar
		Sarah Friar
		Director
Date: March 19, 2021	By	/s/ Carla A. Harris
		Carla A. Harris
		Director
Date: March 19, 2021	By	/s/ Thomas W. Horton
		Thomas W. Horton
		Director
Date: March 19, 2021	By	/s/ Marissa A. Mayer
		Marissa A. Mayer
		Director
Date: March 19, 2021	By	/s/ Steven S Reinemund
		Steven S. Reinemund
		Director
Date:	By	
		Randall L. Stephenson
		Director
Date: March 19, 2021	By	/s/ S. Robson Walton
		S. Robson Walton
		Director
Date: March 19, 2021	By	/s/ Steuart L. Walton
		Steuart L. Walton
		Director

Signature Page to Walmart Inc.
Form 10-K for the Fiscal Year Ended January 31, 2021

☒ **Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended January 31, 2020, or

☐ **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number 001-6991.

walmartlogoa03.jpg

WALMART INC.

(Exact name of registrant as specified in its charter)

DE

(State or other jurisdiction of
incorporation or organization)

71-0415188

(IRS Employer Identification No.)

702 S.W. 8th Street

Bentonville, AR

(Address of principal executive offices)

72716

(Zip Code)

Registrant's telephone number, including area code: (479) 273-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	WMT	NYSE
1.900% Notes Due 2022	WMT22	NYSE
2.550% Notes Due 2026	WMT26	NYSE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of July 31, 2019, the aggregate market value of the voting common stock of the registrant held by non-affiliates of the registrant, based on the closing sale price of those shares on the New York Stock Exchange reported on July 31, 2019, was \$155,125,468,742. For the purposes of this disclosure only, the registrant has assumed that its directors, executive officers (as defined in Rule 3b-7 under the Exchange Act) and the beneficial owners of 5% or more of the registrant's outstanding common stock are the affiliates of the registrant.

The registrant had 2,832,277,220 shares of common stock outstanding as of March 18, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held June 3, 2020 (the "Proxy Statement")	Part III

Walmart Inc.
Form 10-K
For the Fiscal Year Ended January 31, 2020

Table of Contents

	Page
<u>Part I</u>	
<u>Item 1</u> <u>Business</u>	<u>7</u>
<u>Item 1A</u> <u>Risk Factors</u>	<u>14</u>
<u>Item 1B</u> <u>Unresolved Staff Comments</u>	<u>23</u>
<u>Item 2</u> <u>Properties</u>	<u>24</u>
<u>Item 3</u> <u>Legal Proceedings</u>	<u>26</u>
<u>Item 4</u> <u>Mine Safety Disclosures</u>	<u>27</u>
 <u>Part II</u>	
<u>Item 5</u> <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>28</u>
<u>Item 6</u> <u>Selected Financial Data</u>	<u>29</u>
<u>Item 7</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
<u>Item 7A</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>44</u>
<u>Item 8</u> <u>Financial Statements and Supplementary Data</u>	<u>46</u>
<u>Item 9</u> <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>78</u>
<u>Item 9A</u> <u>Controls and Procedures</u>	<u>78</u>
<u>Item 9B</u> <u>Other Information</u>	<u>78</u>
 <u>Part III</u>	
<u>Item 10</u> <u>Directors, Executive Officers and Corporate Governance</u>	<u>79</u>
<u>Item 11</u> <u>Executive Compensation</u>	<u>79</u>
<u>Item 12</u> <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>79</u>
<u>Item 13</u> <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>79</u>
<u>Item 14</u> <u>Principal Accounting Fees and Services</u>	<u>79</u>
 <u>Part IV</u>	
<u>Item 15</u> <u>Exhibits, Financial Statement Schedules</u>	<u>80</u>
<u>Item 16</u> <u>Form 10-K Summary</u>	<u>82</u>
<u>Signatures</u>	<u>83</u>

WALMART INC.

ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED JANUARY 31, 2020

All references in this Annual Report on Form 10-K, the information incorporated into this Annual Report on Form 10-K by reference to information in the Proxy Statement of Walmart Inc. for its Annual Shareholders' Meeting to be held on June 3, 2020 and in the exhibits to this Annual Report on Form 10-K to "Walmart Inc.," "Wal-Mart Stores, Inc.," "Walmart," "the Company," "our Company," "we," "us" and "our" are to the Delaware corporation named "Wal-Mart Stores, Inc." prior to February 1, 2018 and named "Walmart Inc." commencing on February 1, 2018 and, except where expressly noted otherwise or the context otherwise requires, that corporation's consolidated subsidiaries.

PART I

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K and other reports, statements, and information that Walmart Inc. (which individually or together with its subsidiaries, as the context otherwise requires, is referred to as "we," "Walmart" or the "Company") has filed with or furnished to the Securities and Exchange Commission ("SEC") or may file with or furnish to the SEC in the future, and prior or future public announcements and presentations that we or our management have made or may make, include or may include, or incorporate or may incorporate by reference, statements that may be deemed to be "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Act"), that are intended to enjoy the protection of the safe harbor for forward-looking statements provided by the Act.

Nature of Forward-Looking Statements

Such forward-looking statements are not statements of historical facts, but instead express our estimates or expectations for our consolidated, or one of our segment's, economic performance or results of operations for future periods or as of future dates or events or developments that may occur in the future or discuss our plans, objectives or goals. These forward-looking statements relate to:

- the growth of our business or change in our competitive position in the future or in or over particular periods;
- the amount, number, growth, increase, reduction or decrease in or over certain periods, of or in certain financial items or measures or operating measures, including our earnings per share, net sales, comparable store and club sales, our Walmart U.S. operating segment's eCommerce sales, liabilities, expenses of certain categories, expense leverage, returns, capital and operating investments or expenditures of particular types and new store openings;
- investments and capital expenditures we will make and how certain of those investments and capital expenditures are expected to be financed;
- our increasing investments in eCommerce, technology, supply chain, store remodels and other omni-channel customer initiatives, such as same day pickup and delivery;
- volatility in currency exchange rates and fuel prices affecting our or one of our segments' results of operations;
- the Company continuing to provide returns to shareholders through share repurchases and dividends, the use of share repurchase authorization over a certain period or the source of funding of a certain portion of our share repurchases;
- our sources of liquidity, including our cash, continuing to be adequate or sufficient to fund and finance our operations, expansion activities, dividends and share repurchases, to meet our cash needs and to fund our operations;
- the insignificance of ineffective hedges; and reclassification of amounts related to our derivatives;
- our effective tax rate for certain periods and the realization of certain net deferred tax assets and the effects of resolutions of tax-related matters;
-

the effect of adverse decisions in, or settlement of, litigation or other proceedings or investigations to which we are subject;

- the effect on the Company's results of operations or financial condition of the Company's adoption of certain new, or amendments to existing, accounting standards; or
- our commitments, intentions, plans or goals related to the sustainability of our environment and supply chains, the promotion of economic opportunity or other societal initiatives.

Our forward-looking statements may also include statements of our strategies, plans and objectives for our operations, including areas of future focus in our operations, and the assumptions underlying any of the forward-looking statements we make. The forward-looking statements we make can typically be identified by the use therein of words and phrases such as "aim," "anticipate," "believe," "could be," "could increase," "could occur," "could result," "continue," "estimate," "expansion," "expect," "expectation," "expected to be," "focus," "forecast," "goal," "grow," "guidance," "intend," "invest," "is expected," "may continue," "may fluctuate," "may grow," "may impact," "may result," "objective," "plan," "priority," "project," "strategy," "to be," "we'll," "we will," "will add," "will allow," "will be," "will benefit," "will change," "will come in at," "will continue," "will decrease," "will grow," "will have," "will impact," "will include," "will increase," "will open," "will remain," "will result,"

"will stay," "will strengthen," "would be," "would decrease" and "would increase," variations of such words or phrases, other phrases commencing with the word "will" or similar words and phrases denoting anticipated or expected occurrences or results.

Risks Factors and Uncertainties Affecting Our Business

Our business operations are subject to numerous risks, factors and uncertainties, domestically and internationally, outside of our control. One, or a combination, of these risks, factors and uncertainties could materially affect any of those matters as to which we have made forward-looking statements and cause our actual results or an actual event or occurrence to differ materially from those results or an event or occurrence described in a forward-looking statement. These risks, factors and uncertainties, which may be global in their effect or affect only some of the markets in which we operate and which may affect us on a consolidated basis or affect only some of our reportable segments, include, but are not limited to:

Economic Factors

- economic, geo-political, capital markets and business conditions, trends and events around the world and in the markets in which Walmart operates;
- currency exchange rate fluctuations;
- changes in market rates of interest;
- changes in market levels of wages;
- changes in the size of various markets, including eCommerce markets;
- unemployment levels;
- inflation or deflation, generally and in certain product categories;
- transportation, energy and utility costs;
- commodity prices, including the prices of oil and natural gas;
- consumer confidence, disposable income, credit availability, spending levels, shopping patterns, debt levels, and demand for certain merchandise;
- trends in consumer shopping habits around the world and in the markets in which Walmart operates;
- consumer enrollment in health and drug insurance programs and such programs' reimbursement rates and drug formularies; and
- initiatives of competitors, competitors' entry into and expansion in Walmart's markets, and competitive pressures;

Operating Factors

- the amount of Walmart's net sales and operating expenses denominated in U.S. dollar and various foreign currencies;
- the financial performance of Walmart and each of its segments, including the amounts of Walmart's cash flow during various periods;
- customer transaction and average ticket in Walmart's stores and clubs and on its eCommerce platforms;
- the mix of merchandise Walmart sells and its customers purchase;
- the availability of goods from suppliers and the cost of goods acquired from suppliers;
- the effectiveness of the implementation and operation of Walmart's strategies, plans, programs and initiatives;
- the impact of acquisitions, divestitures, store or club closures and other strategic decisions;
- Walmart's ability to successfully integrate acquired businesses, including within the eCommerce space;
- unexpected changes in Walmart's objectives and plans;

- the amount of shrinkage Walmart experiences;
- consumer acceptance of and response to Walmart's stores and clubs, eCommerce platforms, programs, merchandise offerings and delivery methods;
- Walmart's gross profit margins, including pharmacy margins and margins of other product categories;
- the selling prices of gasoline and diesel fuel;
- disruption of seasonal buying patterns in Walmart's markets;
- disruptions in Walmart's supply chain;
- cybersecurity events affecting Walmart and related costs and impact of any disruption in business;
- Walmart's labor costs, including healthcare and other benefit costs;
- Walmart's casualty and accident-related costs and insurance costs;
- the size of and turnover in Walmart's workforce and the number of associates at various pay levels within that workforce;
- the availability of necessary personnel to staff Walmart's stores, clubs and other facilities;
- delays in the opening of new, expanded, relocated or remodeled units;
- developments in, and the outcome of, legal and regulatory proceedings and investigations to which Walmart is a party or is subject, and the liabilities, obligations and expenses, if any, that Walmart may incur in connection therewith;
- changes in the credit ratings assigned to the Company's commercial paper and debt securities by credit rating agencies;
- Walmart's effective tax rate; and
- unanticipated changes in accounting judgments and estimates;

Regulatory and Other Factors

- changes in existing tax, labor and other laws and changes in tax rates, including the enactment of laws and the adoption and interpretation of administrative rules and regulations;
- the imposition of new taxes on imports and new tariffs and changes in existing tariff rates;
- the imposition of new trade restrictions and changes in existing trade restrictions;
- adoption or creation of new, and modification of existing, governmental policies, programs and initiatives in the markets in which Walmart operates and elsewhere and actions with respect to such policies, programs and initiatives;
- changes in currency control laws;
- changes in the level of public assistance payments;
- one or more prolonged federal government shutdowns;
- the timing and amount of federal income tax refunds;
- natural disasters, changes in climate, catastrophic events and global health epidemics or pandemics such as the recent coronavirus outbreak; and
- changes in generally accepted accounting principles in the United States.

We typically earn a disproportionate part of our annual operating income in the fourth quarter as a result of seasonal buying patterns, which patterns are difficult to forecast with certainty and can be affected by many factors.

Other Risk Factors; No Duty to Update

The above list of factors that may affect the estimates and expectations discussed in or implied or contemplated by forward-looking statements we make or are made on our behalf is not exclusive. We are subject to other risks discussed under "[Part I, Item 1A. Risk Factors](#)," and that we may discuss in Management's Discussions and Analysis of Financial Condition and Results of Operations under "Part II, Item 5," and in risks that may be discussed under "Part II, Item 1A. Risk Factors" and "Part I, Item 2. Management's Discussions and Analysis of Financial Condition and Results of Operations" appearing in our Quarterly Reports on Form 10-Q or may otherwise be disclosed in our Quarterly Reports on Form 10-Q and other reports filed with the SEC. Investors and other readers are urged to consider all of these risks, uncertainties and other factors carefully in evaluating our forward-looking statements.

The forward-looking statements that we make or that are made by others on our behalf are based on our knowledge of our business and our operating environment and assumptions that we believe to be or will believe to be reasonable when such forward-looking statements were or are made. As a consequence of the factors described above, the other risks, uncertainties and factors we disclose below and in the other reports as mentioned above, other risks not known to us at this time, changes in facts, assumptions not being realized or other circumstances, our actual results may differ materially from those discussed in or implied or contemplated by our forward-looking statements.

Consequently, this cautionary statement qualifies all forward-looking statements we make or that are made on our behalf, including those made herein and incorporated by reference herein. We cannot assure you that the results or developments expected or anticipated by us will be realized or, even if substantially realized, that those results or developments will result in the expected consequences for us or affect us, our business, our operations or our operating results in the manner or to the extent we expect. We caution readers not to place undue reliance on such forward-looking statements, which speak only as of their dates. We undertake no obligation to revise or update any of the forward-looking statements to reflect subsequent events or circumstances except to the extent required by applicable law.

ITEM 1. BUSINESS

General

Walmart Inc. ("Walmart," the "Company" or "we") helps people around the world save money and live better – anytime and anywhere – by providing the opportunity to shop in retail stores and through eCommerce. Through innovation, we strive to continuously improve a customer-centric experience that seamlessly integrates our eCommerce and retail stores in an omni-channel offering that saves time for our customers. Each week, we serve over 265 million customers who visit approximately 11,500 stores and numerous eCommerce websites under 56 banners in 27 countries.

Our strategy is to make every day easier for busy families, operate with discipline, sharpen our culture and become digital, and make trust a competitive advantage. Making life easier for busy families includes our commitment to price leadership, which has been and will remain a cornerstone of our business, as well as increasing convenience to save our customers time. By leading on price, we earn the trust of our customers every day by providing a broad assortment of quality merchandise and services at everyday low prices ("EDLP"). EDLP is our pricing philosophy under which we price items at a low price every day so our customers trust that our prices will not change under frequent promotional activity. Everyday low cost ("EDLC") is our commitment to control expenses so our cost savings can be passed along to our customers.

Our operations comprise three reportable segments: Walmart U.S., Walmart International and Sam's Club. Our fiscal year ends on January 31 for our United States ("U.S.") and Canadian operations. We consolidate all other operations generally using a one-month lag and on a calendar year basis. Our discussion is as of and for the fiscal years ended January 31, 2020 ("fiscal 2020"), January 31, 2019 ("fiscal 2019") and January 31, 2018 ("fiscal 2018"). During fiscal 2020, we generated total revenues of \$524.0 billion, which primarily comprised net sales of \$519.9 billion.

We maintain our principal offices at 702 S.W. 8th Street, Bentonville, Arkansas 72716, USA. Our common stock trades on the New York Stock Exchange under the symbol "WMT."

The Development of Our Company

Although Walmart was incorporated in Delaware in October 1969, the businesses conducted by our founders began in 1945 when Sam M. Walton opened a franchise Ben Franklin variety store in Newport, Arkansas. In 1946, his brother, James L. Walton, opened a similar store in Versailles, Missouri. Until 1962, our founders' business was devoted entirely to the operation of variety stores. In that year, the first Wal-Mart Discount City, which was a discount store, opened in Rogers, Arkansas. In 1983, we opened our first Sam's Club, and in 1988, we opened our first supercenter. In 1998, we opened our first Walmart Neighborhood Market. In 1991, we began our first international initiative when we entered into a joint venture in Mexico. Since then, our international presence has expanded and, as of January 31, 2020, our Walmart International segment conducted business in 26 countries.

In 2000, we began our first eCommerce initiative by creating walmart.com and then later that year, adding samsclub.com. Since then, our eCommerce presence has continued to grow. In 2007, leveraging our physical stores, walmart.com launched its Site to Store service, enabling customers to make a purchase online and pick up merchandise in stores. Since 2016, we have made several eCommerce acquisitions which have enabled us to leverage technology, talent and expertise, as well as incubate digitally-native brands and expand our assortment on walmart.com and in stores. In fiscal 2017, walmart.com launched free two-day shipping and we created Store N° 8, a technology incubator with a focus to drive eCommerce innovation. Then in fiscal 2019, we continued to enhance our eCommerce initiatives with the acquisition of a majority stake of Flipkart Private Limited ("Flipkart"), an Indian-based eCommerce marketplace, with an ecosystem that includes eCommerce platforms of Flipkart and Myntra as well as PhonePe, a digital transaction platform.

In fiscal 2020, we launched NextDay Delivery to more than 75 percent of the U.S. population, launched Delivery Unlimited from 1,600 locations in the U.S. and expanded Same Day Pickup to nearly 3,200 locations. Our eCommerce efforts and innovation have also led to omni-channel offerings in many of our markets including grocery pick up and/or delivery in nearly a dozen countries outside the U.S. To date, we now have more than 6,100 grocery pick up and delivery locations globally. We are enhancing our ecosystem with our omni-channel capabilities, stores, services, eCommerce sites, supply chain combined with our more than 2.2 million associates to better serve our customers. Together, we believe these elements produce a flywheel effect which creates customer relationships where customers view Walmart as their primary destination.

Information About Our Segments

We are engaged in global operations of retail, wholesale and other units, as well as eCommerce, located throughout the U.S., Africa, Argentina, Canada, Central America, Chile, China, India, Japan, Mexico and the United Kingdom. Our operations are conducted in three reportable segments: Walmart U.S., Walmart International and Sam's Club. We define our segments as those operations whose results the chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources. Each of our segments contributes to the Company's operating results differently. Each, however, has generally maintained a consistent contribution rate to the Company's net sales and operating income in recent years other than minor changes to the contribution rate for the Walmart International segment due to fluctuations in currency exchange rates. We sell similar individual products and services in each of our segments. It is impracticable to segregate and identify revenues for each of these individual products and services.

We measure the results of our segments using, among other measures, each segment's net sales and operating income, which includes certain corporate overhead allocations. From time to time, we revise the measurement of each segment's operating income, including any corporate overhead allocations, as determined by the information regularly reviewed by our CODM. When the measurement of a segment changes, previous period amounts and balances are reclassified to be comparable to the current period's presentation.

Walmart U.S. Segment

Walmart U.S. is our largest segment and operates in the U.S., including in all 50 states, Washington D.C. and Puerto Rico. Walmart U.S. is a mass merchandiser of consumer products, operating under the "Walmart" and "Walmart Neighborhood Market" brands, as well as walmart.com and other eCommerce brands. Walmart U.S. had net sales of \$341.0 billion for fiscal 2020, representing 66% of our fiscal 2020 consolidated net sales, and had net sales of \$331.7 billion and \$318.5 billion for fiscal 2019 and 2018, respectively. Of our three segments, Walmart U.S. has historically had the highest gross profit as a percentage of net sales ("gross profit rate"). In addition, Walmart U.S. has historically contributed the greatest amount to the Company's net sales and operating income.

Omni-channel. Walmart U.S. provides an omni-channel experience to customers, integrating retail stores and eCommerce, through services such as "Same Day Pickup," "Same Day Delivery," "Delivery Unlimited," "NextDay Delivery," and "Endless Aisle." As of January 31, 2020, we had nearly 3,200 grocery pickup locations and over 1,600 delivery locations. We have several eCommerce websites, the largest of which is walmart.com. We define eCommerce sales as sales initiated online through our websites or through a mobile app. eCommerce sales may be fulfilled by a number of methods including our dedicated eCommerce fulfillment centers or our stores. The following table provides the approximate size of our retail stores as of January 31, 2020:

	Minimum Square Feet	Maximum Square Feet	Average Square Feet
Supercenters (general merchandise and grocery)	69,000	260,000	178,000
Discount stores (general merchandise and limited grocery)	30,000	206,000	105,000
Neighborhood markets ⁽¹⁾ (grocery)	28,000	65,000	42,000

(1) Excludes other small formats.

Merchandise. Walmart U.S. does business in three strategic merchandise units, listed below:

- Grocery consists of a full line of grocery items, including meat, produce, natural & organics, deli & bakery, dairy, frozen foods, alcoholic and nonalcoholic beverages, floral and dry grocery, as well as consumables such as health and beauty aids, baby products, household chemicals, paper goods and pet supplies;
- Health and wellness includes pharmacy, optical services, clinical services, and over-the-counter drugs and other medical products;
- General merchandise includes:
 - Entertainment (e.g., electronics, cameras and supplies, photo processing services, wireless, movies, music, video games and books);
 - Hardlines (e.g., stationery, automotive, hardware and paint, sporting goods, outdoor living and horticulture);

- Apparel (e.g., apparel for women, girls, men, boys and infants, as well as shoes, jewelry and accessories); and
- Home/Seasonal (e.g., home furnishings, housewares and small appliances, bedding, home decor, toys, fabrics and crafts and seasonal merchandise).

Walmart U.S. recently launched Walmart Media Group, an in-house advertising offering, to work with brands to influence shoppers. Walmart U.S. also offers fuel and financial services and related products, including money orders, prepaid cards, money (wire) transfers, check cashing and bill payment. Combined, these offerings total less than 1% of annual net sales.

Brand name merchandise represents a significant portion of the merchandise sold in Walmart U.S. We also market lines of merchandise under our private-label brands, including brands such as: "Allswell," "Athletic Works," "Bonobos," "Equate," "EVL," "Everstart," "George," "Great Value," "Holiday Time," "Mainstays," "Marketside," "No Boundaries," "Onn," "Ozark Trail," "Parent's Choice," "Scoop," "SwissTech," "Time and Tru" and "Wonder Nation." The Company also markets lines of merchandise under licensed brands, some of which include: "Better Homes & Gardens," "Farberware" and "Russell."

Periodically, revisions are made to the categorization of the components comprising our strategic merchandise units. When revisions are made, the previous periods' presentation is adjusted to maintain comparability.

Operations. Many supercenters, discount stores and neighborhood markets are open 24 hours each day. A variety of payment methods are accepted. Consistent with its strategy, Walmart U.S. continues to develop technology tools that help better serve customers and be more efficient in stores, such as shelf-scanning robots, autonomous floor scrubbers, and automated unloading conveyor systems.

Seasonal Aspects of Operations. Walmart U.S.'s business is seasonal to a certain extent due to calendar events and national and religious holidays, as well as different weather patterns. Historically, its highest sales volume and segment operating income have occurred in the fiscal quarter ending January 31.

Competition. Walmart U.S. competes with omni-channel retailers operating discount, department, retail and wholesale grocers, drug, dollar, variety and specialty stores, supermarkets, hypermarkets and supercenter-type stores, as well as eCommerce retailers. Our ability to develop and operate units at the right locations and to deliver a customer-centric omni-channel experience largely determines our competitive position within the retail industry. We employ many programs designed to meet competitive pressures within our industry. These programs include the following:

- EDLP: our pricing philosophy under which we price items at everyday low prices so our customers trust that our prices will not change under frequent promotional activity;
- EDLC: everyday low cost is our commitment to control expenses so our cost savings can be passed along to our customers; and
- Omni-channel offerings such as Same Day Pickup and Same Day Delivery, where a customer places an order online and picks it up for free from a store or has it delivered; Delivery Unlimited, where a customer can receive unlimited grocery delivery for an annual fee; as well as free two-day shipping without an annual membership fee and free NextDay Delivery on an assortment of best-selling items.

Distribution. For fiscal 2020, approximately 79% of Walmart U.S.'s purchases of store merchandise were shipped through our 162 distribution facilities, which are located strategically throughout the U.S. The remaining store merchandise we purchased was shipped directly from suppliers. General merchandise and dry grocery merchandise is transported primarily through the segment's private truck fleet; however, we contract with common carriers to transport the majority of our perishable grocery merchandise. We ship merchandise purchased by customers on our eCommerce platforms by a number of methods from multiple locations including from our 40 dedicated eCommerce fulfillment centers which includes eight temporary fulfillment centers.

Walmart International Segment

Walmart International is our second largest segment and operates in 26 countries outside of the U.S. Walmart International operates through our wholly-owned subsidiaries in Argentina, Canada, Chile, China, India, Japan and the United Kingdom, and our majority-owned subsidiaries in Africa (which includes Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, South Africa, Swaziland, Tanzania, Uganda and Zambia), Central America (which includes Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua), India and Mexico. Walmart International previously operated in Brazil prior to the sale of the majority stake of Walmart Brazil in fiscal 2019, as discussed in [Note 12](#) to our Consolidated Financial Statements.

Walmart International includes numerous formats divided into three major categories: retail, wholesale and other. These categories consist of many formats, including: supercenters, supermarkets, hypermarkets, warehouse clubs (including Sam's Clubs) and cash & carry, as well as eCommerce through walmart.com.mx, asda.com, walmart.ca, flipkart.com and other sites. Walmart International had net sales of \$120.1 billion for fiscal 2020, representing 23% of our fiscal 2020 consolidated net sales, and had net sales of \$120.8 billion and \$118.1 billion for fiscal 2019 and 2018, respectively. The segment's net sales were negatively impacted by currency exchange rate fluctuations for all years presented. The gross profit rate is lower than that of Walmart U.S. primarily because of its merchandise mix.

Walmart International's strategy is to create strong local businesses powered by Walmart which means being locally relevant and customer-focused in each of the markets it operates. We are being deliberate about where and how we choose to operate and continue to re-shape the portfolio to best enable long-term, sustainable and profitable growth. As such, we have taken certain strategic actions to strengthen our Walmart International portfolio for the long-term, including:

- Acquisition of a majority stake of Flipkart in August 2018.
- Divestiture of 80 percent of Walmart Brazil to Advent International ("Advent") in August 2018.
- Divestiture of the Walmart Chile banking operations in December 2018 and the divestiture of the Walmart Canada banking operations in April 2019.

Omni-channel. Walmart International provides an omni-channel experience to customers, integrating retail stores and eCommerce, such as through services like "Click & Collect" in the United Kingdom, our grocery pick-up and delivery business in several other markets, our marketplaces, such as Flipkart in India, and a digital transaction platform anchored in payments such as PhonePe in India.

Generally, retail units' selling area range in size from 1,400 square feet to 186,000 square feet. Our wholesale stores' selling area generally range in size from 25,000 square feet to 156,000 square feet. As of January 31, 2020, Walmart International had nearly 3,200 grocery pickup and/or delivery locations across its markets.

Merchandise. The merchandising strategy for Walmart International is similar to that of our operations in the U.S. in terms of the breadth and scope of merchandise offered for sale. While brand name merchandise accounts for a majority of our sales, we have both leveraged U.S. private brands and developed market specific private brands to serve our customers with high quality, low priced items. Along with the private brands we market globally, such as "Equate," "George," "Great Value," "Holiday Time," "Mainstays," "Marketside" and "Parent's Choice," our international markets have developed market specific brands including "Aurrera," "Cambridge," "Lider," "Myntra," "PhonePe" and "Extra Special." In addition, we have developed relationships with regional and local suppliers in each market to ensure reliable sources of quality merchandise that is equal to national brands at low prices.

Operations. The hours of operation for operating units in Walmart International vary by country and by individual markets within countries, depending upon local and national ordinances governing hours of operation. Operating units in each country accept a variety of payment methods.

Seasonal Aspects of Operations. Walmart International's business is seasonal to a certain extent. Historically, the segment's highest sales volume and operating income have occurred in the fourth quarter of our fiscal year. The seasonality of the business varies by country due to different national and religious holidays, festivals and customs, as well as different weather patterns.

Competition. Walmart International competes with omni-channel retailers who operate department, drug, discount, variety and specialty stores, supermarkets, hypermarkets and supercenter-type stores, wholesale clubs, home-improvement stores, specialty electronics stores, cash & carry operations and convenience stores, and eCommerce retailers, as well as catalog businesses. Our ability to develop and operate units at the right locations and to deliver a customer-centric omni-channel experience largely determines our competitive position within the retail industry. We believe price leadership is a critical part of our business model and we continue to focus on moving our markets towards an EDLP approach. Additionally, our ability to operate food departments effectively has a significant impact on our competitive position in the markets where we operate.

Distribution. We utilize a total of 221 distribution facilities located in Argentina, Canada, Central America, Chile, China, Japan, Mexico, South Africa, India and the United Kingdom. Certain of these facilities are used to ship merchandise to both our stores and customers on our eCommerce platforms. Through these facilities, we process and distribute both imported and domestic products to the operating units of the Walmart International segment. During fiscal 2020, approximately 85% of Walmart International's purchases passed through these distribution facilities. Suppliers ship the balance of Walmart International's purchases directly to our stores in the various markets in which we operate. We ship merchandise purchased by customers on our eCommerce platforms by a number of methods from multiple locations including from our 88 dedicated eCommerce fulfillment centers, as well as more than 2,500 eCommerce sort centers in India.

Sam's Club Segment

Sam's Club operates in 44 states in the U.S. and in Puerto Rico. Sam's Club is a membership-only warehouse club that also operates samsclub.com. Sam's Club had net sales of \$58.8 billion for fiscal 2020, representing 11% of our consolidated fiscal 2020 net sales, and had net sales of \$57.8 billion and \$59.2 billion for fiscal 2019 and 2018, respectively. As a membership-only warehouse club, membership income is a significant component of the segment's operating income. Sam's Club operates with a lower gross profit rate and lower operating expenses as a percentage of net sales than our other segments.

Membership. The following two options are available to members:

	Plus Membership	Club Membership
Annual Membership Fee	\$100	\$45
Number of Add-on Memberships (\$40 each)	Up to 16	Up to 8
Eligible for Cash Rewards	Yes	No

All memberships include a spouse/household card at no additional cost. Plus Members are eligible for Cash Rewards, which is a benefit that provides 2% back on qualifying Sam's Club purchases up to a \$500 cash reward annually. The amount earned can be used for purchases, membership fees or redeemed for cash. Plus Members are also eligible for Free Shipping on the majority of merchandise, with no minimum order size, and receive discounts on prescriptions and glasses.

Omni-channel. While Sam's Club is a membership-only warehouse club, it provides an omni-channel experience to customers, integrating retail stores and eCommerce. The warehouse facility sizes generally range between 32,000 and 168,000 square feet, with an average size of approximately 134,000 square feet.

Members have access to a broad assortment of merchandise, including products not found in our clubs, and services online at samsclub.com and through our mobile commerce applications, providing services such as "Club Pickup" or the option of delivery direct-to-home.

Merchandise. Sam's Club offers merchandise in the following five merchandise categories:

- Grocery and consumables includes dairy, meat, bakery, deli, produce, dry, chilled or frozen packaged foods, alcoholic and nonalcoholic beverages, floral, snack foods, candy, other grocery items, health and beauty aids, paper goods, laundry and home care, baby care, pet supplies and other consumable items;
- Fuel, tobacco and other categories consists of gasoline stations, tobacco, tools and power equipment, and tire and battery centers;
- Home and apparel includes home improvement, outdoor living, grills, gardening, furniture, apparel, jewelry, housewares, toys, seasonal items, mattresses and small appliances;
- Technology, office and entertainment includes electronics, wireless, software, video games, movies, books, music, office supplies, office furniture, photo processing and third-party gift cards; and
- Health and wellness includes pharmacy, optical and hearing services and over-the-counter drugs.

In addition, the Member's Mark private label brand continues to expand assortment and deliver member value.

Operations. Operating hours for Sam's Clubs are generally Monday through Friday from 10:00 a.m. to 8:30 p.m., Saturday from 9:00 a.m. to 8:30 p.m. and Sunday from 10:00 a.m. to 6:00 p.m. Additionally, most club locations offer Plus Members the ability to shop before the regular operating hours Monday through Saturday, starting at 7:00 a.m. A variety of payment methods are accepted. Consistent with its strategy, Sam's Club continues to develop technology tools to drive a great member experience in club. For example, Sam's Garage, a new application in its tire and battery business, is leveraging technology in new ways to provide a personalized and efficient shopping experience. Sam's Club also offers "Scan and Go," a mobile checkout and payment solution, which allows members to bypass the checkout line.

Seasonal Aspects of Operations. Sam's Club's business is seasonal to a certain extent due to calendar events and national and religious holidays, as well as different weather patterns. Historically, its highest sales volume has occurred in the fiscal quarter ending January 31.

Competition. Sam's Club competes with other membership-only warehouse clubs, the largest of which is Costco, as well as with discount retailers, retail and wholesale grocers, general merchandise wholesalers and distributors, gasoline stations as well as omni-channel and eCommerce retailers and catalog businesses. At Sam's Club, we provide value at members-only prices, a quality merchandise assortment, and bulk sizing to serve both our Plus and Club members. Our eCommerce website and mobile commerce applications have increasingly become important factors in our ability to compete.

Distribution. During fiscal 2020, approximately 73% of Sam's Club's non-fuel club purchases were shipped from Sam's Club's 25 dedicated distribution facilities, located strategically throughout the U.S., or from some of the Walmart U.S. segment's distribution facilities, which service the Sam's Club segment for certain items. Suppliers shipped the balance of the Sam's Club segment's club purchases directly to Sam's Club locations. Sam's Club ships merchandise purchased on samsclub.com and through its mobile commerce applications by a number of methods including shipments made directly from Clubs, nine dedicated eCommerce fulfillment centers, two dedicated import facilities and other distribution centers.

Sam's Club uses a combination of our private truck fleet, as well as common carriers, to transport non-perishable merchandise from distribution facilities to clubs. The segment contracts with common carriers to transport perishable grocery merchandise from distribution facilities to clubs.

Intellectual Property

We regard our trademarks, service marks, copyrights, patents, domain names, trade dress, trade secrets, proprietary technologies, and similar intellectual property as important to our success, and with respect to our associates, customers and others, we rely on trademark, copyright, and patent law, trade-secret protection, and confidentiality and/or license agreements to protect our proprietary rights. We have registered, or applied for the registration of, a number of U.S. and international domain names, trademarks, service marks and copyrights. Additionally, we have filed U.S. and international patent applications covering certain of our proprietary technology. We have licensed in the past, and expect that we may license in the future, certain of our proprietary rights to third parties.

Suppliers and Supply Chain

As a retailer and warehouse club operator, we utilize a global supply chain that includes over 100,000 suppliers located around the world, including in the U.S., from whom we purchase the merchandise that we sell in our stores, clubs and online. In many instances, we purchase merchandise from producers located near the stores and clubs in which such merchandise will be sold, particularly products in the "fresh" category. Our purchases may represent a significant percentage of the annual sales for a number of our suppliers, and the volume of product we acquire from many suppliers allows us to obtain favorable pricing from such suppliers. Our suppliers are subject to standards of conduct, including requirements that they comply with local labor laws, local worker safety laws and other applicable laws. Our ability to acquire from our suppliers the assortment and volume of products we wish to offer to our customer, to receive those products within the required time through our supply chain and to distribute those products to our stores and clubs determines, in part, our in-stock levels in our stores and clubs and the attractiveness of our merchandise assortment we offer to our customers and members.

Employees

As of the end of fiscal 2020, Walmart Inc. and our subsidiaries employed more than 2.2 million employees ("associates") worldwide, with 1.5 million associates in the U.S. and 0.7 million associates internationally. Similar to other retailers, the Company has a large number of part-time, hourly or non-exempt associates. We believe our relationships with our associates are good. A large number of associates turn over each year, although Walmart U.S. turnover has improved in recent years as a result of our focus on increasing wages and providing improved tools, technology and training to associates.

Certain information relating to retirement-related benefits we provide to our associates is included in [Note 11](#) to our Consolidated Financial Statements. In addition to retirement-related benefits, in the U.S. we offer a broad range of Company-paid benefits to our associates. These include a store discount card or Sam's Club membership, bonuses based on Company performance, matching a portion of associate purchases of our stock through our Associate Stock Purchase Plan and life insurance. In addition to the health-care benefits for eligible full-time and part-time associates in the U.S., we offer maternity leave and a paid parental leave program to all full-time associates. We also offer a \$5,000 benefit to assist eligible associates with adoption. Additionally, we offer eligible associates tuition assistance towards earning a college degree through "Live Better U," which allows associates to earn a college degree or certificate for the equivalent of \$1 per day. Similarly, in our operations outside the U.S., we provide a variety of associate benefits that vary based on customary local practices and statutory requirements.

Information About Our Executive Officers

The following chart names the executive officers of the Company as of the date of the filing of this Annual Report on Form 10-K with the SEC, each of whom is elected by and serves at the pleasure of the Board of Directors. The business experience shown for each officer has been his or her principal occupation for at least the past five years, unless otherwise noted.

Name	Business Experience	Current Position Held Since	Age
Daniel J. Bartlett	Executive Vice President, Corporate Affairs, effective June 2013. From November 2007 to June 2013, he served as the Chief Executive Officer and President of U.S. Operations at Hill & Knowlton, Inc., a public relations company.	2013	48
M. Brett Biggs	Executive Vice President and Chief Financial Officer, effective January 2016. From January 2014 to December 2015, he served as Executive Vice President and Chief Financial Officer of Walmart International.	2016	51
Rachel Brand	Executive Vice President, Global Governance, Chief Legal Officer and Corporate Secretary, effective April 2018. From May 2017 to February 2018, she served as Associate Attorney General in the United States Department of Justice. From January 2017 to May 2017, Ms. Brand was an Associate Professor of Law at George Mason University Antonin Scalia Law School. From August 2012 to February 2017, she served as a Board Member on the Privacy and Civil Liberties Oversight Board of the U.S. government.	2018	46
David M. Chojnowski	Senior Vice President and Controller effective January 2017. From October 2014 to January 2017, he served as Vice President and Controller, Walmart U.S.	2017	50
John Furner	Executive Vice President, President and Chief Executive Officer, Walmart U.S. effective November 2019. From February 2017 until November 2019, he served as President and Chief Executive Officer, Sam's Club. From October 2015 to January 2017, he served as Executive Vice President and Chief Merchandising Officer of Sam's Club.	2019	45
Suresh Kumar	Executive Vice President, Global Chief Technology Officer and Chief Development Officer effective July 2019. From February 2018 until June 2019, Mr. Kumar was Vice President and General Manager at Google LLC. From May 2014 until February 2018, he was Corporate Vice President at Microsoft Corporation.	2019	55
Marc Lore	Executive Vice President, President and Chief Executive Officer, U.S. eCommerce, effective September 2016. From April 2014 to September 2016, he served as President and Chief Executive Officer of Jet.com, Inc.	2016	48
Judith McKenna	Executive Vice President, President and Chief Executive Officer, Walmart International, effective February 2018. From February 2015 to January 2018, she served as Executive Vice President and Chief Operating Officer of Walmart U.S.	2018	53
Kathryn McLay	Executive Vice President, President and Chief Executive Officer, Sam's Club effective November 15, 2019. From February 2019 to November 2019, she served as Executive Vice President, Walmart U.S. Neighborhood Markets. From December 2015 until February 2019, she served as Senior Vice President, U.S. Supply Chain. Ms. McLay originally joined the Company in April 2015 as Vice President of U.S. Finance and Strategy.	2019	46

C. Douglas McMillon	President and Chief Executive Officer, effective February 2014. From February 2009 to January 2014, he served as Executive Vice President, President and Chief Executive Officer, Walmart International.	2014	53
Donna Morris	Executive Vice President, Global People and Chief People Officer, effective February 2020. From April 2002 to January 2020, she served at Adobe Inc. in various roles, including most recently, Chief Human Resources Officer and Executive Vice President, Employee Experience.	2020	52

Our Website and Availability of SEC Reports and Other Information

Our corporate website is located at www.stock.walmart.com. We file with or furnish to the SEC Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports, proxy statements and annual reports to shareholders, and, from time to time, other documents. The reports and other documents filed with or furnished to the SEC are available to investors on or through our corporate website free of charge as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. The SEC maintains a website that contains reports, proxy and information statements and other information regarding issuers, such as the Company, that file electronically with the SEC. The address of that website is www.sec.gov. Our SEC filings, our Code of Ethics for our CEO and senior financial officers and our Statement of Ethics can be found on our website at www.stock.walmart.com. These documents are available in print to any shareholder who requests a copy by writing or calling our Investor Relations Department, which is located at our principal offices.

A description of any substantive amendment or waiver of Walmart's Code of Ethics for the CEO and senior financial officers or our Statement of Ethics for our chief executive officer, our chief financial officer and our controller, who is our principal accounting officer, will be disclosed on our website at www.stock.walmart.com under the Corporate Governance section. Any such description will be located on our website for a period of 12 months following the amendment or waiver.

ITEM 1A. RISK FACTORS

The risks described below could, in ways we may or may not be able to accurately predict, materially and adversely affect our business, results of operations, financial condition and liquidity. Our business operations could also be affected by additional factors that apply to all companies operating in the U.S. and globally. The following risk factors do not identify all risks that we may face.

Strategic Risks

General or macro-economic factors, both domestically and internationally, may materially adversely affect our financial performance.

General economic conditions and other economic factors, globally or in one or more of the markets we serve, may adversely affect our financial performance. Higher interest rates, lower or higher prices of petroleum products, including crude oil, natural gas, gasoline, and diesel fuel, higher costs for electricity and other energy, weakness in the housing market, inflation, deflation, increased costs of essential services, such as medical care and utilities, higher levels of unemployment, decreases in consumer disposable income, unavailability of consumer credit, higher consumer debt levels, changes in consumer spending and shopping patterns, fluctuations in currency exchange rates, higher tax rates, imposition of new taxes or other changes in tax laws, changes in healthcare laws, other regulatory changes, the imposition of tariffs or other measures that create barriers to or increase the costs associated with international trade, overall economic slowdown or recession and other economic factors in the U.S. or in any of the other markets in which we operate could adversely affect consumer demand for the products we sell in the U.S. or such other markets, change the mix of products we sell to one with a lower average gross margin, cause a slowdown in discretionary purchases of goods, adversely affect our net sales and result in slower inventory turnover and greater markdowns of inventory, or otherwise materially adversely affect our operations and operating results and could result in impairment charges to intangible assets, goodwill or other long-lived assets.

In addition, the economic factors listed above, any other economic factors or circumstances resulting in higher transportation, labor, insurance or healthcare costs or commodity prices, and other economic factors in the U.S. and other countries in which we operate can increase our cost of sales and operating, selling, general and administrative expenses and otherwise materially adversely affect our operations and operating results.

The economic factors that affect our operations may also adversely affect the operations of our suppliers, which can result in an increase in the cost to us of the goods we sell to our customers or, in more extreme cases, in certain suppliers not producing goods in the volume typically available to us for sale.

We face strong competition from other retailers and wholesale club operators which could materially adversely affect our financial performance.

Each of our segments competes for customers, employees, digital prominence, products and services and in other important aspects of its business with many other local, regional, national and global eCommerce and omni-channel retailers, wholesale club operators and retail intermediaries.

We compete in a variety of ways, including the prices at which we sell our merchandise, merchandise selection and availability, services offered to customers, location, store hours, in-store amenities, the shopping convenience and

overall shopping experience we offer, the attractiveness and ease of use of our digital platforms, cost and speed of and options for delivery to customers of merchandise purchased through our digital platforms or through our omni-channel integration of our physical and digital operations.

A failure to respond effectively to competitive pressures and changes in the retail markets or delays or failure in execution of our strategy could materially adversely affect our financial performance. See "[Item 1. Business](#)" above for additional discussion of the competitive situation of each of our reportable segments.

Certain segments of the retail industry are undergoing consolidation, which could result in increased competition and significantly alter the dynamics of the retail marketplace. Other segments are substantially reducing operations which could also result in competition rushing to fill the void created by such corporate actions. Such consolidation, or other business combinations or alliances, or reduction in operation may result in competitors with greatly improved financial resources, improved access to merchandise, greater market penetration than they previously enjoyed and other improvements in their competitive positions. Such business combinations or alliances could result in the provision of a wider variety of products and services at competitive prices by such consolidated or aligned companies, which could adversely affect our financial performance.

If we do not timely identify or effectively respond to consumer trends or preferences, it could negatively affect our relationship with our customers, demand for the products and services we sell, our market share and the growth of our business.

It is difficult to predict consistently and successfully the products and services our customers will demand and changes in their shopping patterns. The success of our business depends in part on how accurately we predict consumer demand, availability of merchandise, the related impact on the demand for existing products and the competitive environment. Price transparency, assortment of products, customer experience, convenience, ease and the speed and cost of shipping are of primary importance to customers and continue to increase in importance, particularly as a result of digital tools and social media available to consumers and the choices available to consumers for purchasing products. Our failure to adequately or effectively respond to changing consumer tastes, preferences and shopping patterns, or any other failure on our part to timely identify or effectively respond to changing consumer tastes, preferences and shopping patterns could negatively affect our relationship with our customers, the demand for the products we sell or services we offer, our market share and the growth of our business.

Failure to successfully execute our omni-channel strategy and the cost of our investments in eCommerce and technology may materially adversely affect our market position, net sales and financial performance.

The retail business continues to rapidly evolve and consumers increasingly embrace digital shopping. As a result, the portion of total consumer expenditures with retailers and wholesale clubs occurring through digital platforms is increasing and the pace of this increase could accelerate.

Our strategy, which includes investments in eCommerce, technology, acquisitions, joint ventures, store remodels and other customer initiatives may not adequately or effectively allow us to grow our eCommerce business, increase comparable store sales, maintain or grow our overall market position or otherwise offset the impact on the growth of our business of a moderated pace of new store and club openings. The success of this strategy will depend in large measure on our ability to continue building and delivering a seamless omni-channel shopping experience for our customers and is further subject to the related risks discussed in this [Item 1A](#). Failure to successfully execute this strategy may adversely affect our market position, net sales and financial performance which could also result in impairment charges to intangible assets or other long-lived assets. In addition, a greater concentration of eCommerce sales, including increasing online grocery sales, could result in a reduction in the amount of traffic in our stores and clubs, which would, in turn, reduce the opportunities for cross-store or cross-club sales of merchandise that such traffic creates and could reduce our sales within our stores and clubs and materially adversely affect our financial performance.

Furthermore, the cost of certain eCommerce and technology investments, including any operating losses incurred, will adversely impact our financial performance in the short-term and failure to realize the benefits of these investments may adversely impact our financial performance over the longer term.

The performance of strategic alliances and other business relationships to support the expansion of our business could materially adversely affect our financial performance.

We may enter into strategic alliances and other business relationships in the countries in which we have existing operations or in other markets to expand our retail operations. These arrangements may not generate the level of sales we anticipate when entering into the arrangement or may otherwise adversely impact our business and competitive position relative to the results we could have achieved in the absence of such alliance. In addition, any investment we make in connection with a strategic alliance or business relationship could materially adversely affect our financial performance.

Operational Risks

Natural disasters, changes in climate, and geo-political events and catastrophic events could materially adversely affect our financial performance.

The occurrence of one or more natural disasters, such as hurricanes, tropical storms, floods, fires, earthquakes, tsunamis, cyclones, typhoons; weather conditions such as major or extended winter storms, droughts and tornadoes, whether as a result of climate change or otherwise; severe changes in climate; geo-political events; global health epidemics or pandemics or other contagious outbreaks such as the recent coronavirus (COVID-19) outbreak; and catastrophic events, such as war, civil unrest, terrorist attacks or other acts of violence, including active shooter situations (such as those that have occurred in our U.S. stores), in countries in which we operate or in which our suppliers are located, could adversely affect our operations and financial performance.

Such events could result in physical damage to, or the complete loss of, one or more of our properties, the closure of one or more stores, clubs and distribution facilities, limitations on store or club operating hours, the lack of an adequate work force in a market, the inability of customers and associates to reach or have transportation to our stores and clubs affected by such events, the evacuation of the populace from areas in which our stores, clubs and distribution facilities are located, the unavailability of our digital platforms to our customers, changes in the purchasing patterns of consumers (including the frequency of visits by consumers to physical retail locations, whether as a result of limitations on large gatherings, travel and movement limitations or otherwise) and in consumers' disposable income, the temporary or long-term disruption in the supply of products from some suppliers, the disruption in the transport of goods from overseas, the disruption or delay in the delivery of goods to our distribution facilities or stores within a country in which we are operating, the reduction in the availability of products in our stores, the disruption of utility services to our stores and our facilities, and the disruption in our communications with our stores. For example, our results for the fourth quarter of fiscal 2020 were negatively impacted by riots and looting in Chile which resulted in us closing a number of our stores until the disruption abated.

We bear the risk of losses incurred as a result of physical damage to, or destruction of, any stores, clubs and distribution facilities, loss or spoilage of inventory and business interruption caused by such events. These events and their impacts could otherwise disrupt and adversely affect our operations in the areas in which they occur and could materially adversely affect our financial performance.

Risks associated with our suppliers could materially adversely affect our financial performance.

The products we sell are sourced from a wide variety of domestic and international suppliers. Global sourcing of many of the products we sell is an important factor in our financial performance. We expect our suppliers to comply with applicable laws, including labor, safety, anti-corruption and environmental laws, and to otherwise meet our required supplier standards of conduct. Our ability to find qualified suppliers who uphold our standards, and to access products in a timely and efficient manner, is a significant challenge, especially with respect to suppliers located and goods sourced outside the U.S.

Political and economic instability, as well as other impactful events and circumstances in the countries in which our suppliers and their manufacturers are located (such as the recent coronavirus outbreak which could result in potential disruptions or delays to our global supply chain), the financial instability of suppliers, suppliers' failure to meet our terms and conditions or our supplier standards (including our responsible sourcing standards), labor problems experienced by our suppliers and their manufacturers, the availability of raw materials to suppliers, merchandise safety and quality issues, disruption or delay in the transportation of merchandise from the suppliers and manufacturers to our stores, clubs, and other facilities, including as a result of labor slowdowns at any port at which a material amount of merchandise we purchase enters into the markets in which we operate, currency exchange rates, transport availability and cost, transport security, inflation and other factors relating to the suppliers and the countries in which they are located are beyond our control.

In addition, the U.S. foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, the limitation on the importation of certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade are beyond our control. These and other factors affecting our suppliers and our access to products could adversely affect our financial performance.

If the products we sell are not safe or otherwise fail to meet our customers' expectations, we could lose customers, incur liability for any injuries suffered by customers using or consuming a product we sell or otherwise experience a material impact to our brand, reputation and financial performance. We are also subject to reputational and other risks related to third-party sales on our digital platforms.

Our customers count on us to provide them with safe products. Concerns regarding the safety of food and non-food products that we source from our suppliers or that we prepare and then sell could cause customers to avoid

purchasing certain products from us, or to seek alternative sources of supply for all of their food and non-food needs, even if the basis for the concern is outside of our control. Any lost confidence on the part of our customers would be difficult and costly to reestablish and such products also expose us to product liability or food safety claims. As such, any issue regarding the safety of any food or non-food items we sell, regardless of the cause, could adversely affect our brand, reputation and financial performance. In addition,

third-parties sell goods on some of our digital platforms, which we refer to as marketplace transactions. Whether laws related to such sales apply to us is currently unsettled and any unfavorable changes could expose us to loss of sales, reduction in transactions and deterioration of our competitive position. In addition, we may face reputational, financial and other risks, including liability, for third-party sales of goods that are controversial, counterfeit or otherwise fail to comply with applicable law. Although we impose contractual terms on sellers that are intended to prohibit sales of certain type of products, we may not be able to detect, enforce, or collect sufficient damages for breaches of such agreements. Any of these events could have a material adverse impact on our business and results of operations and impede the execution of our eCommerce growth strategy.

We rely extensively on information systems to process transactions, summarize results and manage our business. Disruptions in our systems could harm our ability to conduct our operations.

Given the number of individual transactions we have each year, it is crucial that we maintain uninterrupted operation of our business-critical information systems. Our information systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, worms, other malicious computer programs, denial-of-service attacks, security breaches (through cyber-attacks from cyber-attackers and sophisticated organizations including nation states), catastrophic events such as fires, tornadoes, earthquakes and hurricanes, and usage errors by our associates or contractors. Our information systems are essential to our business operations, including the processing of transactions, management of our associates, facilities, logistics, inventories, physical stores and clubs and our online operations. Our information systems are not fully redundant and our disaster recovery planning cannot account for all eventualities. If our systems are damaged, breached or cease to function properly, we may have to make a significant investment to repair or replace them, and may experience loss or corruption of critical data as well as suffer interruptions in our business operations in the interim. Any interruption to our information systems may have a material adverse effect on our business or results of operations. In addition, we are constantly updating our information technology processes and systems. The risk of system disruption is increased when significant system changes are undertaken. If we fail to timely integrate and update our information systems and processes, we may fail to realize the cost savings or operational benefits anticipated to be derived from these initiatives.

If the technology-based systems that give our customers the ability to shop with us online do not function effectively, our operating results, as well as our ability to grow our omni-channel business globally, could be materially adversely affected.

Increasingly, customers are using computers, tablets, and smart phones to shop with us and with our competitors and to do comparison shopping. We use social media, online advertising, and email to interact with our customers and as a means to enhance their shopping experience. As a part of our omni-channel sales strategy, in addition to home delivery, we offer various pickup and delivery programs under which many products available for purchase online can be picked up by the customer or member at a local Walmart store or Sam's Club, which provides additional customer traffic at such stores and clubs. Omni-channel retailing is a rapidly evolving part of the retail industry and of our operations around the world. We must anticipate and meet our customers' changing expectations while adjusting for technology investments and developments in our competitors' operations through focusing on the building and delivery of a seamless shopping experience across all channels by each operating segment. Any failure on our part to provide attractive, user-friendly secure digital platforms that offer a wide assortment of merchandise at competitive prices and with low cost and rapid delivery options and that continually meet the changing expectations of online shoppers and developments in online and digital platform merchandising and related technology could place us at a competitive disadvantage, result in the loss of eCommerce and other sales, harm our reputation with customers, have a material adverse impact on the growth of our eCommerce business globally and have a material adverse impact on our business and results of operations.

Our digital platforms, which are increasingly important to our business and continue to grow in complexity and scope, and the systems on which they run, including those applications and systems in our acquired eCommerce businesses, are regularly subject to cyber-attacks. Those attacks involve attempts to gain unauthorized access to our eCommerce websites (including marketplace platforms) or mobile commerce applications to obtain and misuse customers' or members' information including payment information and related risks discussed in this Item 1A. Such attacks, if successful, in addition to potential data misuse, may also create denials of service or otherwise disable, degrade or sabotage one or more of our digital platforms or otherwise significantly disrupt our customers' and members' shopping experience. If we are unable to maintain the security of our digital platforms and keep them operating within acceptable parameters, we could suffer loss of sales, reductions in transactions, reputational damage and deterioration of our competitive position and incur liability for any damage to customers or others whose personal or confidential information is unlawfully obtained and misused, any of which events could have a material adverse impact on our business and results of operations and impede the execution of our strategy for the growth of our business.



Any failure to maintain the security of the information relating to our company, customers, members, associates and vendors, whether as a result of cybersecurity attacks on our information systems or otherwise, could damage our reputation, result in litigation or other legal actions against us, cause us to incur substantial additional costs, and materially adversely affect our business and operating results.

Like most retailers, we receive and store in our information systems personal information about our customers and members, and we receive and store personal information concerning our associates and vendors. Some of that information is stored digitally in connection with our digital platforms. We also utilize third-party service providers for a variety of reasons, including, without limitation, for digital storage technology, content delivery to customers and members, back-office support, and other functions. Such providers may have access to information we hold about our customers, members, associates or vendors. In addition, our eCommerce operations depend upon the secure transmission of confidential information over public networks, including information permitting cashless payments.

Cyber threats are rapidly evolving and those threats and the means for obtaining access to information in digital and other storage media are becoming increasingly sophisticated. Cyber threats and cyber-attackers can be sponsored by countries or sophisticated criminal organizations or be the work of hackers with a wide range of motives and expertise. We and the businesses with which we interact have experienced and continue to experience threats to data and systems, including by perpetrators of random or targeted malicious cyber-attacks, computer viruses, worms, bot attacks or other destructive or disruptive software and attempts to misappropriate customer information, including credit card information, and cause system failures and disruptions. Some of our systems have experienced limited security breaches and although they did not have a material adverse effect on our operating results, there can be no assurance of a similar result in the future.

Associate error or malfeasance, faulty password management, social engineering or other irregularities may also result in a defeat of our or our third-party service providers' security measures and a breach of our or their information systems. Moreover, hardware, software or applications we use may have inherent vulnerabilities or defects of design, manufacture or operations or could be inadvertently or intentionally implemented or used in a manner that could compromise information security.

Any compromise of our data security systems or of those of businesses with which we interact, which results in confidential information being accessed, obtained, damaged, modified, lost or used by unauthorized or improper persons, could harm our reputation and expose us to regulatory actions, customer attrition, remediation expenses, and claims from customers, members, associates, vendors, financial institutions, payment card networks and other persons, any of which could materially and adversely affect our business operations, financial condition and results of operations. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of a compromise, we may be unable to anticipate these techniques or to implement adequate preventative measures and we or our third-party service providers may not discover any security breach, vulnerability or compromise of information for a significant period of time after the security incident occurs.

In addition, such events could be widely publicized and could materially adversely affect our reputation with our customers, members, associates, vendors and shareholders, could harm our competitive position particularly with respect to our eCommerce operations, and could result in a material reduction in our net sales in our eCommerce operations, as well as in our stores thereby materially adversely affecting our operations, net sales, results of operations, financial condition, cash flows and liquidity. Such events could also result in the release to the public of confidential information about our operations and financial condition and performance and could result in litigation or other legal actions against us or the imposition of penalties, fines, fees or liabilities, which may not be covered by our insurance policies. Moreover, a security compromise could require us to devote significant management resources to address the problems created by the issue and to expend significant additional resources to upgrade further the security measures we employ to guard personal and confidential information against cyber-attacks and other attempts to access or otherwise compromise such information and could result in a disruption of our operations, particularly our digital operations.

We accept payments using a variety of methods, including cash, checks, credit and debit cards, and our private label credit cards and gift cards, and we may offer new payment options over time, which may have information security risk implications. As a retailer accepting debit and credit cards for payment, we are subject to various industry data protection standards and protocols, such as payment network security operating guidelines and the Payment Card Industry Data Security Standard. We cannot be certain that the security measures we maintain to protect all of our information technology systems are able to prevent, contain or detect cyber-attacks, cyber terrorism, security breaches or other compromises from known malware or other threats that may be developed in the future. To the extent that any cyber-attack or incursion in our or one of our third-party service provider's information systems

results in the loss, damage, misappropriation or other compromise of information, we may be materially adversely affected by claims from customers, financial institutions, regulatory authorities, payment card networks and others. In certain circumstances, our contracts with payment card processors and payment card networks (such as Visa, Mastercard, American Express and Discover) generally require us to adhere to payment card network rules which could make us liable to payment card issuers and others if information in connection with payment cards and payment card transactions that we process is compromised, which liabilities could be substantial.

Additionally, we offer money (wire) transfer services, digital payment platforms, bill payment, money orders and check cashing and we sell prepaid cards and gift cards. We further offer co-branded credit cards and installment loans through financial services partners. These products and services require us to comply with legal and regulatory requirements, including global anti-money laundering and sanctions laws and regulations as well as international, federal and state consumer financial laws and regulations. Failure to comply with these laws and regulations could result in fines, sanctions, penalties and harm to our reputation.

The Company also has compliance obligations associated with new privacy laws enacted to protect personal information. The California Consumer Privacy Act of 2018, (CCPA), grants California consumers certain rights over their personal information and imposes stringent requirements on the collection, use and sharing of “personal information” of California consumers. Other U.S. states are proposing similar laws related to the protection of personal information and the U.S. federal government is also considering federal privacy legislation. Outside the U.S., the European Union’s (“EU”) General Data Protection Regulation (“GDPR”) greatly increases the jurisdictional reach of EU law and adds a broad array of requirements related to personal data. Complying with changing regulatory requirements requires us to incur additional costs and expenses. If we fail to comply with CCPA, GDPR or other privacy related regulations, or if regulators assert we have failed to comply with them, it could lead to regulatory enforcement action, monetary fines or penalties (up to 4% of worldwide revenue in the case of GDPR), lawsuits or reputational damage and could materially and adversely affect our results of operations.

Changes in the results of our retail pharmacy business could adversely affect our overall results of operations, cash flows and liquidity.

Walmart has retail pharmacy operations in our Walmart U.S. and Sam's Club segments, as well as the recent addition of Walmart Health Centers to some of our U.S. stores. A large majority of our retail pharmacy net sales are generated by filling prescriptions for which we receive payment through established contractual relationships with third-party payers and payment administrators, such as private insurers, governmental agencies and pharmacy benefit managers (“PBMs”).

Our retail pharmacy operations are subject to numerous risks, including: reductions in the third-party reimbursement rates for drugs; changes in our payer mix (i.e., shifts in the relative distribution of our pharmacy customers across drug insurance plans and programs toward plans and programs with less favorable reimbursement terms); changes in third-party payer drug formularies (i.e., the schedule of prescription drugs approved for reimbursement or which otherwise receive preferential coverage treatment); growth in, and our participation in or exclusion from, exclusive and preferred pharmacy network arrangements operated by PBMs and/or any insurance plan or program; increases in the prices we pay for brand name and generic prescription drugs we sell; increases in the administrative burdens associated with seeking third-party reimbursement; changes in the frequency with which new brand name pharmaceuticals become available to consumers; introduction of lower cost generic drugs as substitutes for existing brand name drugs for which there was no prior generic drug competition; changes in drug mix (i.e., the relative distribution of drugs customers purchase at our pharmacies between brands and generics); changes in the health insurance market generally; changes in the scope of or the elimination of Medicare Part D or Medicaid drug programs; increased competition from other retail pharmacy operations; further consolidation and strategic alliances among third-party payers, PBMs or purchasers of drugs; overall economic conditions and the ability of our pharmacy customers to pay for drugs prescribed for them to the extent the costs are not reimbursed by a third-party; failure to meet any performance or incentive thresholds to which our level of third-party reimbursement may be subject; and changes in the regulatory environment for the retail pharmacy industry and the pharmaceutical industry, including as a result of restrictions on the further implementation of or the repeal of the Patient Protection and Affordable Care Act or the enactment and implementation of a law replacing such act, and other changes in laws, rules and regulations that affect our retail pharmacy business.

If the supply of certain pharmaceuticals provided by one or more of our vendors were to be disrupted for any reason, our pharmacy operations could be severely affected until at least such time as we could obtain a new supplier for such pharmaceuticals. Any such disruption could cause reputational damage and result in a significant number of our pharmacy customers transferring their prescriptions to other pharmacies.

One or a combination of such factors may adversely affect the volumes of brand name and generic pharmaceuticals we sell, our cost of sales associated with our retail pharmacy operations, and the net sales and gross margin of those operations or result in the loss of cross-store or cross-club selling opportunities and, in turn, adversely affect our overall net sales, other results of operations, cash flows and liquidity.

Our failure to attract and retain qualified associates, increases in wage and benefit costs, changes in laws and other labor issues could materially adversely affect our financial performance.

Our ability to continue to conduct and expand our operations depends on our ability to attract and retain a large and growing number of qualified associates globally. Our ability to meet our labor needs, including our ability to find qualified personnel to fill positions that become vacant at our existing stores, clubs, distribution centers and corporate offices, while controlling our associate wage and related labor costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force of the markets in which we operate, unemployment levels within those markets, prevailing wage rates, changing demographics, health and other insurance costs and adoption of new or revised

employment and labor laws and regulations. Additionally, our ability to successfully execute organizational changes, including management transitions within the Company's senior leadership, such as our recent leadership changes, and to effectively motivate and retain associates are critical to our business success. If we are unable to locate, attract or retain qualified personnel, or manage leadership transition successfully, the quality of service we provide to our customers may decrease and our financial performance may be adversely affected.

In addition, if our costs of labor or related costs increase for other reasons or if new or revised labor laws, rules or regulations or healthcare laws are adopted or implemented that further increase our labor costs, our financial performance could be materially adversely affected.

Financial Risks

Fluctuations in foreign exchange rates may materially adversely affect our financial performance and our reported results of operations.

Our operations in countries other than the U.S. are conducted primarily in the local currencies of those countries. Our consolidated financial statements are denominated in U.S. dollars, and to prepare those financial statements we must translate the amounts of the assets, liabilities, net sales, other revenues and expenses of our operations outside of the U.S. from local currencies into U.S. dollars using exchange rates for the current period. In recent years, fluctuations in currency exchange rates that were unfavorable have had adverse effects on our reported results of operations.

As a result of such translations, fluctuations in currency exchange rates from period-to-period that are unfavorable to us may also result in our consolidated financial statements reflecting significant adverse period-over-period changes in our financial performance or reflecting a period-over-period improvement in our financial performance that is not as robust as it would be without such fluctuations in the currency exchange rates. Such unfavorable currency exchange rate fluctuations will adversely affect the reported performance of our Walmart International operating segment and have a corresponding adverse effect on our reported consolidated results of operations.

We may pay for products we purchase for sale in our stores and clubs around the world with a currency other than the local currency of the country in which the goods will be sold. When we must acquire the currency to pay for such products and the exchange rates for the payment currency fluctuate in a manner unfavorable to us, our cost of sales may increase and we may be unable or unwilling to change the prices at which we sell those goods to address that increase in our costs, with a corresponding adverse effect on our gross profit. Consequently, unfavorable fluctuations in currency exchange rates have and may continue to adversely affect our results of operations.

Failure to meet market expectations for our financial performance could adversely affect the market price and volatility of our stock.

We believe that the price of our stock generally reflects high market expectations for our future operating results. Any failure to meet or delay in meeting these expectations, including our comparable store and club sales growth rates, eCommerce growth rates, gross margin, or earnings and earnings per share could cause the market price of our stock to decline, as could changes in our dividend or stock repurchase programs or policies. Additionally, failure of Walmart's performance to compare favorably to that of other retailers may have a negative effect on the price of our stock.

Legal, Tax, Regulatory, Compliance, Reputational and Other Risks

Our international operations subject us to legislative, judicial, accounting, legal, regulatory, tax, political and economic risks and conditions specific to the countries or regions in which we operate, which could materially adversely affect our business or financial performance.

In addition to our U.S. operations, we operate our retail business in Africa, Argentina, Canada, Central America, Chile, China, India, Japan, Mexico and the United Kingdom.

During fiscal 2020, our Walmart International operations generated approximately 23% of our consolidated net sales. Walmart International's operations in various countries also source goods and services from other countries. Our future operating results in these countries could be negatively affected by a variety of factors, most of which are beyond our control. These factors include political conditions, including political instability, local and global economic conditions, legal and regulatory constraints (such as regulation of product and service offerings including regulatory restrictions (such as foreign ownership restrictions) on eCommerce and retail operations in international markets, such as India), restrictive governmental actions (such as trade protection measures), local product safety and environmental laws, tax regulations, local labor laws, anti-money laundering laws and regulations, trade policies, currency regulations, laws and regulations regarding consumer and data protection, and other matters in any of the countries or regions in which we operate, now or in the future.

For example, during the current transition period following the UK's recent exit from the European Union, we face continued uncertainty regarding the impact on our UK business of potential changes in tariffs, trade practices and other regulations while the UK and EU work to put in place alternative trade and other arrangements.

The economies of some of the countries in which we have operations have in the past suffered from high rates of inflation and currency devaluations, which, if they occurred again, could adversely affect our financial performance. Other factors which may impact our international operations include foreign trade, monetary and fiscal policies of the U.S. and of other countries, laws, regulations and other activities of foreign governments, agencies and similar organizations, and risks associated with having numerous facilities located in countries that have historically been less stable than the U.S.. Additional risks inherent in our international operations generally include, among others, the costs and difficulties of managing international operations, adverse tax consequences and greater difficulty in enforcing intellectual property rights in countries other than the U.S.. The various risks inherent in doing business in the U.S. generally also exist when doing business outside of the U.S., and may be exaggerated by the difficulty of doing business in numerous sovereign jurisdictions due to differences in culture, laws and regulations.

In foreign countries in which we have operations, a risk exists that our associates, contractors or agents could, in contravention of our policies, engage in business practices prohibited by U.S. laws and regulations applicable to us, such as the Foreign Corrupt Practices Act ("FCPA"), or the laws and regulations of other countries, such as the UK Bribery Act. We maintain a global policy prohibiting such business practices and have in place a global anti-corruption compliance program designed to ensure compliance with these laws and regulations. Nevertheless, we remain subject to the risk that one or more of our associates, contractors or agents, including those based in or from countries where practices that violate such U.S. laws and regulations or the laws and regulations of other countries may be customary, will engage in business practices that are prohibited by our policies, circumvent our compliance programs and, by doing so, violate such laws and regulations. Any such violations, even if prohibited by our internal policies, could adversely affect our business or financial performance and our reputation.

Changes in tax and trade laws and regulations could materially adversely affect our financial performance.

In fiscal 2020, our Walmart U.S. and Sam's Club operating segments generated approximately 77% of our consolidated net sales. The federal government has created the potential for significant changes in trade policies, including tariffs and government regulations affecting trade between the U.S. and other countries where we source many of the products we sell in our stores and clubs. Potential changes which have been discussed include the renegotiation or termination of trade agreements and the imposition of higher tariffs on imports into the U.S. A significant portion of the general merchandise we sell in our U.S. stores and clubs is manufactured in other countries. Any such actions including the imposition of further tariffs on imports could increase the cost to us of such merchandise (whether imported directly or indirectly) and cause increases in the prices at which we sell such merchandise to our customers, which could materially adversely affect the financial performance of our U.S. operations and our business.

We are subject to income taxes and other taxes in both the U.S. and the foreign jurisdictions in which we currently operate or have historically operated. The determination of our worldwide provision for income taxes and current and deferred tax assets and liabilities requires judgment and estimation. Our income taxes could be materially adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in worldwide tax laws, tax rates, regulations or accounting principles.

For example, in December 2019, India enacted a bill which significantly reduced the corporate income tax for certain companies with operations in India. In the U.S., the Tax Cuts and Jobs Act of 2017 (the "Tax Act") significantly changed income tax laws that affect U.S. corporations with additional guidance from the U.S. tax authority still pending. As further guidance is issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, any resulting changes in our estimates will be treated in accordance with the relevant accounting guidance. Compliance with the Tax Act, including collecting information not regularly produced by the Company or unexpected changes in our estimates, may require us to incur additional costs and could affect our results of operations.

In addition, we are subject to regular review and audit by both domestic and foreign tax authorities as well as subject to the prospective and retrospective effects of changing tax regulations and legislation. Although we believe our tax estimates are reasonable, the ultimate tax outcome may materially differ from the tax amounts recorded in our consolidated financial statements and may materially affect our income tax provision, net income, or cash flows in the period or periods for which such determination and settlement is made.

Changes in and/or failure to comply with other laws and regulations specific to the environments in which we operate could materially adversely affect our reputation, market position, or our business and financial performance.

We operate in complex regulated environments in the U.S. and in the other countries in which we operate and could be adversely affected by changes to existing legal requirements including the related interpretations and enforcement practices, new legal requirements and/or any failure to comply with applicable regulations.

Our pharmacy and other healthcare operations in the U.S. are subject to numerous federal, state and local regulations including licensing and other requirements and reimbursement arrangements. The regulations to which we are subject include, but are not limited to: federal and state registration and regulation of pharmacies; dispensing and sale of controlled substances and products containing pseudoephedrine; applicable governmental payer regulations including Medicare and Medicaid; data privacy and security laws and regulations including the Health Insurance Portability and Accountability Act, the Affordable Care Act, laws and regulations relating to the protection of the environment and health and safety matters, including those governing exposure to, and the management and disposal of, hazardous substances; regulations regarding food and drug safety including those of the U.S. Food and Drug Administration (the "FDA") and the Drug Enforcement Administration (the "DEA"), trade regulations including those of the U.S. Federal Trade Commission, and consumer protection and safety regulations including those of the Consumer Product Safety Commission, as well as state regulatory authorities, governing the availability, sale, advertisement and promotion of products we sell and the financial services we offer; anti-kickback laws; false claims laws; and federal and state laws governing health care fraud and abuse and the practice of the professions of pharmacy, optical care and nurse practitioner services.

For example, in the U.S. the DEA and various other regulatory authorities regulate the distribution and dispensing of pharmaceuticals and controlled substances. We are required to hold valid DEA and state-level licenses, meet various security and operating standards and comply with the federal and various state controlled substance acts and related regulations governing the sale, dispensing, disposal and holding of controlled substances. The DEA, the FDA and state regulatory authorities have broad enforcement powers, including the ability to seize or recall products and impose significant criminal, civil and administrative sanctions for violations of these laws and regulations.

We are also governed by foreign, national and state laws and regulations of general applicability, including laws and regulations related to working conditions, health and safety, equal employment opportunity, employee benefit and other labor and employment matters, laws and regulations related to competition, and antitrust matters, and health and wellness related regulations for our pharmacy operations outside of the U.S. In addition, certain financial services we offer or make available, such as our money transfer agent services, are subject to legal and regulatory requirements, including those intended to help detect and prevent money laundering, sanctions, fraud and other illicit activity as well as consumer financial protection. The impact of new laws, regulations and policies and the related interpretations, as well as changes in enforcement practices or regulatory scrutiny generally cannot be predicted, and changes in applicable laws, regulations and policies and the related interpretations and enforcement practices may require extensive system and operational changes, be difficult to implement, increase our operating costs, require significant capital expenditures, or adversely impact the cost or attractiveness of the products or services we offer.

Untimely compliance or noncompliance with applicable laws and regulations could result in the imposition of civil and criminal penalties that could adversely affect the continued operation of our businesses, including: suspension of payments from government programs; loss of required government certifications; loss of authorizations to participate in or exclusion from government programs, including the Medicare and Medicaid programs in the U.S.; loss of licenses; and significant fines or monetary damages and/or penalties. In addition, failure to comply with applicable legal or regulatory requirements in the U.S. or in any of the countries in which we operate could result in significant legal and financial exposure, damage to our reputation, and have a material adverse effect on our business operations, financial condition and results of operations.

We are subject to certain legal proceedings that may materially adversely affect our results of operations, financial condition and liquidity.

We are involved in a number of legal proceedings, which include consumer, employment, tort and other litigation. In particular, we are currently a defendant in a number of cases containing class-action allegations in which the plaintiffs have brought claims under federal and state wage and hour laws, as well as a number of cases containing class-action allegations in which the plaintiffs have brought claims under federal and state consumer laws.

In addition, ASDA Stores, Ltd. ("Asda"), a wholly-owned subsidiary of the Company, has been named as a defendant in numerous "equal value" claims pending in the Manchester Employment Tribunal (the "Employment Tribunal") in the United Kingdom. The claimants, who are current and former Asda store employees, allege that the work performed by employees in Asda's retail stores is of equal value in terms of, among other things, the demands of their jobs to that of employees working in Asda's warehouses and distribution facilities, and that the difference in pay between these job positions disparately impacts women because more women work in retail stores while more men work in warehouses and distribution facilities, and that the pay difference is not objectively justified. The claimants are seeking differential back pay based on higher wage rates in the warehouses and distribution facilities and higher wage rates on a prospective basis. At present, we cannot predict the number of such claims that may be filed, and cannot reasonably estimate any loss or range of loss that may arise from these matters.

The Company has been responding to subpoenas, information requests and investigations from governmental entities related to nationwide controlled substance dispensing and distribution practices involving opioids and is also a defendant in numerous litigation proceedings related to opioids including the consolidated multidistrict litigation entitled *In re National Prescription Opiate Litigation (MDL No. 2804)*, currently pending in the U.S. District Court for the Northern District of Ohio. Similar cases that name the Company have also been filed in state courts by state, local and tribal governments, health care providers and other plaintiffs. Plaintiffs are seeking compensatory and punitive damages, as well as injunctive relief including abatement. The Company cannot predict the number of such claims that may be filed, and cannot reasonably estimate any loss or range of loss that may arise from such claims and the related opioid matters.

We discuss these cases and other litigation to which we are party below under the caption "[Item 3. Legal Proceedings](#)" and in [Note 10](#) in the "[Notes to our Consolidated Financial Statements](#)," which are part of this Annual Report on Form 10-K.

Our amended and restated bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or shareholders in such capacity.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by law, be the sole and exclusive forum for claims, including derivative claims that are based upon a violation of a duty by a current or former director, officer, employee or shareholder in such capacity or as to which the Delaware General Corporation Law confers jurisdiction upon the Court of Chancery. This exclusive forum provision may limit a shareholder's ability to bring a claim in a judicial forum that the shareholder finds favorable for disputes with us or our directors, officers, employees or shareholders in such capacity, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our bylaws inapplicable to, or unenforceable in respect of, the claims as to which they are intended to apply, then we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

United States

The Walmart U.S. and Sam's Club segments comprise the Company's operations in the U.S. As of January 31, 2020, unit counts for Walmart U.S. and Sam's Club are summarized by format for each state and territory as follows:

State or Territory	Walmart U.S.			Sam's Club	
	Supercenters	Discount Stores	Neighborhood Markets and other small formats	Clubs	Grand Total
Alabama	101	1	29	13	144
Alaska	7	2	—	—	9
Arizona	83	2	28	12	125
Arkansas	76	5	37	9	127
California	142	71	78	29	320
Colorado	70	4	18	17	109
Connecticut	12	21	1	1	35
Delaware	6	3	—	1	10
Florida	232	9	99	46	386
Georgia	154	2	36	24	216
Hawaii	—	10	—	2	12
Idaho	23	—	3	1	27
Illinois	139	15	12	25	191
Indiana	97	6	11	13	127
Iowa	58	2	—	9	69
Kansas	58	2	15	9	84
Kentucky	78	7	9	9	103
Louisiana	88	2	34	14	138
Maine	19	3	—	3	25
Maryland	30	18	3	11	62
Massachusetts	27	21	4	—	52
Michigan	91	3	11	23	128
Minnesota	65	3	1	12	81
Mississippi	65	3	11	7	86
Missouri	112	9	18	19	158
Montana	14	—	—	2	16
Nebraska	35	—	7	5	47
Nevada	30	2	11	7	50
New Hampshire	19	7	—	2	28
New Jersey	34	28	1	8	71
New Mexico	35	2	9	7	53
New York	80	17	10	12	119
North Carolina	144	6	46	22	218
North Dakota	14	—	—	3	17
Ohio	139	6	4	27	176
Oklahoma	81	8	35	13	137
Oregon	29	7	10	—	46
Pennsylvania	116	20	4	24	164
Puerto Rico	13	5	12	7	37
Rhode Island	5	4	—	—	9

South Carolina	84	—	26	13	123
South Dakota	15	—	—	2	17
Tennessee	117	1	20	14	152
Texas	392	18	111	82	603
Utah	41	—	13	8	62
Vermont	3	3	—	—	6
Virginia	110	4	22	15	151
Washington	52	10	5	—	67
Washington D.C.	3	—	2	—	5
West Virginia	38	—	1	5	44
Wisconsin	83	4	2	10	99
Wyoming	12	—	—	2	14
U.S. total	3,571	376	809	599	5,355
Square feet (in thousands)	634,287	39,557	29,474	80,239	783,557

International

The Walmart International segment comprises the Company's operations outside of the U.S. Unit counts as of January 31, 2020⁽¹⁾ for Walmart International are summarized by major category for each geographic market as follows:

Geographic Market	Retail	Wholesale	Other ⁽²⁾	Total	Square feet ⁽³⁾
Africa ⁽⁴⁾	351	91	—	442	24,754
Argentina	92	—	—	92	8,095
Canada	408	—	—	408	52,936
Central America ⁽⁵⁾	836	—	—	836	13,460
Chile	362	5	—	367	15,992
China	412	26	—	438	70,163
India	—	28	—	28	1,514
Japan	333	—	—	333	19,832
Mexico	2,408	163	—	2,571	100,643
United Kingdom	613	—	18	631	37,560
International total	5,815	313	18	6,146	344,949

- (1) Walmart International unit counts, with the exception of Canada, are as of December 31, 2019, to correspond with the balance sheet date of the related geographic market. Canada unit counts are as of January 31, 2020.
- (2) Other includes stand-alone gas stations.
- (3) Square feet reported in thousands.
- (4) Africa unit counts primarily reside in South Africa, with other locations in Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, South Africa, Swaziland, Tanzania, Uganda and Zambia.
- (5) Central America unit counts reside in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

Owned and Leased Properties

The following table provides further details of our retail units and distribution facilities, including return facilities and dedicated eCommerce fulfillment centers, as of January 31, 2020:

	Owned	Leased ⁽¹⁾	Total
U.S. properties			
Walmart U.S. retail units	4,069	687	4,756
Sam's Club retail units	513	86	599
Total U.S. retail units	4,582	773	5,355
Walmart U.S. distribution facilities	108	54	162
Sam's Club distribution facilities	11	14	25
Total U.S. distribution facilities	119	68	187
Total U.S. properties	4,701	841	5,542
International properties			
Africa	37	405	442
Argentina	67	25	92
Canada	124	284	408
Central America	346	490	836
Chile	196	171	367
China	2	436	438
India	2	26	28
Japan	54	279	333
Mexico	693	1,878	2,571
United Kingdom	432	199	631
Total International retail units	1,953	4,193	6,146
International distribution facilities	34	187	221
Total International properties	1,987	4,380	6,367
Total properties	6,688	5,221	11,909
Total retail units			
	6,535	4,966	11,501
Total distribution facilities			
	153	255	408
Total properties	6,688	5,221	11,909

(1) Also includes U.S. and international distribution facilities which are third-party owned and operated.

We own office facilities in Bentonville, Arkansas, that serve as our principal office and own and lease office facilities throughout the U.S. and internationally for operations as well as for field and market management. The land on which our stores are located is either owned or leased by the Company. We use independent contractors to construct our buildings. All store leases provide for annual rentals, some of which escalate during the original lease or provide for additional rent based on sales volume. Substantially all of the Company's store and club leases have renewal options, some of which include rent escalation clauses.

For further information on our distribution centers, see the caption "Distribution" provided for each of our segments under "[Item 1. Business](#)."

ITEM 3. LEGAL PROCEEDINGS

I. SUPPLEMENTAL INFORMATION: We discuss certain legal proceedings in [Note 10](#) to our Consolidated Financial Statements, entitled "Contingencies," which is included in [Part II, Item 8](#), Financial Statements and Supplementary Data of this Annual Report on Form 10-K. We refer you to that discussion for important information concerning those legal proceedings, including the basis for such actions and, where known, the relief sought.

We provide the following additional information concerning those legal proceedings, including the name of the lawsuit, the court in which the lawsuit is pending, and the date on which the petition commencing the lawsuit was filed.

Asda Equal Value Claims: Ms S Brierley & Others v ASDA Stores Ltd (2406372/2008 & Others - Manchester Employment Tribunal); ASDA Stores Ltd v Brierley & Ors (A2/2016/0973 - United Kingdom Court of Appeal); ASDA Stores Ltd v Ms S Brierley & Others (UKEAT/0059/16/DM - United Kingdom Employment Appeal Tribunal); ASDA Stores Ltd v Ms S Brierley & Others (UKEAT/0009/16/JOJ - United Kingdom Employment Appeal Tribunal).

National Prescription Opiate Litigation: *In re National Prescription Opiate Litigation* (MDL No. 2804) (the "MDL"). The MDL is pending in the U.S. District Court for the Northern District of Ohio and includes over 2,000 cases as of March 6, 2020; some cases are in the process of being transferred to the MDL or have remand motions pending; and there are over 200 additional state cases, including those remanded to state court, pending as of March 6, 2020. The case citations for the state cases are listed on Exhibit 99.1 to this Form 10-K.

II. CERTAIN OTHER MATTERS: The Company has received grand jury subpoenas issued by the United States Attorney's Office for the Middle District of Pennsylvania seeking documents regarding the Company's consumer fraud program and anti-money laundering compliance related to the Company's money transfer services, where Walmart is an agent. The most recent subpoena was issued in January 2020. The Company has been responding to these subpoenas. The Company has also been responding to civil investigative demands from the United States Federal Trade Commission related to money transfers and the Company's anti-fraud program. Due to the investigative stage of these matters, the Company is unable to predict the outcome of the investigations by the governmental entities. While the Company does not currently believe that the outcome of these matters will have a material adverse effect on its business, financial condition, results of operations or cash flows, the Company can provide no assurance as to the scope and outcome of these matters and whether its business, financial position, results of operations or cash flows will not be materially adversely affected.

III. ENVIRONMENTAL MATTERS: Item 103 of SEC Regulation S-K requires disclosure of certain environmental matters. The following matters are disclosed in accordance with that requirement. For the matters listed below, management does not believe any possible loss or the range of any possible loss that may be incurred in connection with each matter, individually or in the aggregate, will be material to the Company's financial condition or results of operations.

In September 2018, the United States Environmental Protection Agency (the "EPA") notified the Company that it had initiated an administrative penalty action by issuing a Draft Consent Agreement and Final Order. The letter accompanying the Draft Consent Agreement and Final Order alleges that the Company distributed and/or sold three unregistered pesticide products from March to June, 2017. The EPA is seeking a penalty of \$960,000. The manufacturer of the product is responsible for ensuring that a FIFRA-regulated product is properly registered prior to its sale. The Company is cooperating with the EPA.

In January 2018, the Environmental Prosecutor of the State of Chiapas (Procuraduría Ambiental del Estado de Chiapas) in Mexico imposed a fine of approximately \$163,000 for the absence of an Environmental Impact Authorization License related to the store Mi Bodega Las Rosas. The Company is challenging the fine.

In April 2017, the California Air Resources Board (the "ARB") notified the Company that it had taken the position that retailers are required to use unclaimed deposits collected on sales of small containers of automotive refrigerant to fund certain consumer education programs. The ARB alleged that the Company had improperly retained approximately \$4.2 million in unclaimed deposits and has sought reimbursement. The Company has denied any wrongdoing.

In April 2013, a subsidiary of the Company, Corporacion de Compañías Agroindustriales, operating in Costa Rica, became aware that the Municipality of Curridabat is seeking a penalty of approximately \$380,000 in connection with the construction of a retaining wall for a perishables distribution center that is situated along a protected river bank.

The subsidiary obtained permits from the Municipality and the Secretaria Técnica Nacional Ambiental at the time of construction, but the Municipality now alleges that the wall is non-conforming.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Common Stock

Walmart's common stock is listed for trading on the New York Stock Exchange, which is the primary market for Walmart's common stock. The common stock trades under the symbol "WMT."

Holders of Record of Common Stock

As of March 18, 2020, there were 217,840 holders of record of Walmart's common stock.

Stock Performance Chart

This graph compares the cumulative total shareholder return on Walmart's common stock during the five fiscal years ending through fiscal 2020 to the cumulative total returns on the S&P 500 Retailing Index and the S&P 500 Index. The comparison assumes \$100 was invested on February 1, 2015, in shares of our common stock and in each of the indices shown and assumes that all of the dividends were reinvested.

chart-e0136b22e41054aca47.jpg

*Assumes \$100 Invested on February 1, 2015
Assumes Dividends Reinvested
Fiscal Year Ending January 31, 2020

	Fiscal Years Ended January 31,					
	2015	2016	2017	2018	2019	2020
Walmart Inc.	\$ 100.00	\$ 80.25	\$ 83.06	\$ 136.08	\$ 125.24	\$ 152.65
S&P 500 Index	100.00	99.33	119.24	150.73	147.24	179.17
S&P 500 Retailing Index	100.00	118.07	140.38	203.32	216.05	253.36

Issuer Repurchases of Equity Securities

From time to time, we repurchase shares of our common stock under share repurchase programs authorized by the Company's Board of Directors. All repurchases made during fiscal 2020 were made under the current \$20.0 billion share repurchase program approved in October 2017, which has no expiration date or other restrictions limiting the period over which the Company can make share repurchases. As of January 31, 2020, authorization for \$5.7 billion of share repurchases remained. Any repurchased shares are constructively retired and returned to an unissued status.

Share repurchase activity under our share repurchase programs, on a trade date basis, for each month in the quarter ended January 31, 2020, was as follows:

Fiscal Period	Total Number of Shares Repurchased	Average Price Paid per Share (in dollars)	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Repurchased Under the Plans or Programs ⁽¹⁾ (in billions)
November 1-30, 2019	2,396,857	\$ 119.37	2,396,857	\$ 6.3
December 1-31, 2019	2,494,584	119.52	2,494,584	6.0
January 1-31, 2020	2,627,813	116.14	2,627,813	5.7
Total	7,519,254		7,519,254	

(1) Represents the approximate dollar value of shares that could have been repurchased at the end of the month.

ITEM 6. SELECTED FINANCIAL DATA

Five-Year Financial Summary

Walmart Inc.

	As of and for the Fiscal Years Ended January 31,				
(Amounts in millions, except per share and unit count data)	2020	2019	2018	2017	2016
Operating results					
Total revenues	\$ 523,964	\$ 514,405	\$ 500,343	\$ 485,873	\$ 482,130
Percentage change in total revenues from previous fiscal year	1.9 %	2.8 %	3.0 %	0.8 %	(0.7) %
Net sales	\$ 519,926	\$ 510,329	\$ 495,761	\$ 481,317	\$ 478,614
Percentage change in net sales from previous fiscal year	1.9 %	2.9 %	3.0 %	0.6 %	(0.7) %
Increase (decrease) in calendar comparable sales ⁽¹⁾ in the U.S.	2.7 %	4.0 %	2.2 %	1.4 %	0.3 %
Walmart U.S.	2.9 %	3.7 %	2.1 %	1.6 %	1.0 %
Sam's Club	1.6 %	5.4 %	2.8 %	0.5 %	(3.2) %
Gross profit margin	24.1 %	24.5 %	24.7 %	24.9 %	24.6 %
Operating, selling, general and administrative expenses, as a percentage of net sales	20.9 %	21.0 %	21.5 %	21.2 %	20.3 %
Operating income	\$ 20,568	\$ 21,957	\$ 20,437	\$ 22,764	\$ 24,105
Interest, net	2,410	2,129	2,178	2,267	2,467
Loss on extinguishment of debt	—	—	3,136	—	—
Other (gains) and losses	(1,958)	8,368	—	—	—
Consolidated net income attributable to Walmart	14,881	6,670	9,862	13,643	14,694
Diluted net income per common share attributable to Walmart	\$ 5.19	\$ 2.26	\$ 3.28	\$ 4.38	\$ 4.57
Dividends declared per common share	2.12	2.08	2.04	2.00	1.96
Financial position⁽²⁾					
Total assets	\$ 236,495	\$ 219,295	\$ 204,522	\$ 198,825	\$ 199,581
Long-term debt and long-term lease obligations (excluding amounts due within one year)	64,192	50,203	36,825	42,018	44,030
Total Walmart shareholders' equity	74,669	72,496	77,869	77,798	80,546
Unit counts					
Walmart U.S. segment	4,756	4,769	4,761	4,672	4,574
Walmart International segment	6,146	5,993	6,360	6,363	6,299

Sam's Club segment	599	599	597	660	655
Total units	11,501	11,361	11,718	11,695	11,528

- (1) Comparable sales include sales from stores and clubs open for the previous 12 months, including sales from acquisitions when such acquisitions have been owned for 12 months. Sales at a store that has changed in format are excluded from comparable sales when the conversion of that store is accompanied by a relocation or expansion that results in a change in the store's retail square feet of more than five percent. Comparable sales include fuel.
- (2) As described in [Note 1](#) to our Consolidated Financial Statements, on February 1, 2019, the Company adopted ASU 2016-02, *Leases (Topic 842)* under the modified retrospective approach, and thus financial statements prior to fiscal 2020 were not recast for the adoption of this standard.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

This discussion, which presents our results for the fiscal years ended January 31, 2020 ("fiscal 2020"), January 31, 2019 ("fiscal 2019") and January 31, 2018 ("fiscal 2018") should be read in conjunction with our Consolidated Financial Statements and the accompanying notes. We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from period to period and the primary factors that accounted for those changes. We also discuss certain performance metrics that management uses to assess the Company's performance. Additionally, the discussion provides information about the financial results of each of the three segments to provide a better understanding of how each of those segments and its results of operations affect the financial condition and results of operations of the Company as a whole.

Throughout this Item 7, we discuss segment operating income, comparable store and club sales and other measures. Management measures the results of the Company's segments using each segment's operating income, including certain corporate overhead allocations, as well as other measures. From time to time, we revise the measurement of each segment's operating income and other measures as determined by the information regularly reviewed by our chief operating decision maker.

Management also measures the results of comparable store and club sales, or comparable sales, a metric that indicates the performance of our existing stores and clubs by measuring the change in sales for such stores and clubs, including eCommerce sales, for a particular period from the corresponding period in the previous year. Walmart's definition of comparable sales includes sales from stores and clubs open for the previous 12 months, including remodels, relocations, expansions and conversions, as well as eCommerce sales. We measure the eCommerce sales impact by including all sales initiated online or through mobile applications, including omni-channel transactions which are fulfilled through our stores and clubs. Sales at a store that has changed in format are excluded from comparable sales when the conversion of that store is accompanied by a relocation or expansion that results in a change in the store's retail square feet of more than five percent. Additionally, sales related to acquisitions are excluded until such acquisitions have been owned for 12 months. Comparable sales are also referred to as "same-store" sales by others within the retail industry. The method of calculating comparable sales varies across the retail industry. As a result, our calculation of comparable sales is not necessarily comparable to similarly titled measures reported by other companies.

Beginning with the first quarter of fiscal 2020, we updated our definition of what was previously referred to as traffic (a component, along with ticket, of comparable sales). Traffic is now referred to as "transactions" and measures a percentage change in the number of sales transactions in our comparable stores, as well as for comparable eCommerce activity.

In discussing our operating results, the term currency exchange rates refers to the currency exchange rates we use to convert the operating results for countries where the functional currency is not the U.S. dollar into U.S. dollars or for countries experiencing hyperinflation. We calculate the effect of changes in currency exchange rates as the difference between current period activity translated using the current period's currency exchange rates and the comparable prior year period's currency exchange rates. Additionally, no currency exchange rate fluctuations are calculated for non-USD acquisitions until owned for 12 months. Throughout our discussion, we refer to the results of this calculation as the impact of currency exchange rate fluctuations. Volatility in currency exchange rates may impact the results, including net sales and operating income, of the Company and the Walmart International segment in the future.

Our business is seasonal to a certain extent due to calendar events and national and religious holidays, as well as weather patterns. Generally, our highest sales volume and operating income have occurred in the fiscal quarter ending January 31.

We have taken strategic actions to strengthen our portfolio for the long-term, including:

- Acquisition of 81 percent of the outstanding shares, or 77 percent of the diluted shares, of Flipkart Private Limited ("Flipkart") in August 2018, which negatively impacted fiscal 2020 and 2019 net income. Refer to [Note 12](#) for additional information on the transaction.
-

Divestiture of 80 percent of Walmart Brazil to Advent International ("Advent") in August 2018, for which we recorded a pre-tax loss of \$4.8 billion in fiscal 2019. Refer to [Note 12](#) for additional information on the transaction.

- Divestiture of banking operations in Walmart Chile and Walmart Canada in December 2018 and April 2019, respectively.
- Asda made a \$1.0 billion cash contribution to the Asda Group Pension Scheme (the "Plan") in October 2019 which enabled the Plan to purchase a bulk insurance annuity contract for the benefit of Plan participants in anticipation that each Plan participant will be issued an individual annuity contract. The issuer of the individual annuity insurance contracts will be solely responsible for paying each participant's benefits in full and will release the Plan and Asda from any future obligations. Once all Plan participants have been issued individual annuity contracts, we currently

estimate that we will recognize a total, pre-tax charge of approximately \$2.2 billion related to the pension settlement in late fiscal 2021 or early fiscal 2022. Refer to [Note 11](#) for additional information on the transaction.

We operate in the highly competitive omni-channel retail industry in all of the markets we serve. We face strong sales competition from other discount, department, drug, dollar, variety and specialty stores, warehouse clubs and supermarkets, as well as eCommerce businesses. Many of these competitors are national, regional or international chains or have a national or international omni-channel or eCommerce presence. We compete with a number of companies for attracting and retaining quality employees ("associates"). We, along with other retail companies, are influenced by a number of factors including, but not limited to: catastrophic events, weather, global health epidemics, competitive pressures, consumer disposable income, consumer debt levels and buying patterns, consumer credit availability, cost of goods, currency exchange rate fluctuations, customer preferences, deflation, inflation, fuel and energy prices, general economic conditions, insurance costs, interest rates, labor costs, tax rates, the imposition of tariffs, cybersecurity attacks and unemployment. Additionally, we are monitoring the potential impact of the recent coronavirus outbreak to our global business. Its financial impact is unknown at this time. Further information on the factors that can affect our operating results and on certain risks to our Company and an investment in its securities can be found herein under "[Item 1A. Risk Factors](#)," and under "[Cautionary Statement Regarding Forward-Looking Statements](#)."

Company Performance Metrics

We are committed to helping customers save money and live better through everyday low prices, supported by everyday low costs. At times, we adjust our business strategies to maintain and strengthen our competitive positions in the countries in which we operate. We define our financial framework as:

- strong, efficient growth;
- consistent operating discipline; and
- strategic capital allocation.

As we execute on this financial framework, we believe our returns on capital will improve over time.

Strong, Efficient Growth

Our objective of prioritizing strong, efficient growth means we will focus on the most productive growth opportunities, increasing comparable store and club sales, accelerating eCommerce sales growth and expanding omni-channel initiatives while slowing the rate of growth of new stores and clubs. At times, we make strategic investments which are focused on the long-term growth of the Company.

Comparable sales is a metric that indicates the performance of our existing stores and clubs by measuring the change in sales for such stores and clubs, including eCommerce sales, for a particular period over the corresponding period in the previous year. The retail industry generally reports comparable sales using the retail calendar (also known as the 4-5-4 calendar). To be consistent with the retail industry, we provide comparable sales using the retail calendar in our quarterly earnings releases. However, when we discuss our comparable sales below, we are referring to our calendar comparable sales calculated using our fiscal calendar, which may result in differences when compared to comparable sales using the retail calendar.

Calendar comparable sales, as well as the impact of fuel, for fiscal 2020 and 2019, were as follows:

	Fiscal Years Ended January 31,			
	2020	2019	2020	2019
	With Fuel		Fuel Impact	
Walmart U.S.	2.9%	3.7%	0.0%	0.1%
Sam's Club	1.6%	5.4%	0.8%	1.6%
Total U.S.	2.7%	4.0%	0.1%	0.4%

Walmart U.S. comparable sales increased 2.9% and 3.7% in fiscal 2020 and 2019, respectively, driven by ticket and transactions growth. Walmart U.S. eCommerce sales positively contributed approximately 1.7% and 1.3% to comparable sales for fiscal 2020 and 2019, respectively, as we continue to focus on a seamless omni-channel experience for our customers. Sam's Club comparable sales increased 1.6% and 5.4% in fiscal 2020 and 2019,

respectively. Sam's Club comparable sales for both fiscal 2020 and 2019 benefited from growth in transactions and higher fuel sales, which were partially offset by lower ticket due to our decision to remove tobacco from certain club locations. Sam's Club fiscal 2019 comparable sales were further aided by transfers of sales from our closed clubs to our existing clubs. Sam's Club eCommerce sales positively contributed approximately 1.5% and 0.9% to comparable sales for fiscal 2020 and 2019, respectively.

Consistent Operating Discipline

We operate with discipline by managing expenses, optimizing the efficiency of how we work and creating an environment in which we have sustainable lowest cost to serve. We invest in technology and process improvements to increase productivity, manage inventory and reduce costs. We measure operating discipline through expense leverage, which we define as net sales growing at a faster rate than operating, selling, general and administrative expenses.

<i>(Amounts in millions, except unit counts)</i>	Fiscal Years Ended January 31,	
	2020	2019
Net sales	\$ 519,926	\$ 510,329
Percentage change from comparable period	1.9 %	2.9 %
Operating, selling, general and administrative expenses	\$ 108,791	\$ 107,147
Percentage change from comparable period	1.5 %	0.6 %
Operating, selling, general and administrative expenses as a percentage of net sales	20.9 %	21.0 %

For fiscal 2020, operating, selling, general and administrative ("operating") expenses as a percentage of net sales decreased 8 basis points, when compared to the previous fiscal year due to our focus on expense management combined with our growth in comparable store sales. These improvements were partially offset by \$0.9 billion in business restructuring charges consisting primarily of non-cash impairment charges for certain trade names, acquired developed technology, and other business restructuring charges due to strategic decisions that resulted in the write down of certain assets in the Walmart U.S. and Walmart International segments.

For fiscal 2019, operating expenses as a percentage of net sales decreased 48 basis points, when compared to the previous fiscal year. The primary drivers of the expense leverage were strong sales performance in conjunction with productivity improvements and lapping of certain fiscal 2018 charges. The improvements in fiscal 2019 were partially offset by additional investments in eCommerce and technology, as well as a \$160 million charge related to a securities class action lawsuit.

Strategic Capital Allocation

Our strategy includes improving our customer-facing initiatives in stores and clubs and creating a seamless omni-channel experience for our customers. As such, we are allocating more capital to eCommerce, technology, supply chain, and store remodels and less to new store and club openings, when compared to prior years. Total fiscal 2020 capital expenditures increased slightly compared to the prior year; the following table provides additional detail:

<i>(Amounts in millions)</i>	Fiscal Years Ended January 31,	
	2020	2019
Allocation of Capital Expenditures		
eCommerce, technology, supply chain and other	\$ 5,643	\$ 5,218
Remodels	2,184	2,152
New stores and clubs, including expansions and relocations	77	313
Total U.S.	\$ 7,904	\$ 7,683
Walmart International	2,801	2,661
Total capital expenditures	<u>\$ 10,705</u>	<u>\$ 10,344</u>

Returns

As we execute our financial framework, we believe our return on capital will improve over time. We measure return on capital with our return on assets, return on investment and free cash flow metrics. We also provide returns in the form of share repurchases and dividends, which are discussed in the [Liquidity and Capital Resources](#) section.

Return on Assets and Return on Investment

We include Return on Assets ("ROA"), the most directly comparable measure based on our financial statements presented in accordance with generally accepted accounting principles in the U.S. ("GAAP"), and Return on Investment ("ROI") as metrics to assess returns on assets. While ROI is considered a non-GAAP financial measure, management believes ROI is a meaningful metric to share with investors because it helps investors assess how effectively Walmart is deploying its assets. Trends in ROI can fluctuate over time as management balances long-term strategic initiatives with possible short-term impacts. ROA was 6.7% and 3.4% for fiscal 2020 and 2019,

respectively. The increase in ROA was primarily due to the increase in consolidated net income primarily due to the change in fair value of the investment in JD.com and lapping the \$4.5 billion net loss recorded in fiscal 2019 related to the sale of the majority stake in Walmart Brazil, partially offset by the dilution to operating income related to Flipkart. ROI was 13.4% and 14.2% for fiscal 2020 and 2019, respectively. The decrease in ROI was due to the decrease in operating income primarily as a result of the dilution from Flipkart as well as business restructuring charges recorded in fiscal 2020. The denominator remained relatively flat as the increase in average total assets due to the acquisition of Flipkart was offset by the decrease in average invested capital resulting from the removal of the eight times rent factor upon adoption of ASU 2016-02, *Leases* ("ASU 2016-02") since operating lease right of use assets are now included in total assets.

We define ROI as operating income plus interest income, depreciation and amortization, and rent expense for the trailing 12 months divided by average invested capital during that period. We consider average invested capital to be the average of our beginning and ending total assets, plus average accumulated depreciation and average amortization, less average accounts payable and average accrued liabilities for that period. Upon adoption of ASU 2016-02, rent for the trailing 12 months multiplied by a factor of 8 is no longer included in the calculation of ROI on a prospective basis as operating lease assets are now capitalized. For fiscal 2020, lease related assets and associated accumulated amortization are included in the denominator at their carrying amount as of the current balance sheet date, rather than averaged, because they are no longer directly comparable to the prior year calculation which included rent for the trailing 12 months multiplied by a factor of 8. A two-point average will be used for leased assets beginning in fiscal 2021, after one full year from the date of adoption of the new lease standard. Further, beginning prospectively in fiscal 2020, rent expense in the numerator excludes short-term and variable lease costs as these costs are not included in the operating lease right of use asset balance.

Prior to adoption of ASU 2016-02, we defined ROI as operating income plus interest income, depreciation and amortization, and rent expense for the trailing 12 months divided by average invested capital during that period. We considered average invested capital to be the average of our beginning and ending total assets, plus average accumulated depreciation and average amortization, less average accounts payable and average accrued liabilities for that period, plus a rent factor equal to the rent for the fiscal year or trailing 12 months multiplied by a factor of 8, which estimated the hypothetical capitalization of our operating leases. Because the new lease standard was adopted under the modified retrospective approach as of February 1, 2019, our calculation of ROI for fiscal 2019 was not revised.

Our calculation of ROI is considered a non-GAAP financial measure because we calculate ROI using financial measures that exclude and include amounts that are included and excluded in the most directly comparable GAAP financial measure. For example, we exclude the impact of depreciation and amortization from our reported operating income in calculating the numerator of our calculation of ROI. As mentioned above, we consider ROA to be the financial measure computed in accordance with generally accepted accounting principles most directly comparable to our calculation of ROI. ROI differs from ROA (which is consolidated net income for the period divided by average total assets for the period) because ROI: adjusts operating income to exclude certain expense items and adds interest income; and adjusts total assets for the impact of accumulated depreciation and amortization, accounts payable and accrued liabilities to arrive at total invested capital. Because of the adjustments mentioned above, we believe ROI more accurately measures how we are deploying our key assets and is more meaningful to investors than ROA. Although ROI is a standard financial measure, numerous methods exist for calculating a company's ROI. As a result, the method used by management to calculate our ROI may differ from the methods used by other companies to calculate their ROI.

The calculation of ROA and ROI, along with a reconciliation of ROI to the calculation of ROA, the most comparable GAAP financial measure, is as follows:

	Fiscal Years Ended January 31,	
	2020	2019
<i>(Amounts in millions)</i>		
CALCULATION OF RETURN ON ASSETS		
Numerator		
Consolidated net income	\$ 15,201	\$ 7,179
Denominator		
Average total assets ⁽¹⁾	\$ 227,895	\$ 211,909
Return on assets (ROA)	6.7%	3.4%
CALCULATION OF RETURN ON INVESTMENT		
Numerator		
Operating income	\$ 20,568	\$ 21,957
+ Interest income	189	217
+ Depreciation and amortization	10,987	10,678
+ Rent	2,670	3,004
ROI operating income	\$ 34,414	\$ 35,856
Denominator		

Average total assets ^{(1), (2)}	\$	235,277	\$	211,909
+ Average accumulated depreciation and amortization ^{(1), (2)}		90,351		85,107
- Average accounts payable ⁽¹⁾		47,017		46,576
- Average accrued liabilities ⁽¹⁾		22,228		22,141
+ Rent x 8		N/A		24,032
Average invested capital	\$	256,383	\$	252,331
Return on investment (ROI)		<u>13.4 %</u>		<u>14.2 %</u>

	As of January 31,		
	2020	2019	2018
Certain Balance Sheet Data			
Total assets	\$ 236,495	\$ 219,295	\$ 204,522
Leased assets, net	21,841	7,078	NP
Total assets without leased assets, net	214,654	212,217	NP
Accumulated depreciation and amortization	94,514	87,175	83,039
Accumulated amortization on leased assets	4,694	5,682	NP
Accumulated depreciation and amortization, without leased assets	89,820	81,493	NP
Accounts payable	46,973	47,060	46,092
Accrued liabilities	22,296	22,159	22,122

(1) The average is based on the addition of the account balance at the end of the current period to the account balance at the end of the corresponding prior period and dividing by 2. Average total assets as used in ROA includes the average impact of the adoption of ASU 2016-02

(2) For fiscal 2020, as a result of adopting ASU 2016-02, average total assets is based on the average of total assets without leased assets, net plus leased assets, net as of January 31, 2020. Average accumulated depreciation and amortization is based on the average of accumulated depreciation and amortization, without leased assets plus accumulated amortization on leased assets as of January 31, 2020.

NP = Not provided.

Free Cash Flow

Free cash flow is considered a non-GAAP financial measure. Management believes, however, that free cash flow, which measures our ability to generate additional cash from our business operations, is an important financial measure for use in evaluating the Company's financial performance. Free cash flow should be considered in addition to, rather than as a substitute for, consolidated net income as a measure of our performance and net cash provided by operating activities as a measure of our liquidity. See [Liquidity and Capital Resources](#) for discussions of GAAP metrics including net cash provided by operating activities, net cash used in investing activities and net cash used in financing activities.

We define free cash flow as net cash provided by operating activities in a period minus payments for property and equipment made in that period. We had net cash provided by operating activities of \$25.3 billion, \$27.8 billion and \$28.3 billion for fiscal 2020, 2019 and 2018, respectively. We generated free cash flow of \$14.6 billion, \$17.4 billion and \$18.3 billion for fiscal 2020, 2019 and 2018, respectively. Net cash provided by operating activities for fiscal 2020 declined when compared to fiscal 2019 primarily due to the contribution to our Asda pension plan in anticipation of its future settlement, the inclusion of a full year of Flipkart operations, and the timing of vendor payments. Free cash flow for fiscal 2020 declined when compared to fiscal 2019 due to the same reasons as the decline in net cash provided by operating activities, as well as \$0.4 billion in increased capital expenditures. Net cash provided by operating activities for fiscal 2019 declined when compared to fiscal 2018 was primarily due to timing of vendor payments, partially offset by lower tax payments mainly resulting from the Tax Act and the timing of tax payments. Free cash flow for fiscal 2019 declined when compared to fiscal 2018 due to the same reasons as the decline in net cash provided by operating activities, as well as \$0.3 billion in increased capital expenditures.

Walmart's definition of free cash flow is limited in that it does not represent residual cash flows available for discretionary expenditures due to the fact that the measure does not deduct the payments required for debt service and other contractual obligations or payments made for business acquisitions. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our [Consolidated Statements of Cash Flows](#).

Although other companies report their free cash flow, numerous methods may exist for calculating a company's free cash flow. As a result, the method used by management to calculate our free cash flow may differ from the methods used by other companies to calculate their free cash flow.

The following table sets forth a reconciliation of free cash flow, a non-GAAP financial measure, to net cash provided by operating activities, which we believe to be the GAAP financial measure most directly comparable to free cash flow, as well as information regarding net cash used in investing activities and net cash used in financing activities.

	Fiscal Years Ended January 31,		
	2020	2019	2018
(Amounts in millions)			
Net cash provided by operating activities	\$ 25,255	\$ 27,753	\$ 28,337

Payments for property and equipment	(10,705)	(10,344)	(10,051)
Free cash flow	<u><u>\$ 14,550</u></u>	<u><u>\$ 17,409</u></u>	<u><u>\$ 18,286</u></u>
Net cash used in investing activities ⁽¹⁾	\$ (9,128)	\$ (24,036)	\$ (9,079)
Net cash used in financing activities	(14,299)	(2,537)	(19,875)

(1) "Net cash used in investing activities" includes payments for property and equipment, which is also included in our computation of free cash flow.

Results of Operations

Consolidated Results of Operations

(Amounts in millions, except unit counts)	Fiscal Years Ended January 31,		
	2020	2019	2018
Total revenues	\$ 523,964	\$ 514,405	\$ 500,343
Percentage change from comparable period	1.9 %	2.8 %	3.0 %
Net sales	\$ 519,926	\$ 510,329	\$ 495,761
Percentage change from comparable period	1.9 %	2.9 %	3.0 %
Total U.S. calendar comparable sales increase	2.7 %	4.0 %	2.2 %
Gross profit rate	24.1 %	24.5 %	24.7 %
Operating income	\$ 20,568	\$ 21,957	\$ 20,437
Operating income as a percentage of net sales	4.0 %	4.3 %	4.1 %
Consolidated net income	\$ 15,201	\$ 7,179	\$ 10,523
Unit counts at period end ⁽¹⁾	11,501	11,361	11,718
Retail square feet at period end ⁽¹⁾	1,129	1,129	1,158

(1) Unit counts and associated retail square feet are presented for stores and clubs generally open as of period end. Permanently closed locations are not included.

Our total revenues, which includes net sales and membership and other income, increased \$9.6 billion or 1.9% and \$14.1 billion or 2.8% for fiscal 2020 and 2019, respectively, when compared to the previous fiscal year. These increases in revenues were due to increases in net sales, which increased \$9.6 billion or 1.9% and \$14.6 billion or 2.9% for fiscal 2020 and 2019, respectively, when compared to the previous fiscal year. For fiscal 2020, net sales were positively impacted by overall positive comparable sales for Walmart U.S. and Sam's Club segments, along with the addition of net sales from Flipkart, which we acquired in August 2018, and positive comparable sales in the majority of our international markets. These increases were partially offset by \$4.1 billion of negative impact from fluctuations in currency exchange rates in fiscal 2020 and our sale of the majority stake in Walmart Brazil in August 2018. For fiscal 2019, net sales were positively impacted by overall positive comparable sales for Walmart U.S. and Sam's Club segments, along with positive comparable sales in the majority of our International markets and net sales from Flipkart, which we acquired in the third quarter of fiscal 2019. Additionally, for fiscal 2019, the increase in net sales was partially offset by a \$4.5 billion decrease in net sales due to club closures in the Sam's Club segment during fiscal 2018, a \$3.1 billion reduction in net sales due to the sale of the majority stake in Walmart Brazil in the International segment, and \$0.7 billion of negative impact from fluctuations in currency exchange rates.

Our gross profit rate decreased 40 and 18 basis points for fiscal 2020 and 2019, respectively, when compared to the previous fiscal year. For fiscal 2020, these decreases were primarily due to price investment in the Walmart U.S. segment and the addition of Flipkart in the Walmart International segment, partially offset by favorable merchandise mix including strength in private brands and less pressure from transportation costs in the Walmart U.S. segment. For fiscal 2019, the decrease was due to the mix effects from our growing eCommerce business, the acquisition of Flipkart, our planned pricing strategy and increased transportation expenses.

For fiscal 2020, operating expenses as a percentage of net sales decreased 8 basis points, when compared to the same period in the previous fiscal year due to our focus on expense management combined with our growth in comparable store sales. These improvements were partially offset by \$0.9 billion in business restructuring charges consisting primarily of non-cash impairment charges for certain trade names, acquired developed technology, and other business restructuring charges due to strategic decisions that resulted in the write down of certain assets in the Walmart U.S. and Walmart International segments.

For fiscal 2019, operating expenses as a percentage of net sales decreased 48 basis points, when compared to the previous fiscal year. The primary drivers of the expense leverage were strong sales performance in conjunction with productivity improvements and lapping approximately \$1.8 billion in certain charges in fiscal 2018. The improvements in fiscal 2019 were partially offset by additional investments in eCommerce and technology, as well as a \$0.2 billion charge related to a securities class action lawsuit.

Other gains and losses consisted of a gain of \$2.0 billion for fiscal 2020 and a loss of \$8.4 billion for fiscal 2019. The gain in fiscal 2020 was primarily the result of a \$1.9 billion increase in the market value of our investment in JD.com. The loss in fiscal 2019 is primarily the result of the \$4.8 billion pre-tax loss on the sale of the majority stake

in Walmart Brazil and a \$3.5 billion decrease in the market value of our investment in JD.com. Fiscal 2018 results included loss on extinguishment of debt of \$3.1 billion.

Our effective income tax rate was 24.4% for fiscal 2020, 37.4% for fiscal 2019, and 30.4% for fiscal 2018. The decrease in our effective tax rate for fiscal 2020 is primarily due to the fiscal 2019 loss on sale of a majority stake in Walmart Brazil, which increased the comparative period's effective tax rate, as it provided minimal realizable tax benefit. The increase in our effective tax rate for fiscal 2019 is primarily due to the aforementioned loss on sale of a majority stake in Walmart Brazil and Flipkart's results. Additionally, our effective income tax rate may also fluctuate as a result of various factors, including changes in our assessment of certain tax contingencies, valuation allowances, changes in tax law, outcomes of administrative audits, the impact of discrete items and the mix and size of earnings among our U.S. operations and international operations, which are subject to statutory rates that, beginning in fiscal 2019, are generally higher than the U.S. statutory rate. The reconciliation from the U.S. statutory rate to the effective income tax rates for fiscal 2020, 2019 and 2018 is presented in [Note 9](#) to our [Notes to Consolidated Financial Statements](#).

As a result of the factors discussed above, we reported \$15.2 billion and \$7.2 billion of consolidated net income for fiscal 2020 and 2019, respectively, which represents an increase of \$8.0 billion and a decrease of \$3.3 billion for fiscal 2020 and 2019, respectively, when compared to the previous fiscal year. Diluted net income per common share attributable to Walmart ("EPS") was \$5.19, \$2.26 and \$3.28 for fiscal 2020, 2019 and 2018, respectively.

Walmart U.S. Segment

	Fiscal Years Ended January 31,		
	2020	2019	2018
<i>(Amounts in millions, except unit counts)</i>			
Net sales	\$ 341,004	\$ 331,666	\$ 318,477
Percentage change from comparable period	2.8 %	4.1 %	3.5 %
Calendar comparable sales increase	2.9 %	3.7 %	2.1 %
Operating income	\$ 17,380	\$ 17,386	\$ 16,995
Operating income as a percentage of net sales	5.1 %	5.2 %	5.3 %
Unit counts at period end	4,756	4,769	4,761
Retail square feet at period end	703	705	705

Net sales for the Walmart U.S. segment increased \$9.3 billion or 2.8% and \$13.2 billion or 4.1% for fiscal 2020 and 2019, respectively, when compared to the previous fiscal year. The increases in net sales were primarily due to increases in comparable store sales of 2.9% and 3.7% for fiscal 2020 and 2019, respectively, driven by ticket and transaction growth. Walmart U.S. eCommerce sales positively contributed approximately 1.7% and 1.3% to comparable sales for fiscal 2020 and 2019.

Gross profit rate decreased 14 and 28 basis points for fiscal 2020 and 2019, respectively, when compared to the previous fiscal year. For fiscal 2020, the decreases were primarily the result of continued price investments which were partially offset by better merchandise mix, including strength in private brands, and less pressure from transportation costs. For fiscal 2019, the decrease was primarily due to our planned pricing strategy, increased transportation expenses, and the mix effects from our growing eCommerce business.

Operating expenses as a percentage of segment net sales decreased 4 basis points for fiscal 2020 and decreased 23 basis points for fiscal 2019, when compared to the previous fiscal year. We leveraged operating expenses in fiscal 2020 as a result of strong sales and productivity improvements which were mostly offset by business restructuring charges of \$0.5 billion consisting primarily of non-cash impairment charges for certain trade names, acquired developed technology and other business restructuring charges due to decisions that resulted in the write down of certain eCommerce assets. The decrease in fiscal 2019 was primarily due to strong sales performance in conjunction with productivity improvements and the prior year comparable period including charges related to discontinued real estate projects of \$0.2 billion. These improvements more than offset investments in eCommerce, technology and omni-channel initiatives and raising the starting wage rate at the beginning of fiscal 2019.

As a result of the factors discussed above, segment operating income decreased \$6 million and increased \$391 million for fiscal 2020 and 2019, respectively, when compared to the same periods in the previous fiscal year.

Walmart International Segment

(Amounts in millions, except unit counts)	Fiscal Years Ended January 31,		
	2020	2019	2018
Net sales	\$ 120,130	\$ 120,824	\$ 118,068
Percentage change from comparable period	(0.6)%	2.3 %	1.7 %
Operating income	\$ 3,370	\$ 4,883	\$ 5,229
Operating income as a percentage of net sales	2.8 %	4.0 %	4.4 %
Unit counts at period end	6,146	5,993	6,360
Retail square feet at period end	345	344	373

Net sales for the Walmart International segment decreased \$0.7 billion or 0.6% and increased \$2.8 billion or 2.3% for fiscal 2020 and 2019, respectively, when compared to the previous fiscal year. For fiscal 2020, the decrease was primarily due to negative fluctuations in currency exchange rates of \$4.1 billion as well as a reduction in sales due to our sale of the majority stake in Walmart Brazil in August 2018, offset by a full year of net sales from Flipkart and positive comparable sales growth in the majority of our markets.

For fiscal 2019, the increase was primarily due to positive comparable sales in the majority of our markets and net sales from Flipkart, which we acquired in the third quarter of fiscal 2019. These increases were partially offset by a \$3.1 billion reduction in net sales due to our sale of the majority stake in Walmart Brazil, a \$0.7 billion negative impact from fluctuations in currency exchange rates, the continued wind down of our first party Brazil eCommerce operations and a reduction in net sales of \$140 million due to divesting our Suburbia business in the second quarter of fiscal 2018.

Gross profit rate decreased 136 and 41 basis points for fiscal 2020 and 2019, respectively, when compared to the previous fiscal year. For fiscal 2020, the decrease was primarily due to Flipkart, as well as a change in merchandise mix. For fiscal 2019, the decrease was due to Flipkart and strategic price investments in certain markets.

Membership and other income decreased 1.1% and 22.4% for fiscal 2020 and 2019, respectively, when compared to the previous fiscal year. The decrease in fiscal 2020 was primarily due to currency while fiscal 2019 decreased due to the prior year recognition of a \$387 million gain from the sale of Suburbia.

Operating expenses as a percentage of segment net sales decreased 13 basis points for fiscal 2020 and 37 basis points for 2019, when compared to the previous fiscal year. The decrease in operating expenses as a percentage of segment net sales for fiscal 2020 was primarily due to positive comparable sales in the majority of our markets and cost discipline across multiple markets, partially offset by \$0.4 billion in impairment charges which was due primarily to the write-off of the carrying value of one of Flipkart's two fashion trade names, Jabong.com, as a result of a strategic decision to focus our efforts on a single fashion platform in order to simplify the business and customer proposition. Fiscal 2019 decreased primarily due to impairment charges in the previous fiscal year of approximately \$0.5 billion, which included charges from decisions to exit certain properties and wind down the first party Brazil eCommerce operations; this decrease in operating expenses was partially offset by the addition of operating expenses from Flipkart in fiscal 2019.

As a result of the factors discussed above, segment operating income decreased \$1.5 billion and \$0.3 billion for fiscal 2020 and 2019, respectively.

Sam's Club Segment

(Amounts in millions, except unit counts)	Fiscal Years Ended January 31,		
	2020	2019	2018
Including Fuel			
Net sales	\$ 58,792	\$ 57,839	\$ 59,216
Percentage change from comparable period	1.6 %	(2.3)%	3.2 %
Calendar comparable sales increase	1.6 %	5.4 %	2.8 %
Operating income	\$ 1,642	\$ 1,520	\$ 915
Operating income as a percentage of net sales	2.8 %	2.6 %	1.5 %
Unit counts at period end	599	599	597

Retail square feet at period end	80	80	80
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Excluding Fuel ⁽¹⁾

Net sales	\$	52,792	\$	52,332	\$	54,456
Percentage change from comparable period		0.9 %		(3.9) %		2.2 %
Operating income	\$	1,486	\$	1,383	\$	797
Operating income as a percentage of net sales		2.8 %		2.6 %		1.5 %

(1) We believe the "Excluding Fuel" information is useful to investors because it permits investors to understand the effect of the Sam's Club segment's fuel sales on its results of operations, which are impacted by the volatility of fuel prices. Volatility in fuel prices may continue to impact the operating results of the Sam's Club segment in the future. Management uses such information to better measure underlying operating results in the segment.

Net sales for the Sam's Club segment increased \$1.0 billion or 1.6% for fiscal 2020 and decreased \$1.4 billion or 2.3% for fiscal 2019, when compared to the previous fiscal year. For fiscal 2020, the increases were primarily due to comparable sales, including fuel, of 1.6%. Comparable sales benefited from growth in transactions and higher fuel sales, which were partially offset by lower ticket due to our decision to remove tobacco from certain club locations. Sam's Club eCommerce sales positively contributed approximately 1.5% to comparable sales. For fiscal 2019, the decrease was primarily due to a \$4.5 billion decrease in net sales resulting from the net closure of 63 clubs during fiscal 2018, as well as reduced tobacco sales due to our decision to remove tobacco from certain locations. These decreases were partially offset by increases in comparable sales, which were benefited by transfers of sales from our closed clubs to our existing clubs. Sam's Club eCommerce sales positively contributed approximately 0.9% to comparable sales for fiscal 2019. Additional fuel sales of \$0.7 billion partially offset the decreases in net sales for fiscal 2019.

Gross profit rate decreased 11 basis points for fiscal 2020 and remained relatively flat for fiscal 2019, when compared to the previous fiscal year. The gross profit rate decreased due to investments in price and higher eCommerce fulfillment costs, partially offset by reduced tobacco sales, which have lower margins. For fiscal 2019, gross profit rate was benefited by lapping the impact of markdowns to liquidate inventory related to club closures in fiscal 2018 and decreased tobacco sales in fiscal 2019. This benefit to the gross profit rate was offset by higher transportation costs and eCommerce shipping costs, investments in price and increased shrink in fiscal 2019.

Membership and other income increased 4.7% and 2.6% for fiscal 2020 and 2019, respectively, when compared to the previous fiscal year. For fiscal 2020, the increase was primarily due to growth in total members, which benefited from higher overall renewal rates and higher Plus Member penetration along with gains on property sales and other income. For fiscal 2019, the increase was due to an increase of 1.5% in membership income resulting from increased Plus Member penetration and gains on property sales. These increases were partially offset by lower recycling income when compared to the previous fiscal year.

Operating expenses as a percentage of segment net sales decreased 19 and 99 basis points for fiscal 2020 and 2019, respectively, when compared to the previous fiscal year. For fiscal 2020, the decrease was primarily the result of lower labor-related costs and a charge of approximately \$50 million related to lease exit costs in the prior comparable period. These benefits were partially offset by a reduction in sales of tobacco and a higher level of technology investment. For fiscal 2019, the decrease in operating expenses as a percentage of segment net sales was primarily due to a charge of approximately \$0.6 billion in the prior year's comparable period related to club closures and discontinued real estate projects.

As a result of the factors discussed above, segment operating income increased \$122 million for fiscal 2020 and increased \$605 million for fiscal 2019, when compared to the previous fiscal year.

Liquidity and Capital Resources

Liquidity

The strength and stability of our operations have historically supplied us with a significant source of liquidity. Our cash flows provided by operating activities, supplemented with our long-term debt and short-term borrowings, have been sufficient to fund our operations while allowing us to invest in activities that support the long-term growth of our operations. Generally, some or all of the remaining available cash flow has been used to fund dividends on our common stock and share repurchases. We believe our sources of liquidity will continue to be adequate to fund operations, finance our global investment and expansion activities, pay dividends and fund our share repurchases for the foreseeable future.

Net Cash Provided by Operating Activities

	Fiscal Years Ended January 31,		
	2020	2019	2018
(Amounts in millions)			
Net cash provided by operating activities	\$ 25,255	\$ 27,753	\$ 28,337

Net cash provided by operating activities was \$25.3 billion, \$27.8 billion and \$28.3 billion for fiscal 2020, 2019 and 2018, respectively. Net cash provided by operating activities for fiscal 2020 decreased when compared to the previous fiscal year primarily due to the contribution to our Asda pension plan in anticipation of its future settlement, the inclusion of a full year of Flipkart operations, and the timing of vendor payments. The decrease in net cash provided by operating activities for fiscal 2019, when compared to the previous fiscal year, was primarily due to timing of vendor payments, partially offset by lower tax payments mainly resulting from Tax Reform and the timing of tax payments.

Cash Equivalents and Working Capital Deficit

Cash and cash equivalents were \$9.5 billion and \$7.7 billion as of January 31, 2020 and 2019, respectively. Our working capital deficit, defined as total current assets less total current liabilities, was \$16.0 billion and \$15.6 billion as of January 31, 2020 and 2019, respectively. We generally operate with a working capital deficit due to our efficient use of cash in funding operations, consistent access to the capital markets and returns provided to our shareholders in the form of payments of cash dividends and share repurchases.

We use intercompany financing arrangements in an effort to ensure cash can be made available in the country in which it is needed with the minimum cost possible. Additionally, from time-to-time, we repatriate earnings and related cash from jurisdictions outside of the U.S. Historically, U.S. taxes were due upon repatriation of foreign earnings. Due to the enactment of U.S. tax reform, repatriations of foreign earnings will generally be free of U.S. federal tax, but may incur other taxes such as withholding or state taxes. While we are awaiting anticipated technical guidance from the IRS and the U.S. Treasury department, we do not expect current local laws, other existing limitations or potential taxes on anticipated future repatriations of cash amounts held outside the U.S. to have a material effect on our overall liquidity, financial condition or results of operations.

As of January 31, 2020 and 2019, cash and cash equivalents of \$2.3 billion and \$2.8 billion, respectively, may not be freely transferable to the U.S. due to local laws or other restrictions. Of the \$2.3 billion as of January 31, 2020, approximately \$0.6 billion can only be accessed through dividends or intercompany financing arrangements subject to approval of the Flipkart minority shareholders; however, this cash is expected to be utilized to fund the operations of Flipkart.

Net Cash Used in Investing Activities

(Amounts in millions)	Fiscal Years Ended January 31,		
	2020	2019	2018
Net cash used in investing activities	\$ (9,128)	\$ (24,036)	\$ (9,079)

Net cash used in investing activities was \$9.1 billion, \$24.0 billion and \$9.1 billion for fiscal 2020, 2019 and 2018, respectively, and generally consisted of payments for business acquisitions and to expand our eCommerce capabilities, invest in other technologies, remodel existing stores and club and add new stores and clubs. Net cash used in investing activities decreased \$14.9 billion for fiscal 2020 when compared to the previous fiscal year primarily as a result of the \$13.8 billion payment for the acquisition of Flipkart, net of cash acquired, as well as payments for other, smaller acquisitions in fiscal 2019. Net cash used in investing activities increased \$15.0 billion for fiscal 2019 when compared to the previous fiscal year, primarily due to the previously mentioned fiscal 2019 acquisitions. Additionally, refer to the "[Strategic Capital Allocation](#)" section in our [Company Performance Metrics](#) for capital expenditure detail for fiscal 2020 and 2019.

Growth Activities

For the fiscal year ending January 31, 2021 ("fiscal 2021"), we project capital expenditures will be approximately \$11 billion, with a focus on store remodels and customer initiatives, eCommerce, technology, and supply chain. We also expect to add approximately 250 new stores in Walmart International, primarily in Mexico and China.

Net Cash Used in Financing Activities

(Amounts in millions)	Fiscal Years Ended January 31,		
	2020	2019	2018
Net cash used in financing activities	\$ (14,299)	\$ (2,537)	\$ (19,875)

Net cash used in financing activities generally consists of transactions related to our short-term and long-term debt, financing obligations, dividends paid and the repurchase of Company stock. Transactions with noncontrolling interest shareholders are also classified as cash flows from financing activities. Fiscal 2020 net cash used in financing activities increased \$11.8 billion when compared to the same period in the previous fiscal year. The increase was primarily due to the \$15.9 billion of net proceeds received in the prior year from the issuance of long-term debt to fund a portion of the purchase price for Flipkart partially offset by \$5.5 billion of additional long-term debt in the current year to fund general business operations. Fiscal 2019 net cash used in financing activities decreased \$17.3 billion for fiscal 2019 when compared to the same period in the previous fiscal year. The decrease was primarily due to the \$15.9 billion of net proceeds received from the issuance of long-term debt to fund a portion of the purchase price for Flipkart and for general corporate purposes, as well as a decrease in share repurchases due to the suspension of repurchases in anticipation of the Flipkart announcement.

Short-term Borrowings

Net cash flows used in short-term borrowings increased in fiscal 2020 and were relatively flat in fiscal 2019. We generally utilize the liquidity provided by short-term borrowings to provide funding for our operations, dividend payments, share repurchases, capital expenditures and other cash requirements. For fiscal 2020, the additional cash

used in short-term borrowings was primarily due to long-term debt issuances being used to pay down short-term borrowings.

The following table includes additional information related to the Company's short-term borrowings for fiscal 2020, 2019 and 2018:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2020	2019	2018
Maximum amount outstanding at any month-end	\$ 13,315	\$ 13,389	\$ 11,386
Average daily short-term borrowings	7,120	10,625	8,131
Annual weighted-average interest rate	2.5 %	2.4 %	1.3 %

In addition to our short-term borrowings, we have \$15.0 billion of various undrawn committed lines of credit in the U.S. and approximately \$2.9 billion of various undrawn committed lines of credit outside of the U.S., as of January 31, 2020, that provide additional liquidity, if needed.

Long-term Debt

The following table provides the changes in our long-term debt for fiscal 2020:

(Amounts in millions)	Long-term debt due within one year	Long-term debt	Total
Balances as of February 1, 2019	\$ 1,876	\$ 43,520	\$ 45,396
Proceeds from issuance of long-term debt	—	5,492	5,492
Payments of long-term debt	(1,907)	—	(1,907)
Reclassifications of long-term debt	5,378	(5,378)	—
Other	15	80	95
Balances as of January 31, 2020	<u>\$ 5,362</u>	<u>\$ 43,714</u>	<u>\$ 49,076</u>

Our total long-term debt increased \$3.7 billion for fiscal 2020, primarily due to the net proceeds from issuance of long-term debt in both April 2019 and September 2019 to fund general business operations, partially offset by repayments of long-term debt.

Dividends

Our total dividend payments were \$6.0 billion, \$6.1 billion and \$6.1 billion for fiscal 2020, 2019 and 2018, respectively. The Board of Directors approved, effective February 18, 2020, the fiscal 2021 annual dividend of \$2.16 per share, an increase over the fiscal 2020 annual dividend of \$2.12 per share. For fiscal 2021, the annual dividend will be paid in four quarterly installments of \$0.54 per share, according to the following record and payable dates:

Record Date	Payable Date
March 20, 2020	April 6, 2020
May 8, 2020	June 1, 2020
August 14, 2020	September 8, 2020
December 11, 2020	January 4, 2021

Company Share Repurchase Program

From time to time, the Company repurchases shares of its common stock under share repurchase programs authorized by the Company's Board of Directors. All repurchases made during fiscal 2020 were made under the current \$20 billion share repurchase program approved in October 2017, which has no expiration date or other restrictions limiting the period over which the Company can make share repurchases. As of January 31, 2020, authorization for \$5.7 billion of share repurchases remained under the share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status.

We regularly review share repurchase activity and consider several factors in determining when to execute share repurchases, including, among other things, current cash needs, capacity for leverage, cost of borrowings, our results of operations and the market price of our common stock. We anticipate that a majority of the ongoing share repurchase program will be funded through the Company's free cash flow. The following table provides, on a settlement date basis, the number of shares repurchased, average price paid per share and total amount paid for share repurchases for fiscal 2020, 2019 and 2018:

(Amounts in millions, except per share data)	Fiscal Years Ended January 31,		
	2020	2019	2018
Total number of shares repurchased	53.9	79.5	104.9

Average price paid per share	\$	105.98	\$	93.18	\$	79.11
Total amount paid for share repurchases	\$	5,717	\$	7,410	\$	8,296

Capital Resources

We believe cash flows from operations, our current cash position and access to capital markets will continue to be sufficient to meet our anticipated operating cash needs, which include funding seasonal buildups in merchandise inventories and funding our capital expenditures, acquisitions, dividend payments and share repurchases.

We have strong commercial paper and long-term debt ratings that have enabled and should continue to enable us to refinance our debt as it becomes due at favorable rates in capital markets. As of January 31, 2020, the ratings assigned to our commercial paper and rated series of our outstanding long-term debt were as follows:

Rating agency	Commercial paper	Long-term debt
Standard & Poor's	A-1+	AA
Moody's Investors Service	P-1	Aa2
Fitch Ratings	F1+	AA

Credit rating agencies review their ratings periodically and, therefore, the credit ratings assigned to us by each agency may be subject to revision at any time. Accordingly, we are not able to predict whether our current credit ratings will remain consistent over time. Factors that could affect our credit ratings include changes in our operating performance, the general economic environment, conditions in the retail industry, our financial position, including our total debt and capitalization, and changes in our business strategy. Any downgrade of our credit ratings by a credit rating agency could increase our future borrowing costs or impair our ability to access capital and credit markets on terms commercially acceptable to us. In addition, any downgrade of our current short-term credit ratings could impair our ability to access the commercial paper markets with the same flexibility that we have experienced historically, potentially requiring us to rely more heavily on more expensive types of debt financing. The credit rating agency ratings are not recommendations to buy, sell or hold our commercial paper or debt securities. Each rating may be subject to revision or withdrawal at any time by the assigning rating organization and should be evaluated independently of any other rating. Moreover, each credit rating is specific to the security to which it applies.

Contractual Obligations

The following table sets forth certain information concerning our obligations to make contractual future payments, such as debt and lease agreements, and certain contingent commitments as of January 31, 2020:

		Payments Due During Fiscal Years Ending January 31,			
(Amounts in millions)	Total	2021	2022-2023	2024-2025	Thereafter
Recorded contractual obligations⁽³⁾:					
Long-term debt ⁽¹⁾	\$ 49,180	\$ 5,362	\$ 5,839	\$ 9,019	\$ 28,960
Short-term borrowings	575	575	—	—	—
Operating lease obligations ⁽²⁾	26,257	2,587	4,496	3,660	15,514
Finance lease obligations and other ⁽²⁾⁽³⁾	10,254	1,000	1,729	1,298	6,227
Unrecorded contractual obligations:					
Estimated interest on long-term debt	22,957	1,780	3,268	2,872	15,037
Syndicated and other letters of credit	1,987	1,987	—	—	—
Purchase obligations	12,782	5,912	4,318	1,480	1,072
Total contractual obligations	\$ 123,992	\$ 19,203	\$ 19,650	\$ 18,329	\$ 66,810

(1) Long-term debt includes the fair value of our derivatives designated as fair value hedges.

(2) Represents our contractual obligations to make future payments under non-cancelable operating leases and finance lease agreements, both of which are recorded on the balance sheet at their present value. Refer to [Note 7](#) to our Consolidated Financial Statements for additional information regarding operating and finance leases.

(3) Finance lease obligations and other includes contractual obligations under other financing obligations of \$1.4 billion.

Under the terms of the sale of the majority stake of Walmart Brazil, we agreed to indemnify Advent for certain pre-closing tax and legal contingencies and other matters for up to R\$2.3 billion, adjusted for interest based on the Brazilian interbank deposit rate. As of January 31, 2020, the indemnification liability recorded was \$0.7 billion and included in deferred income taxes and other in the Company's Consolidated Balance Sheet.

Additionally, we have \$15.0 billion of various undrawn committed lines of credit in the U.S. and approximately \$2.9 billion of various undrawn committed lines of credit outside of the U.S. which, if drawn upon, would be included in the current liabilities section of the Company's Consolidated Balance Sheets.

Estimated interest payments are based on our principal amounts and expected maturities of all debt outstanding as of January 31, 2020, and assumes interest rates remain at current levels for our variable rate debt.

Purchase obligations include legally binding contracts, such as firm commitments for inventory and utility purchases, as well as commitments to make capital expenditures, software acquisition and license commitments and legally binding service contracts. For the purposes of the above table, contractual obligations for the purchase of goods or

services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Contracts that specify the Company will purchase all or a portion of its requirements of a specific product or service from a supplier, but do not include a fixed or minimum quantity, are excluded from the table above. Accordingly, purchase orders for inventory are not included in the table above as purchase orders represent authorizations to purchase rather than binding agreements. Our purchase orders are based on our current inventory needs and are fulfilled by our suppliers within short time

periods. We also enter into contracts for outsourced services; however, the obligations under these contracts are not significant and the contracts generally contain clauses allowing for cancellation without significant penalty.

The expected timing for payment discussed above is estimated based on current information. Timing of payments and actual amounts paid may be different depending on the timing of receipt of goods or services or changes to agreed-upon amounts for some obligations.

In addition to the amounts shown in the table above, \$1.8 billion of unrecognized tax benefits are considered uncertain tax positions and have been recorded as liabilities. The timing of the payment, if any, associated with these liabilities is uncertain. Refer to [Note 9](#) to our Consolidated Financial Statements for additional discussion of unrecognized tax benefits.

Off Balance Sheet Arrangements

As of January 31, 2020, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources.

Other Matters

We discuss our recently resolved FCPA investigation in [Note 10](#) to our Consolidated Financial Statements, which is captioned "Contingencies," and appears elsewhere herein. We discuss our "Asda Equal Value Claims" which includes certain existing employment claims against our United Kingdom subsidiary, ASDA Stores, Ltd., including certain risks arising therefrom, in [Part I, Item 1A](#) of this Form 10-K under the caption "Risk Factors" and under the sub-caption "Legal Proceedings" in [Note 10](#) to our Consolidated Financial Statements, which is captioned "Contingencies," and appears elsewhere herein. We also discuss the National Prescription Opiate Litigation and related matters including certain risks arising therefrom, in [Part I, Item 1A](#) of this Form 10-K under the caption "Risk Factors" and under the sub-caption "Legal Proceedings" in [Note 10](#) to our Consolidated Financial Statements, which is captioned "Contingencies," and appears elsewhere herein. We also discuss various legal proceedings related to the Asda Equal Value Claims and National Prescription Opiate Litigation in [Part I, Item 3](#) herein under the caption "Legal Proceedings." The foregoing matters and other matters described elsewhere in this Annual Report on Form 10-K represent contingencies of the Company that may or may not result in the Company incurring a material liability upon their final resolution.

Summary of Critical Accounting Estimates

Management strives to report our financial results in a clear and understandable manner, although in some cases accounting and disclosure rules are complex and require us to use technical terminology. In preparing the Company's Consolidated Financial Statements, we follow accounting principles generally accepted in the U.S. These principles require us to make certain estimates and apply judgments that affect our financial position and results of operations as reflected in our financial statements. These judgments and estimates are based on past events and expectations of future outcomes. Actual results may differ from our estimates.

Management continually reviews our accounting policies, how they are applied and how they are reported and disclosed in our financial statements. Following is a summary of our critical accounting estimates and how they are applied in preparation of the financial statements.

Inventories

We value inventories at the lower of cost or market as determined primarily by the retail inventory method of accounting, using the last-in, first-out ("LIFO") method for Walmart U.S. segment's inventories. The inventory at the Sam's Club segment is valued using the weighted-average cost LIFO method. When necessary, we record a LIFO provision for the estimated annual effect of inflation, and these estimates are adjusted to actual results determined at year-end. Our LIFO provision is calculated based on inventory levels, markup rates and internally generated retail price indices. As a measure of sensitivity, a 1% increase to our retail price indices would not have resulted in a decrease to the carrying value of inventory. As of January 31, 2020 and 2019, our inventories valued at LIFO approximated those inventories as if they were valued at FIFO.

Impairment of Assets

We evaluate long-lived assets for indicators of impairment whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. Management's judgments regarding the existence of impairment indicators are based on market conditions and financial performance. The evaluation of long-lived assets is performed at the lowest level of identifiable cash flows, which is generally at the individual store level. The

variability of these factors depends on a number of conditions, including uncertainty about future events and changes in demographics. Thus, our accounting estimates may change from period to period. These factors could cause management to conclude that indicators of impairment exist and require impairment tests be performed, which could result in management determining the value of long-lived assets is impaired, resulting in a write-down of the related long-lived assets. Impairment charges recorded in fiscal 2020 were

immaterial. As a measure of sensitivity, fiscal 2020 impairment would not change materially with a 10% decrease in the undiscounted cash flows for the stores or clubs with indicators of impairment. While fiscal 2019 included a pre-tax loss of \$4.8 billion related to the sale of the majority stake in Walmart Brazil, which included full impairment of all related-assets, there were no other material impairment charges for fiscal 2019.

Business Combinations, Goodwill, and Acquired Intangible Assets

We account for business combinations using the acquisition method of accounting, which requires that once control is obtained, all the assets acquired and liabilities assumed, including amounts attributable to noncontrolling interests, are recorded at their respective fair values at the date of acquisition. The determination of fair values of identifiable assets and liabilities requires estimates and the use of valuation techniques when market value is not readily available. For intangible assets acquired in a business combination, we typically use the income method. Significant estimates in valuing certain intangible assets include, but are not limited to, the amount and timing of future cash flows, growth rates, discount rates and useful lives. The excess of the purchase price over fair values of identifiable assets and liabilities is recorded as goodwill.

Goodwill is assigned to the reporting unit which consolidates the acquisition. Components within the same reportable segment are aggregated and deemed a single reporting unit if the components have similar economic characteristics. As of January 31, 2020, our reporting units consisted of Walmart U.S., Walmart International and Sam's Club. Goodwill and other indefinite-lived acquired intangible assets are not amortized, but are evaluated for impairment annually or whenever events or changes in circumstances indicate that the value of a certain asset may be impaired. Generally, this evaluation begins with a qualitative assessment to determine whether a quantitative impairment test is necessary. If we determine, after performing an assessment based on the qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative impairment test would be performed. The quantitative test for impairment requires management to make judgments relating to future cash flows, growth rates and economic and market conditions. These evaluations are based on determining the fair value of a reporting unit or asset using a valuation method such as discounted cash flow or a relative, market-based approach. Historically, our reporting units have generated sufficient returns to recover the cost of goodwill, as the fair value significantly exceeded the carrying value. Our indefinite-lived acquired intangible assets have also historically generated sufficient returns to recover their cost; however, due to certain strategic restructuring decisions in fiscal 2020, we recorded approximately \$0.7 billion in impairment related to acquired trade names and acquired developed software. Because of the nature of the factors used in these tests, if different conditions occur in future periods, future operating results could be materially impacted.

Contingencies

We are involved in a number of legal proceedings. We record a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. We also perform an assessment of the materiality of loss contingencies where a loss is either not probable or it is reasonably possible that a loss could be incurred in excess of amounts accrued. If a loss or an additional loss has at least a reasonable possibility of occurring and the impact on the financial statements would be material, we provide disclosure of the loss contingency in the footnotes to our financial statements. We review all contingencies at least quarterly to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or the range of the loss can be made. Although we are not able to predict the outcome or reasonably estimate a range of possible losses in certain matters described in [Note 10](#) in the Notes to our Consolidated Financial Statements, and have not recorded an associated accrual related to these matters, an adverse judgment or negotiated resolution in any of these matters could have a material adverse effect on our business, financial position, results of operations or cash flows.

Income Taxes

Income taxes have a significant effect on our net earnings. We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Accordingly, the determination of our provision for income taxes requires judgment, the use of estimates in certain cases and the interpretation and application of complex tax laws. Our effective income tax rate is affected by many factors, including changes in our assessment of certain tax contingencies, increases and decreases in valuation allowances, changes in tax law, outcomes of administrative audits, the impact of discrete items and the mix of earnings among our U.S. and international operations where the statutory rates are generally higher than the U.S. statutory rate, and may fluctuate as a result.

Our tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions. The benefits of uncertain tax positions are recorded in our financial statements only after determining a more likely than not probability that the uncertain tax positions will withstand challenge, if any, from taxing

authorities. When facts and circumstances change, we reassess these probabilities and record any changes in the financial statements as appropriate. We account for uncertain tax positions by determining the minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. This determination requires the use of judgment in evaluating our tax positions and assessing the timing and amounts of deductible and taxable items.

Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net

operating loss and tax credit carryforwards. Deferred tax assets are evaluated for future realization and reduced by a valuation allowance to the extent that a portion is not more likely than not to be realized. Many factors are considered when assessing whether it is more likely than not that the deferred tax assets will be realized, including recent cumulative earnings, expectations of future taxable income, carryforward periods and other relevant quantitative and qualitative factors. The recoverability of the deferred tax assets is evaluated by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. This evaluation relies on estimates.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Tax Act") was enacted and contains significant changes to U.S. income tax law. Effective beginning January 2018, the Tax Act reduced the U.S. statutory tax rate from 35% to 21% and created new taxes on foreign-sourced earnings and related-party payments. As discussed in [Note 9](#) to our Consolidated Financial Statements, we completed our accounting for the tax effects of the Tax Act in fiscal 2019. As further guidance is issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, any resulting changes to our estimates will be treated in accordance with the relevant accounting guidance.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

In addition to the risks inherent in our operations, we are exposed to certain market risks, including changes in interest rates, currency exchange rates and the fair value of our equity investment in JD.com.

The analysis presented below for each of our market risk sensitive instruments is based on a hypothetical scenario used to calibrate potential risk and does not represent our view of future market changes. The effect of a change in a particular assumption is calculated without adjusting any other assumption. In reality, however, a change in one factor could cause a change in another, which may magnify or negate other sensitivities.

Interest Rate Risk

We are exposed to changes in interest rates as a result of our short-term borrowings and long-term debt. We hedge a portion of our interest rate risk by managing the mix of fixed and variable rate debt and by entering into interest rate swaps. For fiscal 2020, the net fair value of our interest rate swaps increased \$175 million primarily due to fluctuations in market interest rates.

The table below provides information about our financial instruments that are sensitive to changes in interest rates. For long-term debt, the table represents the principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps, the table represents the contractual cash flows and weighted-average interest rates by the contractual maturity date, unless otherwise noted. The notional amounts are used to calculate contractual cash flows to be exchanged under the contracts. The weighted-average variable rates are based upon prevailing market rates as of January 31, 2020.

(Amounts in millions)	Expected Maturity Date						
	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	Thereafter	Total
Liabilities							
Short-term borrowings:							
Variable rate	\$ 575	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 575
Weighted-average interest rate	5.0 %	— %	— %	— %	— %	— %	5.0 %
Long-term debt⁽¹⁾:							
Fixed rate	\$ 4,612	\$ 2,366	\$ 2,802	\$ 4,670	\$ 4,400	\$ 28,726	\$ 47,576
Weighted-average interest rate	2.8 %	3.8 %	1.7 %	3.2 %	2.7 %	4.4 %	3.8 %
Variable rate	\$ 750	\$ 750	\$ —	\$ —	\$ —	\$ —	\$ 1,500
Weighted-average interest rate	2.0 %	2.2 %	— %	— %	— %	— %	2.1 %
Interest rate derivatives							
Interest rate swaps:							
Fixed to variable	\$ 750	\$ —	\$ —	\$ 1,750	\$ 1,500	\$ —	\$ 4,000
Weighted-average pay rate	3.2 %	— %	— %	2.2 %	2.8 %	— %	2.6 %
Weighted-average receive rate	3.3 %	— %	— %	2.6 %	3.3 %	— %	3.0 %

(1) The long-term debt amounts in the table exclude the Company's derivatives classified as fair value hedges.

As of January 31, 2020, our variable rate borrowings, including the effect of our commercial paper and interest rate swaps, represented 12% of our total short-term and long-term debt. Based on January 31, 2020 debt levels, a 100 basis point change in prevailing market rates would cause our annual interest costs to change by approximately \$61 million.

Foreign Currency Risk

We are exposed to fluctuations in currency exchange rates as a result of our net investments and operations in countries other than the U.S., as well our foreign-currency-denominated long-term debt. For fiscal 2020, movements in currency exchange rates and the related impact on the translation of the balance sheets of the Company's subsidiaries in the UK and Mexico were the primary cause of the \$0.3 billion gain in the currency translation and other category of accumulated other comprehensive loss.

We hedge a portion of our foreign currency risk by entering into currency swaps. The aggregate fair value of these swaps was in a liability position of \$241 million and asset position of \$62 million as of January 31, 2020 and January 31, 2019, respectively. The change in the fair value of these swaps was due to fluctuations in currency exchange rates, primarily the strengthening of the U.S. dollar relative to other currencies in fiscal 2020. The hypothetical result of a uniform 10% weakening in the value of the U.S. dollar relative to other currencies underlying these swaps would have resulted in a change in the value of the swaps of \$173 million. A hypothetical 10% change in interest rates underlying these swaps from the market rates in effect as of January 31, 2020 would have resulted in a change in the value of the swaps of \$42 million.

In addition to currency swaps, we also hedge a portion of our foreign currency risk by designating foreign-currency-denominated long-term debt as nonderivative hedges of net investments of certain of our foreign operations. We had outstanding long-term debt of £1.7 billion as of January 31, 2020 and January 31, 2019 that was designated as a hedge of our net investment in the UK. As of January 31, 2020, a hypothetical 10% increase or decrease in the value of the U.S. dollar relative to the British pound would have resulted in a change in the value of the debt of \$201 million. In addition, we had outstanding long-term debt of ¥180 billion as of January 31, 2020 and January 31, 2019 that was designated as a hedge of our net investment in Japan. As of January 31, 2020, a hypothetical 10% change in value of the U.S. dollar relative to the Japanese yen would have resulted in a change in the value of the debt of \$150 million.

In certain countries, we also enter into immaterial foreign currency forward contracts to hedge the purchase and payment of purchase commitments denominated in non-functional currencies.

Investment Risk

We are exposed to changes in the JD.com ("JD") stock price as a result of our equity investment in JD. The change in fair value is recorded within other gains and losses resulted in a gain of \$1.9 billion in fiscal 2020 due to an increase in the stock price of JD. As of January 31, 2020, the fair value of our equity investment in JD was \$5.4 billion. As of January 31, 2020, a hypothetical 10% change in the stock price of JD would have changed our investment in JD by approximately \$550 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**Consolidated Financial Statements of Walmart Inc.
For the Fiscal Year Ended January 31, 2020**

Table of Contents

	Page
Report of Independent Registered Public Accounting Firm	47
Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting	49
Consolidated Statements of Income	50
Consolidated Statements of Comprehensive Income	51
Consolidated Balance Sheets	52
Consolidated Statements of Shareholders' Equity	53
Consolidated Statements of Cash Flows	54
Notes to Consolidated Financial Statements	55

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Walmart Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Walmart Inc. (the Company) as of January 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2020, and the related notes (collectively referred to as the "Consolidated Financial Statements"). In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company at January 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 20, 2020 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-02

As discussed in Note 1 to the Consolidated Financial Statements, the Company changed its method of accounting for leases effective February 1, 2019, due to the adoption of Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the Consolidated Financial Statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Contingencies

Description of the Matter

As described in Note 10 to the Consolidated Financial Statements, at January 31, 2020, the Company is involved in a number of legal proceedings and has made accruals with respect to certain of these matters. For other matters, a liability is not probable, or the amount cannot be reasonably estimated and therefore an accrual has not been made. Where a liability is reasonably

possible and may be material, such matters have been disclosed. Management assessed the probability of occurrence and the estimation of any potential loss based on the ability to predict the number of claims that may be filed or whether any loss or range of loss can be reasonably estimated. For example, in assessing the probability of occurrence in a particular legal proceeding, management exercises judgment to determine if it can predict the number of claims that may be filed and whether it can reasonably estimate any loss or range of loss that may arise from that proceeding.

Auditing management's accounting for, and disclosure of, loss contingencies was complex and highly judgmental as it involved our assessment of the significant judgments made by management when assessing the probability of occurrence or when determining whether an estimate of the loss or range of loss could be made.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the identification and evaluation of contingencies. For example, we tested controls over the Company's assessment of the likelihood of loss and the Company's determinations regarding the measurement of loss.

To test the Company's assessment of the probability of occurrence or determination of an estimate of loss, or range of loss, among other procedures, we read the minutes of the meetings of the board of directors and committees of the board of directors, reviewed opinions provided to the Company by certain outside legal counsel, read letters received directly by us from internal and external counsel, and evaluated the current status of contingencies based on discussions with internal legal counsel. We also evaluated the appropriateness of the related disclosures.

Valuation of Indefinite-Lived Intangible Assets

*Description of
the Matter*

At January 31, 2020, the Company has \$5.2 billion of indefinite-lived intangible assets. As disclosed in Notes 1, 8 and 12 to the Consolidated Financial Statements, these assets are evaluated for impairment at least annually using valuation techniques to estimate fair value. These fair value estimates are sensitive to certain significant assumptions including revenue growth rates, discount rates, and royalty rates.

Auditing management's annual indefinite-lived intangible assets impairment tests was complex and highly judgmental due to the significant measurement uncertainty in determining the fair values of the indefinite-lived intangibles. For example, the fair value estimates are sensitive to significant assumptions identified above that are affected by future market or economic conditions.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's indefinite-lived intangible asset impairment review process. Our procedures included testing controls over management's review of the significant assumptions described above used to estimate the fair values of the indefinite-lived intangible assets.

To test the estimated fair values of the indefinite-lived intangible assets, we performed audit procedures that included, among others, assessing methodologies used to determine the fair value, testing the significant assumptions discussed above and testing the completeness and accuracy of the underlying data used by the Company. For example, we evaluated management's forecasted revenue growth rates used in the fair value estimates by comparing those assumptions to the historical results of the Company and current industry, market and economic forecasts. We involved a valuation specialist to assist in evaluating the valuation methodologies and the significant assumptions such as discount rates and royalty rates. Additionally, we performed sensitivity analyses of significant assumptions to evaluate the effect on the fair value estimates of the indefinite-lived intangible assets.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1969.

Rogers, Arkansas
March 20, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Walmart Inc.

Opinion on Internal Control over Financial Reporting

We have audited Walmart Inc.'s internal control over financial reporting as of January 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Walmart Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the accompanying consolidated balance sheets of Walmart Inc. as of January 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2020, and the related notes and our report dated March 20, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Rogers, Arkansas
March 20, 2020

Walmart Inc.
Consolidated Statements of Income

	Fiscal Years Ended January 31,		
	2020	2019	2018
<i>(Amounts in millions, except per share data)</i>			
Revenues:			
Net sales	\$ 519,926	\$ 510,329	\$ 495,761
Membership and other income	4,038	4,076	4,582
Total revenues	523,964	514,405	500,343
Costs and expenses:			
Cost of sales	394,605	385,301	373,396
Operating, selling, general and administrative expenses	108,791	107,147	106,510
Operating income	20,568	21,957	20,437
Interest:			
Debt	2,262	1,975	1,978
Finance, capital lease and financing obligations	337	371	352
Interest income	(189)	(217)	(152)
Interest, net	2,410	2,129	2,178
Loss on extinguishment of debt	—	—	3,136
Other (gains) and losses	(1,958)	8,368	—
Income before income taxes	20,116	11,460	15,123
Provision for income taxes	4,915	4,281	4,600
Consolidated net income	15,201	7,179	10,523
Consolidated net income attributable to noncontrolling interest	(320)	(509)	(661)
Consolidated net income attributable to Walmart	\$ 14,881	\$ 6,670	\$ 9,862
Net income per common share:			
Basic net income per common share attributable to Walmart	\$ 5.22	\$ 2.28	\$ 3.29
Diluted net income per common share attributable to Walmart	5.19	2.26	3.28
Weighted-average common shares outstanding:			
Basic	2,850	2,929	2,995
Diluted	2,868	2,945	3,010
Dividends declared per common share	\$ 2.12	\$ 2.08	\$ 2.04

See accompanying notes.

Walmart Inc.
Consolidated Statements of Comprehensive Income

<i>(Amounts in millions)</i>	Fiscal Years Ended January 31,		
	2020	2019	2018
Consolidated net income	\$ 15,201	\$ 7,179	\$ 10,523
Consolidated net income attributable to noncontrolling interest	(320)	(509)	(661)
Consolidated net income attributable to Walmart	14,881	6,670	9,862
Other comprehensive income (loss), net of income taxes			
Currency translation and other	286	(226)	2,540
Net investment hedges	122	272	(405)
Cash flow hedges	(399)	(290)	437
Minimum pension liability	(1,244)	131	147
Unrealized gain on available-for-sale securities	—	—	1,501
Other comprehensive income (loss), net of income taxes	(1,235)	(113)	4,220
Other comprehensive (income) loss attributable to noncontrolling interest	(28)	188	(169)
Other comprehensive income (loss) attributable to Walmart	(1,263)	75	4,051
Comprehensive income, net of income taxes	13,966	7,066	14,743
Comprehensive income attributable to noncontrolling interest	(348)	(321)	(830)
Comprehensive income attributable to Walmart	\$ 13,618	\$ 6,745	\$ 13,913

See accompanying notes.

Walmart Inc.
Consolidated Balance Sheets

	As of January 31,	
	2020	2019
<i>(Amounts in millions)</i>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,465	\$ 7,722
Receivables, net	6,284	6,283
Inventories	44,435	44,269
Prepaid expenses and other	1,622	3,623
Total current assets	61,806	61,897
Property and equipment, net	105,208	104,317
Operating lease right-of-use assets	17,424	—
Finance lease right-of-use assets, net	4,417	—
Property under capital lease and financing obligations, net	—	7,078
Goodwill	31,073	31,181
Other long-term assets	16,567	14,822
Total assets	\$ 236,495	\$ 219,295
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	\$ 575	\$ 5,225
Accounts payable	46,973	47,060
Accrued liabilities	22,296	22,159
Accrued income taxes	280	428
Long-term debt due within one year	5,362	1,876
Operating lease obligations due within one year	1,793	—
Finance lease obligations due within one year	511	—
Capital lease and financing obligations due within one year	—	729
Total current liabilities	77,790	77,477
Long-term debt	43,714	43,520
Long-term operating lease obligations	16,171	—
Long-term finance lease obligations	4,307	—
Long-term capital lease and financing obligations	—	6,683
Deferred income taxes and other	12,961	11,981
Commitments and contingencies		
Equity:		
Common stock	284	288
Capital in excess of par value	3,247	2,965
Retained earnings	83,943	80,785
Accumulated other comprehensive loss	(12,805)	(11,542)
Total Walmart shareholders' equity	74,669	72,496
Noncontrolling interest	6,883	7,138

Total equity	81,552	79,634
Total liabilities and equity	\$ 236,495	\$ 219,295

See accompanying notes.

Walmart Inc.
Consolidated Statements of Shareholders' Equity

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholder Equity	Noncontrolling Interest	Total Equity
<i>(Amounts in millions)</i>	Shares	Amount						
Balances as of February 1, 2017	3,048	\$ 305	\$2,371	\$ 89,354	\$ (14,232)	\$ 77,798	\$ 2,737	\$ 80,535
Consolidated net income	—	—	—	9,862	—	9,862	661	10,523
Other comprehensive income (loss), net of income taxes	—	—	—	—	4,051	4,051	169	4,220
Cash dividends declared (\$2.04 per share)	—	—	—	(6,124)	—	(6,124)	—	(6,124)
Purchase of Company stock	(103)	(10)	(219)	(7,975)	—	(8,204)	—	(8,204)
Cash dividend declared to noncontrolling interest	—	—	—	—	—	—	(687)	(687)
Other	7	—	496	(10)	—	486	73	559
Balances as of January 31, 2018	2,952	295	2,648	85,107	(10,181)	77,869	2,953	80,822
Adoption of new accounting standards on February 1, 2018, net of income taxes	—	—	—	2,361	(1,436)	925	(1)	924
Consolidated net income	—	—	—	6,670	—	6,670	509	7,179
Other comprehensive income (loss), net of income taxes	—	—	—	—	75	75	(188)	(113)
Cash dividends declared (\$2.08 per share)	—	—	—	(6,102)	—	(6,102)	—	(6,102)
Purchase of Company stock	(80)	(8)	(245)	(7,234)	—	(7,487)	—	(7,487)
Cash dividend declared to noncontrolling interest	—	—	—	—	—	—	(488)	(488)
Noncontrolling interest of acquired entity	—	—	—	—	—	—	4,345	4,345
Other	6	1	562	(17)	—	546	8	554
Balances as of January 31, 2019	2,878	288	2,965	80,785	(11,542)	72,496	7,138	79,634
Adoption of new accounting standards on February 1, 2019, net of income taxes	—	—	—	(266)	—	(266)	(34)	(300)
Consolidated net income	—	—	—	14,881	—	14,881	320	15,201
Other comprehensive income (loss), net of income taxes	—	—	—	—	(1,263)	(1,263)	28	(1,235)
Cash dividends declared (\$2.12 per share)	—	—	—	(6,048)	—	(6,048)	—	(6,048)
Purchase of Company stock	(53)	(5)	(199)	(5,435)	—	(5,639)	—	(5,639)
Cash dividends declared to noncontrolling interest	—	—	—	—	—	—	(475)	(475)
Other	7	1	481	26	—	508	(94)	414
Balances as of January 31, 2020	<u>2,832</u>	<u>\$ 284</u>	<u>\$3,247</u>	<u>\$ 83,943</u>	<u>\$ (12,805)</u>	<u>\$ 74,669</u>	<u>\$ 6,883</u>	<u>\$ 81,552</u>

See accompanying notes.

Walmart Inc.
Consolidated Statements of Cash Flows

	Fiscal Years Ended January 31,		
	2020	2019	2018
<i>(Amounts in millions)</i>			
Cash flows from operating activities:			
Consolidated net income	\$ 15,201	\$ 7,179	\$ 10,523
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation and amortization	10,987	10,678	10,529
Unrealized (gains) and losses	(1,886)	3,516	—
(Gains) and losses for disposal of business operations	15	4,850	—
Asda pension contribution	(1,036)	—	—
Deferred income taxes	320	(499)	(304)
Loss on extinguishment of debt	—	—	3,136
Other operating activities	1,981	1,734	1,210
Changes in certain assets and liabilities, net of effects of acquisitions:			
Receivables, net	154	(368)	(1,074)
Inventories	(300)	(1,311)	(140)
Accounts payable	(274)	1,831	4,086
Accrued liabilities	186	183	928
Accrued income taxes	(93)	(40)	(557)
Net cash provided by operating activities	25,255	27,753	28,337
Cash flows from investing activities:			
Payments for property and equipment	(10,705)	(10,344)	(10,051)
Proceeds from the disposal of property and equipment	321	519	378
Proceeds from the disposal of certain operations	833	876	1,046
Payments for business acquisitions, net of cash acquired	(56)	(14,656)	(375)
Other investing activities	479	(431)	(77)
Net cash used in investing activities	(9,128)	(24,036)	(9,079)
Cash flows from financing activities:			
Net change in short-term borrowings	(4,656)	(53)	4,148
Proceeds from issuance of long-term debt	5,492	15,872	7,476
Repayments of long-term debt	(1,907)	(3,784)	(13,061)
Premiums paid to extinguish debt	—	—	(3,059)
Dividends paid	(6,048)	(6,102)	(6,124)
Purchase of Company stock	(5,717)	(7,410)	(8,296)
Dividends paid to noncontrolling interest	(555)	(431)	(690)
Purchase of noncontrolling interest	—	—	(8)
Other financing activities	(908)	(629)	(261)
Net cash used in financing activities	(14,299)	(2,537)	(19,875)
Effect of exchange rates on cash, cash equivalents and restricted cash	(69)	(438)	487
Net increase (decrease) in cash, cash equivalents and restricted cash	1,759	742	(130)
Cash, cash equivalents and restricted cash at beginning of year	7,756	7,014	7,144
Cash, cash equivalents and restricted cash at end of year	\$ 9,515	\$ 7,756	\$ 7,014

Supplemental disclosure of cash flow information:

Income taxes paid	\$	3,616	\$	3,982	\$	6,179
Interest paid		2,464		2,348		2,450

See accompanying notes.

Walmart Inc.
Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

General

Walmart Inc. ("Walmart" or the "Company") helps people around the world save money and live better – anytime and anywhere – by providing the opportunity to shop in retail stores and through eCommerce. Through innovation, the Company is striving to continuously improve a customer-centric experience that seamlessly integrates eCommerce and retail stores in an omni-channel offering that saves time for its customers. Each week, the Company serves over 265 million customers who visit approximately 11,500 stores and numerous eCommerce websites under 56 banners in 27 countries.

The Company's operations comprise three reportable segments: Walmart U.S., Walmart International and Sam's Club.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Walmart and its subsidiaries as of and for the fiscal years ended January 31, 2020 ("fiscal 2020"), January 31, 2019 ("fiscal 2019") and January 31, 2018 ("fiscal 2018"). Intercompany accounts and transactions have been eliminated in consolidation. The Company consolidates variable interest entities where it has been determined that the Company is the primary beneficiary of those entities' operations. Investments for which the Company exercises significant influence but does not have control are accounted for under the equity method. These variable interest entities and equity method investments are immaterial to the Company's Consolidated Financial Statements.

The Company's Consolidated Financial Statements are based on a fiscal year ending on January 31 for the United States ("U.S.") and Canadian operations. The Company consolidates all other operations generally using a one-month lag and based on a calendar year. There were no significant intervening events during the month of January 2020 related to the operations consolidated using a lag that materially affected the Consolidated Financial Statements.

Use of Estimates

The Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles. Those principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Management's estimates and assumptions also affect the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

The Company considers investments with a maturity when purchased of three months or less to be cash equivalents. All credit card, debit card and electronic transfer transactions that process in less than seven days are classified as cash and cash equivalents. The amounts due from banks for these transactions classified as cash and cash equivalents totaled \$1.7 billion and \$1.4 billion as of January 31, 2020 and 2019, respectively.

The Company's cash balances are held in various locations around the world. Most of the Company's \$9.5 billion and \$7.7 billion of cash and cash equivalents as of January 31, 2020 and January 31, 2019 were held outside of the U.S. Cash and cash equivalents held outside of the U.S. are generally utilized to support liquidity needs in the Company's non-U.S. operations.

The Company uses intercompany financing arrangements in an effort to ensure cash can be made available in the country in which it is needed with the minimum cost possible.

As of January 31, 2020 and 2019, cash and cash equivalents of approximately \$2.3 billion and \$2.8 billion, respectively, may not be freely transferable to the U.S. due to local laws or other restrictions. Of the \$2.3 billion as of January 31, 2020, approximately \$0.6 billion can only be accessed through dividends or intercompany financing arrangements subject to approval of Flipkart Private Limited ("Flipkart") minority shareholders; however, this cash is expected to be utilized to fund the operations of Flipkart.

Receivables

Receivables are stated at their carrying values, net of a reserve for doubtful accounts, and are primarily due from the following: customers, which also includes insurance companies resulting from pharmacy sales, banks for customer credit, debit cards and electronic transfer transactions that take in excess of seven days to process; suppliers for marketing or incentive programs; governments for income taxes; and real estate transactions. As of January 31, 2020

and January 31, 2019, receivables from transactions with customers, net were \$2.9 billion and \$2.5 billion, respectively.

Inventories

The Company values inventories at the lower of cost or market as determined primarily by the retail inventory method of accounting, using the last-in, first-out ("LIFO") method for the Walmart U.S. segment's inventories. The inventory for the Walmart International segment is valued primarily by the retail inventory method of accounting, using the first-in, first-out ("FIFO") method. The retail inventory method of accounting results in inventory being valued at the lower of cost or market, since permanent markdowns are immediately recorded as a reduction of the retail value of inventory. The inventory at the Sam's Club segment is valued using the weighted-average cost LIFO method. As of January 31, 2020 and January 31, 2019, the Company's inventories valued at LIFO approximated those inventories as if they were valued at FIFO.

Assets Held for Sale

Assets held for sale represent components and businesses that meet accounting requirements to be classified as held for sale and are presented as single asset and liability amounts in the Company's financial statements with a valuation allowance, if necessary, to recognize the net carrying amount at the lower of cost or fair value, less costs to sell. The Company reviews all businesses and assets held for sale each reporting period to determine whether the existing carrying amounts are fully recoverable in comparison to estimated fair values. As of January 31, 2020 and January 31, 2019, immaterial amounts for assets and liabilities held for sale were classified in prepaid expenses and other and accrued liabilities, respectively, in the Consolidated Balance Sheets.

Property and Equipment

Property and equipment are initially recorded at cost. Gains or losses on disposition are recognized as earned or incurred. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are expensed as incurred. The following table summarizes the Company's property and equipment balances and includes the estimated useful lives that are generally used to depreciate the assets on a straight-line basis:

(Amounts in millions)	Estimated Useful Lives	As of January 31,	
		2020	2019
Land	N/A	\$ 24,619	\$ 24,526
Buildings and improvements	3-40 years	105,674	101,006
Fixtures and equipment	1-30 years	58,607	54,488
Transportation equipment	3-15 years	2,377	2,316
Construction in progress	N/A	3,751	3,474
Property and equipment		195,028	185,810
Accumulated depreciation		(89,820)	(81,493)
Property and equipment, net		<u>\$ 105,208</u>	<u>\$ 104,317</u>

Leasehold improvements are depreciated or amortized over the shorter of the estimated useful life of the asset or the remaining expected lease term. Total depreciation and amortization expense for property and equipment, property under finance leases and financing obligations, property under capital leases and intangible assets for fiscal 2020, 2019 and 2018 was \$11.0 billion, \$10.7 billion and \$10.5 billion, respectively.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lease assets and liabilities to be recorded on the balance sheet. The Company adopted this ASU and related amendments as of February 1, 2019 under the modified retrospective approach and elected certain practical expedients permitted under the transition guidance, including to retain the historical lease classification as well as relief from reviewing expired or existing contracts to determine if they contain leases. For leases subject to index or rate adjustments, the most current index or rate adjustments were included in the measurement of operating lease obligations at adoption.

The adoption of this ASU and related amendments resulted in a \$14.8 billion increase to total assets and a \$15.1 billion increase to total liabilities in the first quarter of fiscal 2020. In the first quarter of fiscal 2020, the Company recognized \$16.8 billion and \$17.5 billion of operating lease right-of-use assets and operating lease obligations, respectively, and removed \$2.2 billion and \$1.7 billion, respectively, of assets and liabilities related to financial obligations connected with the construction of leased stores. Several other asset and liability line items in the Company's Consolidated Balance Sheet were also impacted by immaterial amounts. Additionally, the adoption

resulted in a cumulative-effect adjustment to retained earnings of approximately \$0.3 billion, net of tax, which primarily consisted of the recognition of impairment. The Company's Consolidated Statement of Income and Consolidated Statement of Cash Flows were immaterially impacted. Accounting policies as a result of the adoption of this ASU are described below. Refer to [Note 7](#) for additional lease disclosures.

For any new or modified lease, the Company, at the inception of the contract, determines whether a contract is or contains a lease. The Company records right-of-use ("ROU") assets and lease obligations for its finance and operating leases, which are

initially recognized based on the discounted future lease payments over the term of the lease. As the rate implicit in the Company's leases is not easily determinable, the Company's applicable incremental borrowing rate is used in calculating the present value of the sum of the lease payments.

Lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. The Company has elected not to recognize ROU asset and lease obligations for its short-term leases, which are defined as leases with an initial term of 12 months or less.

For a majority of all classes of underlying assets, the Company has elected to not separate lease from non-lease components. For leases in which the lease and non-lease components have been combined, the variable lease expense includes expenses such as common area maintenance, utilities, and repairs and maintenance.

Impairment of Long-Lived Assets

Management reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows, which is at the individual store or club level. Undiscounted cash flows expected to be generated by the related assets are estimated over the assets' useful lives based on updated projections. If the evaluation indicates that the carrying amount of the assets may not be recoverable, any potential impairment is measured based upon the fair value of the related asset or asset group as determined by an appropriate market appraisal or other valuation technique.

Goodwill and Other Acquired Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations and is allocated to the appropriate reporting unit when acquired. Other acquired intangible assets are stated at the fair value acquired as determined by a valuation technique commensurate with the intended use of the related asset. Goodwill and indefinite-lived intangible assets are not amortized; rather, they are evaluated for impairment annually and whenever events or changes in circumstances indicate that the value of the asset may be impaired. Definite-lived intangible assets are considered long-lived assets and are amortized on a straight-line basis over the periods that expected economic benefits will be provided.

Goodwill is assigned to the reporting unit which consolidates the acquisition. Components within the same reportable segment are aggregated and deemed a single reporting unit if the components have similar economic characteristics. As of January 31, 2020, the Company's reporting units consisted of Walmart U.S., Walmart International and Sam's Club. Goodwill is evaluated for impairment using either a qualitative or quantitative approach for each of the Company's reporting units. Generally, a qualitative assessment is first performed to determine whether a quantitative goodwill impairment test is necessary. If management determines, after performing an assessment based on the qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative goodwill impairment test would be required. The quantitative test for goodwill impairment is performed by determining the fair value of the related reporting units. Fair value is measured based on the discounted cash flow method and relative market-based approaches. After evaluation, management determined the fair value of each reporting unit is significantly greater than the carrying amount and, accordingly, the Company has not recorded any impairment charges related to goodwill.

The following table reflects goodwill activity, by reportable segment, for fiscal 2020 and 2019:

<i>(Amounts in millions)</i>	Walmart U.S.	Walmart International	Sam's Club	Total
Balances as of February 1, 2018	\$ 2,445	\$ 15,484	\$ 313	\$ 18,242
Changes in currency translation and other	—	(743)	—	(743)
Acquisitions ⁽¹⁾	107	13,575	—	13,682
Balances as of January 31, 2019	2,552	28,316	313	31,181
Changes in currency translation and other	—	(149)	—	(149)
Acquisitions	41	—	—	41
Balances as of January 31, 2020	<u>\$ 2,593</u>	<u>\$ 28,167</u>	<u>\$ 313</u>	<u>\$ 31,073</u>

⁽¹⁾ Goodwill recorded in fiscal 2019 for Walmart International relates to Flipkart.

Intangible assets are included in other long-term assets in the Company's Consolidated Balance Sheets. As of January 31, 2020 and 2019, the Company had \$5.2 billion and \$5.8 billion, respectively, in indefinite-lived intangible assets which is primarily made up of acquired trade names. Refer to [Note 12](#) for additional information related to acquired intangible assets for the Flipkart acquisition. During fiscal 2020, the Company incurred approximately \$0.7 billion in impairment charges related to its intangible assets. There were no significant impairment charges related to intangible assets for fiscal 2019 and 2018. Refer to [Note 8](#) for additional information.

Fair Value Measurement

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-01, *Financial Instruments—Overall (Topic 825)*, which updated certain aspects of recognition, measurement, presentation and disclosure of financial instruments ("ASU 2016-01"). The Company adopted this ASU on February 1, 2018, which primarily impacted the Company's accounting for its investment in JD.com, Inc. ("JD") and resulted in a positive adjustment to retained earnings of approximately \$2.6 billion, net of tax, in fiscal 2019 based on the market value of the Company's investment in JD as of January 31, 2018. The adoption required prospective changes in fair value of the Company's investment in JD to be recorded in the Consolidated Statement of Income, which the Company classifies in other gains and losses.

The Company records and discloses certain financial and non-financial assets and liabilities at fair value. The fair value of an asset is the price at which the asset could be sold in an orderly transaction between unrelated, knowledgeable and willing parties able to engage in the transaction. The fair value of a liability is the amount that would be paid to transfer the liability to a new obligor in a transaction between such parties, not the amount that would be paid to settle the liability with the creditor. Refer to [Note 8](#) for more information.

Self Insurance Reserves

The Company self-insures a number of risks, including, but not limited to, workers' compensation, general liability, auto liability, product liability and certain employee-related healthcare benefits. Standard actuarial procedures and data analysis are used to estimate the liabilities associated with these risks as of the balance sheet date on an undiscounted basis. The recorded liabilities reflect the ultimate cost for claims incurred but not paid and any estimable administrative run-out expenses related to the processing of these outstanding claim payments. On a regular basis, the liabilities are evaluated for appropriateness with claims reserve valuations. To limit exposure to some risks, the Company maintains insurance coverage with varying limits and retentions, including stop-loss insurance coverage for workers' compensation, general liability and auto liability.

Derivatives

The Company uses derivatives for hedging purposes to manage its exposure to changes in interest and currency exchange rates, as well as to maintain an appropriate mix of fixed- and variable-rate debt. Use of derivatives in hedging programs subjects the Company to certain risks, such as market and credit risks. The Company may be exposed to credit-related losses in the event of nonperformance by its counterparties to derivatives. Credit risk is monitored through established approval procedures, including setting concentration limits by counterparty, reviewing credit ratings and requiring collateral from the counterparty. The Company enters into derivatives with counterparties rated only "A-" or better by nationally recognized credit rating agencies. The Company is subject to master netting arrangements which provides set-off and close out netting of exposures with counterparties, but the Company does not offset derivative assets and liabilities in its Consolidated Balance Sheets. The Company's collateral arrangements requires the counterparty in a net liability position in excess of pre-determined thresholds, after considering the effects of netting arrangements, to pledge cash collateral. Cash collateral received under these arrangements was not significant as of January 31, 2020 and 2019. The Company was not required to provide any cash collateral to counterparties as of January 31, 2020 and 2019.

In order to qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge. If a derivative is recorded using hedge accounting, depending on the nature of the hedge, derivative gains and losses are recorded through the same financial statement line item in earnings or are recognized in accumulated other comprehensive loss until the hedged item is recognized in earnings. Derivatives that do not meet the criteria for hedge accounting, or contracts for which the Company has not elected hedge accounting, are recorded at fair value with unrealized gains or losses reported in earnings. Derivatives with an unrealized gain are recorded in the Company's Consolidated Balance Sheets as either current or non-current assets, based on maturity date, and derivatives with an unrealized loss are recorded as either current or non-current liabilities, based on maturity date. Refer to [Note 8](#) for the presentation of the Company's derivative assets and liabilities.

Fair Value Hedges

The Company is a party to receive fixed-rate, pay variable-rate interest rate swaps that the Company uses to hedge the fair value of fixed-rate debt. All interest rate swaps designated as fair value hedges of the related long-term debt meet the shortcut method requirements under U.S. GAAP. Accordingly, changes in the fair values of these interest rate swaps are considered to exactly offset changes in the fair value of the underlying long-term debt. These derivatives will mature on dates ranging from October 2020 to April 2024.

Cash Flow Hedges

The Company is a party to receive fixed-rate, pay fixed-rate cross currency interest rate swaps used to hedge the currency exposure associated with the forecasted payments of principal and interest of certain non-U.S. denominated debt. The Company records changes in the fair value of these swaps in accumulated other comprehensive loss which is subsequently

reclassified into earnings in the period that the hedged forecasted transaction affects earnings. These derivatives will mature on dates ranging from April 2022 to March 2034.

Net Investment Hedges

The Company is a party to receive fixed-rate, pay fixed-rate cross currency interest rate swaps used to hedge the currency exposure associated with net investments of certain of its foreign operations. The Company records changes in fair value attributable to the hedged risk in accumulated other comprehensive loss. These derivatives will mature on dates ranging from July 2020 to February 2030. The Company also designated certain foreign currency denominated long-term debt as a hedge of currency exposure associated with the net investment of these operations. The Company records foreign currency gain or loss associated with designated long-term debt in accumulated other comprehensive loss. As of January 31, 2020 and 2019, the Company had \$3.9 billion, respectively, of outstanding long-term debt designated as net investment hedges.

These derivative and non-derivative gains or losses continue to defer in accumulated other comprehensive loss until the sale or substantial liquidation of these foreign operations.

Income Taxes

Income taxes are accounted for under the balance sheet method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences"). Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date.

Deferred tax assets are evaluated for future realization and reduced by a valuation allowance to the extent that a portion is not more likely than not to be realized. Many factors are considered when assessing whether it is more likely than not that the deferred tax assets will be realized, including recent cumulative earnings, expectations of future taxable income, carryforward periods, and other relevant quantitative and qualitative factors. The recoverability of the deferred tax assets is evaluated by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely on estimates.

The Tax Cuts and Jobs Act contains a provision which subjects a U.S. parent of a foreign subsidiary to current U.S. tax on its global intangible low-taxed income ("GILTI"). The GILTI income is eligible for a deduction, which lowers the effective tax rate to 10.5% for calendar years 2018 through 2025 and 13.125% after 2025. The Company will report the tax impact of GILTI as a period cost when incurred. Accordingly, the Company is not providing deferred taxes for basis differences expected to reverse as GILTI.

In determining the provision for income taxes, an annual effective income tax rate is used based on annual income, permanent differences between book and tax income, and statutory income tax rates. Discrete events such as audit settlements or changes in tax laws are recognized in the period in which they occur.

The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company records interest and penalties related to unrecognized tax benefits in interest expense and operating, selling, general and administrative expenses, respectively, in the Company's Consolidated Statements of Income. Refer to [Note 9](#) for additional income tax disclosures.

Revenue Recognition

Net Sales

The Company recognizes sales revenue, net of sales taxes and estimated sales returns, at the time it sells merchandise or services to the customer. eCommerce sales include shipping revenue and are recorded upon delivery to the customer. Estimated sales returns are calculated based on expected returns.

Membership Fee Revenue

The Company recognizes membership fee revenue both in the U.S. and internationally over the term of the membership, which is typically 12 months. Membership fee revenue was \$1.5 billion for fiscal 2020 and \$1.4 billion for each of fiscal 2019 and 2018, respectively. Membership fee revenue is included in membership and other income

in the Company's Consolidated Statements of Income. Deferred membership fee revenue is included in accrued liabilities in the Company's Consolidated Balance Sheets.

Gift Cards

Customer purchases of gift cards are not recognized as sales until the card is redeemed and the customer purchases merchandise using the gift card. Gift cards in the U.S. and some countries do not carry an expiration date; therefore, customers and members

can redeem their gift cards for merchandise and services indefinitely. Gift cards in some countries where the Company does business have expiration dates. While gift cards are generally redeemed within 12 months, a certain number of gift cards, both with and without expiration dates, will not be fully redeemed. Management estimates unredeemed balances and recognizes revenue for these amounts in membership and other income in the Company's Consolidated Statements of Income over the expected redemption period.

Financial and Other Services

The Company recognizes revenue from service transactions at the time the service is performed. Generally, revenue from services is classified as a component of net sales in the Company's Consolidated Statements of Income.

Cost of Sales

Cost of sales includes actual product cost, the cost of transportation to the Company's distribution facilities, stores and clubs from suppliers, the cost of transportation from the Company's distribution facilities to the stores, clubs and customers and the cost of warehousing for the Sam's Club segment and import distribution centers. Cost of sales is reduced by supplier payments that are not a reimbursement of specific, incremental and identifiable costs.

Payments from Suppliers

The Company receives consideration from suppliers for various programs, primarily volume incentives, warehouse allowances and reimbursements for specific programs such as markdowns, margin protection, advertising and supplier-specific fixtures. Payments from suppliers are accounted for as a reduction of cost of sales, except in certain limited situations when the payment is a reimbursement of specific, incremental and identifiable costs, and are recognized in the Company's Consolidated Statements of Income when the related inventory is sold.

Operating, Selling, General and Administrative Expenses

Operating, selling, general and administrative expenses include all operating costs of the Company, except cost of sales, as described above. As a result, the majority of the cost of warehousing and occupancy for the Walmart U.S. and Walmart International segments' distribution facilities is included in operating, selling, general and administrative expenses. Because the Company only includes a portion of the cost of its Walmart U.S. and Walmart International segments' distribution facilities in cost of sales, its gross profit and gross profit as a percentage of net sales may not be comparable to those of other retailers that may include all costs related to their distribution facilities in cost of sales and in the calculation of gross profit.

Advertising Costs

Advertising costs are expensed as incurred, consist primarily of print, television and digital advertisements and are recorded in operating, selling, general and administrative expenses in the Company's Consolidated Statements of Income. In certain limited situations, reimbursements from suppliers that are for specific, incremental and identifiable advertising costs are recognized as a reduction of advertising costs in operating, selling, general and administrative expenses. Advertising costs were \$3.7 billion, \$3.5 billion and \$3.1 billion for fiscal 2020, 2019 and 2018, respectively.

Currency Translation

The assets and liabilities of all international subsidiaries are translated from the respective local currency to the U.S. dollar using exchange rates at the balance sheet date. Related translation adjustments are recorded as a component of accumulated other comprehensive loss. The Company's Consolidated Statements of Income of all international subsidiaries are translated from the respective local currencies to the U.S. dollar using average exchange rates for the period covered by the income statements.

Recent Accounting Pronouncements

Financial Instruments

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which modifies the measurement of expected credit losses of certain financial instruments. The Company adopted this ASU on February 1, 2020 with no material impact to the Company's Consolidated Financial Statements.

Note 2. Net Income Per Common Share

Basic net income per common share attributable to Walmart is based on the weighted-average common shares outstanding during the relevant period. Diluted net income per common share attributable to Walmart is based on the weighted-average common shares outstanding during the relevant period adjusted for the dilutive effect of share-

based awards. The Company did not have significant share-based awards outstanding that were antidilutive and not included in the calculation of diluted net income per common share attributable to Walmart for fiscal 2020, 2019 and 2018.

The following table provides a reconciliation of the numerators and denominators used to determine basic and diluted net income per common share attributable to Walmart:

	Fiscal Years Ended January 31,		
	2020	2019	2018
<i>(Amounts in millions, except per share data)</i>			
Numerator			
Consolidated net income	\$ 15,201	\$ 7,179	\$ 10,523
Consolidated net income attributable to noncontrolling interest	(320)	(509)	(661)
Consolidated net income attributable to Walmart	<u>\$ 14,881</u>	<u>\$ 6,670</u>	<u>\$ 9,862</u>
Denominator			
Weighted-average common shares outstanding, basic	2,850	2,929	2,995
Dilutive impact of stock options and other share-based awards	18	16	15
Weighted-average common shares outstanding, diluted	<u>2,868</u>	<u>2,945</u>	<u>3,010</u>
Net income per common share attributable to Walmart			
Basic	\$ 5.22	\$ 2.28	\$ 3.29
Diluted	5.19	2.26	3.28

Note 3. Shareholders' Equity

The total authorized shares of \$0.10 par value common stock is 11.0 billion, of which 2.8 billion and 2.9 billion were issued and outstanding as of January 31, 2020 and 2019, respectively.

Share-Based Compensation

The Company has awarded share-based compensation to associates and nonemployee directors of the Company. The compensation expense recognized for all stock incentive plans, including expense associated with plans of the Company's consolidated subsidiaries granted in the subsidiaries' respective stock, was \$854 million, \$773 million and \$626 million for fiscal 2020, 2019 and 2018, respectively. Share-based compensation expense is generally included in operating, selling, general and administrative expenses in the Company's Consolidated Statements of Income. The total income tax benefit recognized for share-based compensation was \$202 million, \$181 million and \$150 million for fiscal 2020, 2019 and 2018, respectively. The following table summarizes the Company's share-based compensation expense by award type for all plans:

	Fiscal Years Ended January 31,		
	2020	2019	2018
<i>(Amounts in millions)</i>			
Restricted stock and performance share units	\$ 270	\$ 293	\$ 234
Restricted stock units	553	456	368
Other	31	24	24
Share-based compensation expense	<u>\$ 854</u>	<u>\$ 773</u>	<u>\$ 626</u>

The Walmart Inc. Stock Incentive Plan of 2015 (the "Plan"), as amended and restated effective February 23, 2016, as amended further as of February 1, 2017, and as renamed on February 1, 2018, was established to grant stock options, restricted (non-vested) stock, performance share units and other equity compensation awards for which 260 million shares of Walmart common stock issued or to be issued under the Plan have been registered under the Securities Act of 1933, as amended. The Company believes that such awards serve to align the interests of its associates with those of its shareholders.

The Plan's award types are summarized as follows:

- *Restricted Stock and Performance Share Units.* Restricted stock awards are for shares that vest based on the passage of time and include restrictions related to employment. Performance share units vest based on the passage of time and achievement of performance criteria and may range from 0% to 150% of the original award amount. Vesting periods for these awards are generally between one and three years. Restricted stock and performance share units may be settled or deferred in stock and are accounted for as equity in the

Company's Consolidated Balance Sheets. The fair value of restricted stock awards is determined on the date of grant and is expensed ratably over the vesting period. The fair value of performance share units is determined on the date of grant using the Company's stock price discounted for the expected dividend yield through the vesting period and is recognized over the vesting period. The weighted-average discount for the dividend yield used to determine the fair value of performance share units in fiscal 2020, 2019 and 2018 was 5.1%, 6.2% and 7.2%, respectively.

- *Restricted Stock Units.* Restricted stock units provide rights to Company stock after a specified service period. Beginning in fiscal 2020, restricted stock units generally vest at a rate of 25% each year over a four year period from the date of the grant. Prior to fiscal 2020, 50% of restricted stock units generally vested three years from the grant date and the remaining 50% were vested five years from the grant date. The fair value of each restricted stock unit is determined on the date of grant using the stock price discounted for the expected dividend yield through the vesting period and is recognized ratably over the vesting period. The expected dividend yield is based on the anticipated

dividends over the vesting period. The weighted-average discount for the dividend yield used to determine the fair value of restricted stock units granted in fiscal 2020, 2019 and 2018 was 4.9%, 7.2% and 9.0%, respectively.

In addition to the Plan, the Company's United Kingdom subsidiary has stock option plans for certain colleagues which generally vest over three years. The stock option share-based compensation expense is included in the Other line in the table above.

Flipkart also maintains a stock option plan primarily for the benefit of employees and nonemployee directors under which options to acquire Flipkart common shares may be issued. The grants have no exercise price and no compensation expense was recognized during fiscal 2020 or fiscal 2019 where a performance condition was not deemed probable of occurring.

The following table shows the activity for restricted stock and performance share units and restricted stock units during fiscal 2020:

	Restricted Stock and Performance Share Units		Restricted Stock Units	
	Shares	Weighted-Average Grant-Date Fair Value Per Share	Shares	Weighted-Average Grant-Date Fair Value Per Share
<i>(Shares in thousands)</i>				
Outstanding as of February 1, 2019	8,799	\$ 75.39	23,955	\$ 70.47
Granted	3,354	100.38	8,504	95.92
Adjustment for performance achievement ⁽¹⁾	898	64.50	—	—
Vested/exercised	(5,365)	67.96	(6,496)	68.13
Forfeited	(1,641)	82.77	(2,702)	78.86
Outstanding as of January 31, 2020	6,045	\$ 93.04	23,261	\$ 79.51

(1) Represents the adjustment to previously granted performance share units for performance achievement.

The following table includes additional information related to restricted stock and performance share units and restricted stock units:

	Fiscal Years Ended January 31,		
	2020	2019	2018
<i>(Amounts in millions, except years)</i>			
Fair value of restricted stock and performance share units vested	\$ 365	\$ 183	\$ 181
Fair value of restricted stock units vested	442	386	344
Unrecognized compensation cost for restricted stock and performance share units	326	362	291
Unrecognized compensation cost for restricted stock units	1,096	1,002	972
Weighted average remaining period to expense for restricted stock and performance share units (years)	1.4	1.1	1.2
Weighted average remaining period to expense for restricted stock units (years)	1.3	1.6	1.8

Share Repurchase Program

From time to time, the Company repurchases shares of its common stock under share repurchase programs authorized by the Company's Board of Directors. All repurchases made during fiscal 2020 were made under the current \$20.0 billion share repurchase program approved in October 2017, which has no expiration date or other restrictions limiting the period over which the Company can make share repurchases. As of January 31, 2020, authorization for 5.7 billion of share repurchases remained under the share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status.

The Company regularly reviews share repurchase activity and considers several factors in determining when to execute share repurchases, including, among other things, current cash needs, capacity for leverage, cost of borrowings, results of operations and the market price of the Company's common stock. The following table provides, on a settlement date basis, the number of shares repurchased, average price paid per share and total amount paid for share repurchases for fiscal 2020, 2019 and 2018:

	Fiscal Years Ended January 31,		
	2020	2019	2018
<i>(Amounts in millions, except per share data)</i>			

Total number of shares repurchased	53.9	79.5	104.9
Average price paid per share	\$ 105.98	\$ 93.18	\$ 79.11
Total cash paid for share repurchases	\$ 5,717	\$ 7,410	\$ 8,296

Note 4. Accumulated Other Comprehensive Loss

The following table provides the changes in the composition of total accumulated other comprehensive loss for fiscal 2020, 2019, and 2018:

<i>(Amounts in millions and net of immaterial income taxes)</i>	Currency Translation and Other	Net Investment Hedges	Unrealized Gain on Available-for-Sale Securities	Cash Flow Hedges	Minimum Pension Liability	Total
Balances as of February 1, 2017	\$ (14,507)	\$ 1,435	\$ 145	\$ (315)	\$ (990)	\$ (14,232)
Other comprehensive income (loss) before reclassifications, net	2,345	(405)	1,501	436	83	3,960
Amounts reclassified from accumulated other comprehensive loss, net	26	—	—	1	64	91
Balances as of January 31, 2018	(12,136)	1,030	1,646	122	(843)	(10,181)
Adoption of new accounting standards on February 1, 2018 ⁽¹⁾	89	93	(1,646)	28	—	(1,436)
Other comprehensive income (loss) before reclassifications, net	(2,093)	272	—	(339)	93	(2,067)
Reclassifications to income, net ⁽²⁾	2,055	—	—	49	38	2,142
Balances as of January 31, 2019	(12,085)	1,395	—	(140)	(712)	(11,542)
Other comprehensive income (loss) before reclassifications, net ⁽³⁾	281	122	—	(399)	(1,283)	(1,279)
Reclassifications to income, net	(23)	—	—	—	39	16
Balances as of January 31, 2020	<u>\$ (11,827)</u>	<u>\$ 1,517</u>	<u>\$ —</u>	<u>\$ (539)</u>	<u>\$ (1,956)</u>	<u>\$ (12,805)</u>

(1) Primarily relates to the adoption of ASU 2016-01 and ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220)*: *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*.

(2) Includes a cumulative foreign currency translation loss of \$2.0 billion, for which there was no related income taxes, upon sale of the majority stake in Walmart Brazil (see [Note 12](#)).

(3) Primarily includes the remeasurement of Asda's pension benefit obligation subsequent to the cash contribution made by Asda, as described more fully in [Note 11](#).

Amounts reclassified from accumulated other comprehensive loss for derivatives are recorded in interest, net, in the Company's Consolidated Statements of Income, and the amounts for the minimum pension liability, as well as the cumulative translation resulting from the disposition of a business, are recorded in other gains and losses in the Company's Consolidated Statements of Income. Amounts related to the Company's derivatives expected to be reclassified from accumulated other comprehensive loss to net income during the next 12 months are not significant.

Note 5. Accrued Liabilities

The Company's accrued liabilities consist of the following as of January 31, 2020 and 2019:

<i>(Amounts in millions)</i>	January 31,	
	2020	2019
Accrued wages and benefits ⁽¹⁾	\$ 6,093	\$ 6,504
Self-insurance ⁽²⁾	4,469	3,979
Accrued non-income taxes ⁽³⁾	3,039	2,979
Deferred gift card revenue	1,990	1,932
Other ⁽⁴⁾	6,705	6,765
Total accrued liabilities	<u>\$ 22,296</u>	<u>\$ 22,159</u>

(1) Accrued wages and benefits include accrued wages, salaries, vacation, bonuses and other incentive plans.

(2) Self-insurance consists of insurance-related liabilities, such as workers' compensation, general liability, auto liability, product liability and certain employee-related healthcare benefits.

(3) Accrued non-income taxes include accrued payroll, property, value-added, sales and miscellaneous other taxes.

(4) Other accrued liabilities consist of various items such as interest, maintenance, utilities, legal contingencies, and advertising.

Note 6. Short-term Borrowings and Long-term Debt

Short-term borrowings consist of commercial paper and lines of credit. Short-term borrowings as of January 31, 2020 and 2019 were \$0.6 billion and \$5.2 billion, respectively, with weighted-average interest rates of 5.0% and 2.7%, respectively. Short-term borrowings as of January 31, 2020 were primarily outside of the U.S.

The Company has various committed lines of credit in the U.S. totaling \$15.0 billion as of January 31, 2020 and 2019, respectively. These committed lines of credit are summarized in the following table:

(Amounts in millions)	January 31, 2020			January 31, 2019		
	Available	Drawn	Undrawn	Available	Drawn	Undrawn
Five-year credit facility ⁽¹⁾	\$ 5,000	\$ —	\$ 5,000	\$ 5,000	\$ —	\$ 5,000
364-day revolving credit facility ⁽¹⁾	10,000	—	10,000	10,000	—	10,000
Total	\$ 15,000	\$ —	\$ 15,000	\$ 15,000	\$ —	\$ 15,000

- (1) In May 2019, the Company renewed and extended its existing five-year credit facility and its existing 364-day revolving credit facility, both of which are used to support its commercial paper program.

The committed lines of credit in the table above mature at various times between May 2020 and May 2024, carry interest rates generally ranging between LIBOR plus 10 basis points and LIBOR plus 75 basis points, and incur commitment fees ranging between 1.5 and 4.0 basis points. In conjunction with the committed lines of credit listed in the table above, the Company has agreed to observe certain covenants, the most restrictive of which relates to the maximum amount of secured debt. Additionally, the Company also maintains other committed lines of credit outside of the U.S., with available amounts of approximately \$3.0 billion as of each of January 31, 2020 and 2019, respectively, of which approximately \$0.1 billion and \$0.2 billion was drawn as of January 31, 2020 and 2019, respectively.

Apart from the committed lines of credit, the Company has syndicated and fronted letters of credit available totaling \$1.8 billion as of each of January 31, 2020 and 2019, respectively, of which \$1.6 billion was drawn as of each of January 31, 2020 and 2019, respectively. The Company also has trade letters of credit, without stated limits, of which \$0.2 billion and \$0.4 billion was drawn as of January 31, 2020 and 2019, respectively.

The Company's long-term debt, which includes the fair value instruments further discussed in [Note 8](#), consists of the following as of January 31, 2020 and 2019:

(Amounts in millions)	Maturity Dates By Fiscal Year	January 31, 2020		January 31, 2019	
		Amount	Average Rate ⁽¹⁾	Amount	Average Rate ⁽¹⁾
Unsecured debt					
Fixed	2021 - 2050	\$ 39,752	3.8%	\$ 35,816	3.9%
Variable	2021 - 2022	1,500	2.1%	1,800	2.9%
Total U.S. dollar denominated		41,252		37,616	
Fixed	2023 - 2030	2,758	3.3%	2,870	3.3%
Variable		—		—	
Total Euro denominated		2,758		2,870	
Fixed	2031 - 2039	3,518	5.4%	3,524	5.4%
Variable		—		—	
Total Sterling denominated		3,518		3,524	
Fixed	2021 - 2028	1,652	0.4%	1,651	0.4%
Variable		—		—	
Total Yen denominated		1,652		1,651	
Total unsecured debt		49,180		45,661	
Total other⁽²⁾		(104)		(265)	
Total debt		49,076		45,396	
Less amounts due within one year		(5,362)		(1,876)	
Long-term debt		\$ 43,714		\$ 43,520	

- (1) The average rate represents the weighted-average stated rate for each corresponding debt category, based on year-end balances and year-end interest rates.
- (2) Includes deferred loan costs, discounts, fair value hedges, foreign-held debt and secured debt.

Annual maturities of long-term debt during the next five years and thereafter are as follows:

(Amounts in millions)

Fiscal Year	Annual Maturities
2021	\$ 5,362
2022	3,009
2023	2,830
2024	4,652
2025	4,367
Thereafter	28,960
Total	\$ 49,180

Debt Issuances

Information on long-term debt issued during fiscal 2020, for general corporate purposes, is as follows:

(Amounts in millions)

Issue Date	Principal Amount	Maturity Date	Fixed vs. Floating	Interest Rate	Net Proceeds
April 23, 2019	\$1,500	July 8, 2024	Fixed	2.850%	\$ 1,493
April 23, 2019	\$1,250	July 8, 2026	Fixed	3.050%	1,242
April 23, 2019	\$1,250	July 8, 2029	Fixed	3.250%	1,243
September 24, 2019	\$500	September 24, 2029	Fixed	2.375%	497
September 24, 2019	\$1,000	September 24, 2049	Fixed	2.950%	975
Various	\$42	Various	Various	Various	42
Total					\$ 5,492

Information on long-term debt issued during fiscal 2019, to fund a portion of the purchase price for the Flipkart acquisition and for general corporate purposes, is as follows:

(Amounts in millions)

Issue Date	Principal Amount	Maturity Date	Fixed vs. Floating	Interest Rate	Net Proceeds
June 27, 2018	\$750	June 23, 2020	Floating	Floating	\$ 748
June 27, 2018	\$1,250	June 23, 2020	Fixed	2.850%	1,247
June 27, 2018	\$750	June 23, 2021	Floating	Floating	748
June 27, 2018	\$1,750	June 23, 2021	Fixed	3.125%	1,745
June 27, 2018	\$2,750	June 26, 2023	Fixed	3.400%	2,740
June 27, 2018	\$1,500	June 26, 2025	Fixed	3.550%	1,490
June 27, 2018	\$2,750	June 26, 2028	Fixed	3.700%	2,725
June 27, 2018	\$1,500	June 28, 2038	Fixed	3.950%	1,473
June 27, 2018	\$3,000	June 29, 2048	Fixed	4.050%	2,935
Various	\$21	Various	Various	Various	21
Total					\$ 15,872

The fiscal 2020 and fiscal 2019 issuances are senior, unsecured notes which rank equally with all other senior, unsecured debt obligations of the Company, and are not convertible or exchangeable. These issuances do not contain any financial covenants which restrict the Company's ability to pay dividends or repurchase company stock.

Repayments

The following table provides details of debt repayments during fiscal 2020:

(Amounts in millions)

Maturity Date	Principal Amount	Fixed vs. Floating	Interest Rate	Repayment
February 1, 2019	\$500	Fixed	4.125%	\$ 364
October 20, 2019	\$300	Floating	Floating	300
October 20, 2019	\$1,200	Fixed	1.750%	1,200
Various ⁽¹⁾	\$43	Various	Various	43
Total repayment of matured debt				\$ 1,907

(1) Includes repayments of smaller long-term debt as it matured in several non-U.S. operations.

The following table provides details of debt repayments during fiscal 2019:

(Amounts in millions)

Maturity Date	Principal Amount	Fixed vs. Floating	Interest Rate	Repayment
February 15, 2018	\$1,250	Fixed	5.800%	\$ 1,250
April 11, 2018	\$1,250	Fixed	1.125%	1,250
June 1, 2018	\$500	Floating	Floating	500
December 15, 2018	\$724	Fixed	1.950%	724
Various ⁽¹⁾	\$60	Various	Various	60
Total repayment of matured debt				\$ 3,784

(1) Includes repayments of smaller long-term debt as it matured in several non-U.S. operations.

Note 7. Leases

The Company leases certain retail locations, distribution and fulfillment centers, warehouses, office spaces, land and equipment throughout the U.S. and internationally.

The Company's lease costs recognized in the Consolidated Statement of Income consist of the following:

(Amounts in millions)	Fiscal Year Ended January 31, 2020
Operating lease cost ⁽¹⁾	\$ 2,670
Finance lease cost:	
Amortization of right-of-use assets	480
Interest on lease obligations	306
Variable lease cost	691

(1) Rentals (including amounts applicable to taxes, insurance, maintenance, other operating expenses and contingent rentals) under operating leases and other short-term rental arrangements were \$3.0 billion and \$2.9 billion in fiscal 2019 and 2018, respectively.

Other lease information is as follows:

(Dollar amounts in millions)	Fiscal Year Ended January 31, 2020
Cash paid for amounts included in measurement of lease obligations:	
Operating cash flows from operating leases	\$ 2,614
Operating cash flows from finance leases	278
Financing cash flows from finance leases	485
Assets obtained in exchange for operating lease obligations	2,151
Assets obtained in exchange for finance lease obligations	1,081
Weighted-average remaining lease term - operating leases	15.6 years
Weighted-average remaining lease term - finance leases	14.4 years
Weighted-average discount rate - operating leases	5.4 %
Weighted-average discount rate - finance leases	8.6 %

The aggregate annual lease obligations at January 31, 2020 are as follows:

(Amounts in millions)

Fiscal Year	Operating Leases	Finance Leases
2021	\$ 2,587	\$ 797
2022	2,358	757
2023	2,138	640
2024	1,932	552

2025	1,728	492
Thereafter	15,514	5,612
Total undiscounted lease obligations	26,257	8,850
Less imputed interest	(8,293)	(4,032)
Net lease obligations	\$ 17,964	\$ 4,818

Upon adoption of ASU 2016-02, *Leases* (Topic 842), the Company's aggregate annual lease obligations includes leases with reasonably assured renewals. The aggregate minimum annual lease rentals as of January 31, 2019 for the remaining contractual term of non-cancelable leases under ASC 840 were as follows:

(Amounts in millions)

Fiscal Year	Operating Leases ⁽¹⁾	Capital Lease and Financing Obligations
2020	\$ 1,856	\$ 917
2021	1,655	856
2022	1,420	794
2023	1,233	667
2024	1,063	593
Thereafter	6,891	6,069
Total minimum rentals	14,118	9,896
Less estimated executory costs		23
Net minimum lease payments		9,873
Financing obligation noncash gains and other		2,278
Less imputed interest		(4,739)
Present value of minimum lease payments		\$ 7,412

(1) Represents minimum contractual obligation for non-cancelable leases with initial or remaining terms greater than 12 months as of January 31, 2019.

Note 8. Fair Value Measurements

Assets and liabilities recorded at fair value are measured using the fair value hierarchy, which prioritizes the inputs used in measuring fair value. The levels of the fair value hierarchy are:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3: unobservable inputs for which little or no market data exists, therefore requiring the Company to develop its own assumptions.

The Company measures the fair value of equity investments (primarily its investment in JD) on a recurring basis and records them in other long-term assets in the accompanying Consolidated Balance Sheets. Measurement details about the Company's two portions of the investment in JD are as follows:

- The purchased portion of the investment in JD is measured using Level 1 inputs.
- The portion of the investment in JD received in exchange for selling certain assets related to Yihaodian, the Company's former eCommerce operation in China, measured using Level 2 inputs. Fair value is determined primarily using quoted prices in active markets for similar assets.

The fair value of the Company's investment in JD is as follows:

(Amounts in millions)	Fair Value as of January 31, 2020	Fair Value as of January 31, 2019
Investment in JD measured using Level 1 inputs	\$ 2,715	\$ 1,791
Investment in JD measured using Level 2 inputs	2,723	1,792
Total	\$ 5,438	\$ 3,583

Derivatives

The Company also has derivatives recorded at fair value. Derivative fair values are the estimated amounts the Company would receive or pay upon termination of the related derivative agreements as of the reporting dates. The fair values have been measured using the income approach and Level 2 inputs, which include the relevant interest rate and foreign currency forward curves. As of January 31, 2020 and January 31, 2019, the notional amounts and fair values of these derivatives were as follows:

(Amounts in millions)	January 31, 2020		January 31, 2019	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Receive fixed-rate, pay variable-rate interest rate swaps designated as fair value hedges	\$ 4,000	\$ 97 ⁽¹⁾	\$ 4,000	\$ (78) ⁽²⁾
Receive fixed-rate, pay fixed-rate cross-currency swaps designated as net investment hedges	3,750	455 ⁽¹⁾	2,250	334 ⁽¹⁾
Receive fixed-rate, pay fixed-rate cross-currency swaps designated as cash flow hedges	4,067	(696) ⁽²⁾	4,173	(272) ⁽³⁾
Total	\$ 11,817	\$ (144)	\$10,423	\$ (16)

⁽¹⁾ Classified in Other long-term assets within the Company's Consolidated Balance Sheets.

⁽²⁾ Classified in Deferred income taxes and other within the Company's Consolidated Balance Sheets.

⁽³⁾ Approximately \$350 million of cash flow hedges were classified in Deferred income taxes and other and \$78 million of cash flow were classified in Other long-term assets in the Company's Consolidated Balance Sheets.

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company's assets and liabilities are also subject to nonrecurring fair value measurements. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges.

For the fiscal year ended January 31, 2020, the Company recorded impairment charges related to assets measured at fair value on a non-recurring basis primarily related to the following:

- in the Walmart U.S. segment, \$0.5 billion in impairment charges for impaired assets consisting primarily of trade names and acquired developed software due to strategic decisions that resulted in the write-down of certain eCommerce assets; and
- in the Walmart International segment, \$0.4 billion in impairment charges consisting primarily of the write-off of the carrying value of one of Flipkart's two fashion trade names, Jabong.com, as a result of a strategic decision to focus on the Myntra.com fashion platform.

These impairment charges were classified in operating, selling, general and administrative expenses in the Company's Consolidated Statements of Income. Other impairment charges for assets measured at fair value on a nonrecurring basis during fiscal 2020 were immaterial.

As discussed in [Note 12](#), the Company sold the majority stake in Walmart Brazil during fiscal 2019. The assets of the disposal group totaled \$3.3 billion and were comprised of \$1.0 billion in current assets, \$1.6 billion in property and equipment and property under capital lease and financing obligations, net, and \$0.7 billion of other long-term assets. When measured as held for sale, these assets were fully impaired as the carrying value of the disposal group exceeded the fair value, less costs to sell and contributed to a pre-tax net loss of \$4.8 billion in the Walmart International segment, which was recorded in other gains and losses in the Company's Consolidated Statement of Income. Other impairment charges to assets measured at fair value on a nonrecurring basis during fiscal 2019 were immaterial.

Other Fair Value Disclosures

The Company records cash and cash equivalents, restricted cash and short-term borrowings at cost. The carrying values of these instruments approximate their fair value due to their short-term maturities.

The Company's long-term debt is also recorded at cost. The fair value is estimated using Level 2 inputs based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. The carrying value and fair value of the Company's long-term debt as of January 31, 2020 and 2019, are as follows:

<i>(Amounts in millions)</i>	January 31, 2020		January 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including amounts due within one year	\$ 49,076	\$ 57,769	\$ 45,396	\$ 49,570

Note 9. Taxes

The components of income (loss) before income taxes are as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2020	2019	2018
U.S.	\$ 17,098	\$ 15,875	\$ 10,722
Non-U.S.	3,018	(4,415)	4,401
Total income before income taxes	\$ 20,116	\$ 11,460	\$ 15,123

A summary of the provision for income taxes is as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2020	2019	2018
Current:			
U.S. federal	\$ 2,794	\$ 2,763	\$ 2,998
U.S. state and local	587	493	405
International	1,205	1,495	1,377
Total current tax provision	4,586	4,751	4,780
Deferred:			
U.S. federal	663	(361)	(22)
U.S. state and local	35	(16)	(12)
International	(369)	(93)	(146)
Total deferred tax expense (benefit)	329	(470)	(180)
Total provision for income taxes	\$ 4,915	\$ 4,281	\$ 4,600

In December 2017, the Tax Act was enacted and significantly changed U.S. income tax law. Beginning January 2018, the Tax Act reduced the U.S. statutory tax rate and created new taxes focused on foreign-sourced earnings and related-party payments, including the creation of the base erosion anti-abuse tax and a new tax on global intangible low-taxed income ("GILTI"). In addition, the Company was subject to a one-time transition tax in fiscal 2018 on accumulated foreign subsidiary earnings not previously subject to U.S. income tax.

The SEC staff issued Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act* ("SAB 118"), which allowed companies to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, the Company made reasonable estimates of the effects and recorded provisional amounts in its financial statements as of January 31, 2018, in accordance with SAB 118. The Company elected to apply the measurement period provisions of this guidance to certain income tax effects of the Tax Act when it became effective. The provisional measurement period ended in the fourth quarter of fiscal 2019. Management completed the Company's accounting for Tax Reform in fiscal 2019 based on prevailing regulations and currently available information, and any additional guidance issued by the IRS could impact the aforementioned amounts in future periods. The net tax benefit recognized in fiscal 2018 related to the Tax Act was \$207 million, and in fiscal 2019, the Company recorded \$442 million of additional tax expense related to the Tax Act, included as a component of provision for income taxes.

One-time Transition Tax

The Tax Act required the Company to pay U.S. income taxes on accumulated foreign subsidiary earnings not previously subject to U.S. income tax at a rate of 15.5% to the extent of foreign cash and certain other net current assets, as defined by the Tax Act, and 8.0% on the remaining earnings. In fiscal 2018, the Company recorded a provisional amount of \$1.9 billion of additional income tax expense for its one-time transitional tax liability. The Company calculated the Transition Tax liability and increased the provisional amount by \$413 million, with the increase included as a component of provision for income taxes in fiscal 2019.

Deferred Tax Effects

The Tax Act reduced the U.S. statutory tax rate from 35.0% to 21.0%, beginning January 2018. Accordingly, the Company re-measured its deferred taxes as of January 31, 2018, to reflect the reduced rate that will apply in future periods when these deferred taxes are settled or realized. In fiscal 2018, the Company recognized a deferred tax benefit of \$2.1 billion to reflect the reduced U.S. tax rate and other effects of the Tax Act. In fiscal 2018, the Company made no provisional adjustment with respect to the GILTI provision of the Tax Act. Upon finalizing the provisional accounting for the remeasurement of U.S. deferred tax assets and liabilities in fiscal 2019, the Company recorded an additional tax benefit of \$75 million, which is included as a component of provision for income taxes.

Effective Income Tax Rate Reconciliation

In the past, the Company's effective income tax rate was typically lower than the U.S. statutory tax rate primarily because of benefits from lower-taxed global operations partially offset by a valuation allowance. However, beginning January 2018, the U.S. statutory rate of 21.0% generally falls below statutory rates in international jurisdictions. A reconciliation of the significant differences between the U.S. statutory tax rate and the effective income tax rate on pretax income from continuing operations is as follows:

	Fiscal Years Ended January 31,		
	2020	2019	2018
U.S. statutory tax rate	21.0 %	21.0 %	33.8 %
U.S. state income taxes, net of federal income tax benefit	2.2 %	3.0 %	1.7 %
Impact of the Tax Act:			
One-time transition tax	— %	3.6 %	12.3 %
Deferred tax effects	— %	(0.7) %	(14.1) %
Income taxed outside the U.S.	(1.0) %	(3.4) %	(6.3) %
Disposition of Walmart Brazil	— %	6.7 %	— %
Valuation allowance	2.3 %	6.3 %	2.1 %
Net impact of repatriated international earnings	0.4 %	0.8 %	(0.1) %
Federal tax credits	(0.8) %	(1.3) %	(0.9) %
Enacted change in tax laws	(1.9) %	— %	— %
Change in reserve for tax contingencies	2.5 %	0.6 %	(0.1) %
Other, net	(0.3) %	0.8 %	2.0 %
Effective income tax rate	24.4 %	37.4 %	30.4 %

Deferred Taxes

The significant components of the Company's deferred tax account balances are as follows:

(Amounts in millions)	January 31,	
	2020	2019
Deferred tax assets:		
Loss and tax credit carryforwards	\$ 9,056	\$ 2,964
Accrued liabilities	2,483	2,135
Share-based compensation	250	245
Lease obligations	4,098	—
Other	1,020	1,131
Total deferred tax assets	16,907	6,475
Valuation allowances	(8,588)	(2,448)
Deferred tax assets, net of valuation allowances	8,319	4,027
Deferred tax liabilities:		
Property and equipment	4,621	4,175
Acquired intangibles	1,152	2,099
Inventory	1,414	1,354
Lease right of use assets	3,998	—
Mark-to-market investments	724	335
Other	700	564
Total deferred tax liabilities	12,609	8,527

Net deferred tax liabilities

\$	4,290	\$	4,500
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The deferred taxes noted above are classified as follows in the Company's Consolidated Balance Sheets:

<i>(Amounts in millions)</i>	January 31,	
	2020	2019
Balance Sheet classification		
Assets:		
Other long-term assets	\$ 1,914	\$ 1,796
Liabilities:		
Deferred income taxes and other	6,204	6,296
Net deferred tax liabilities	<u>\$ 4,290</u>	<u>\$ 4,500</u>

Unremitted Earnings

Prior to the Tax Act, the Company asserted that all unremitted earnings of its foreign subsidiaries were considered indefinitely reinvested. As a result of the Tax Act, the Company reported and paid U.S. tax on the majority of its previously unremitted foreign earnings and repatriations of foreign earnings will generally be free of U.S. federal tax, but may incur other taxes such as withholding or state taxes. As of January 31, 2020, the Company has not recorded approximately \$3 billion of deferred tax liabilities associated with remaining unremitted foreign earnings considered indefinitely reinvested, for which U.S. and foreign income and withholding taxes would be due upon repatriation.

Net Operating Losses, Tax Credit Carryforwards and Valuation Allowances

As of January 31, 2020, the Company's net operating loss and capital loss carryforwards totaled approximately \$37.8 billion. Of these carryforwards, approximately \$25.2 billion will expire, if not utilized, in various years through 2040. The remaining carryforwards have no expiration.

The recoverability of these future tax deductions and credits is evaluated by assessing the adequacy of future expected taxable income from all sources, including taxable income in prior carryback years, reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. To the extent the Company does not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is generally established. To the extent that a valuation allowance was established and it is subsequently determined that it is more likely than not that the deferred tax assets will be recovered, the change in the valuation allowance is recognized in the consolidated statements of income.

The Company had valuation allowances of \$8.6 billion and \$2.4 billion as of January 31, 2020 and 2019, respectively, on deferred tax assets associated primarily with net operating loss carryforwards for which management has determined it is more likely than not that the deferred tax assets will not be realized. Due to tax law changes in Luxembourg enacted in December 2019 the Company recognized additional deferred tax assets, and related valuation allowances, of \$6.2 billion associated with existing net operating loss carryforwards. Other activity in the valuation allowance during fiscal 2020 related to valuation allowance increases in other markets, as well as releases due to the expiration of underlying deferred tax assets.

Uncertain Tax Positions

The benefits of uncertain tax positions are recorded in the Company's Consolidated Financial Statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities.

As of January 31, 2020 and 2019, the amount of unrecognized tax benefits related to continuing operations was \$1.8 billion and \$1.3 billion, respectively. The amount of unrecognized tax benefits that would affect the Company's effective income tax rate was \$1.6 billion and \$1.1 billion as of January 31, 2020 and 2019, respectively.

A reconciliation of unrecognized tax benefits from continuing operations is as follows:

<i>(Amounts in millions)</i>	Fiscal Years Ended January 31,		
	2020	2019	2018
Unrecognized tax benefits, beginning of year	\$ 1,305	\$ 1,010	\$ 1,050
Increases related to prior year tax positions	516	620	130
Decreases related to prior year tax positions	(15)	(107)	(254)
Increases related to current year tax positions	66	203	122
Settlements during the period	(29)	(390)	(23)
Lapse in statutes of limitations	(26)	(31)	(15)
Unrecognized tax benefits, end of year	\$ 1,817	\$ 1,305	\$ 1,010

The Company classifies interest and penalties related to uncertain tax benefits as interest expense and as operating, selling, general and administrative expenses, respectively. Interest expense and penalties related to these positions were immaterial for fiscal 2020, 2019 and 2018. During the next twelve months, it is reasonably possible that tax audit resolutions could reduce unrecognized tax benefits by an immaterial amount, either because the tax positions are sustained on audit or because the Company agrees to their disallowance. The Company is focused on resolving tax audits as expeditiously as possible. As a result of these efforts, unrecognized tax benefits could potentially be

reduced beyond the provided range during the next twelve months. The Company does not expect any change to have a material impact to its Consolidated Financial Statements.

The Company remains subject to income tax examinations for its U.S. federal income taxes generally for fiscal 2014, and 2017 through 2020. The Company also remains subject to income tax examinations for international income taxes for fiscal 2013 through 2020, and for U.S. state and local income taxes generally for the fiscal years ended 2013 through 2020. With few exceptions, the Company is no longer subject to U.S. federal, state, local, or foreign examinations by tax authorities for years before fiscal 2012.

Other Taxes

The Company is subject to tax examinations for value added, sales-based, payroll and other non-income taxes. A number of these examinations are ongoing in various jurisdictions. In certain cases, the Company has received assessments from the respective taxing authorities in connection with these examinations. Unless otherwise indicated, the possible losses or range of possible losses associated with these matters are individually immaterial, but a group of related matters, if decided adversely to the Company, could result in a liability material to the Company's Consolidated Financial Statements.

Note 10. Contingencies

Legal Proceedings

The Company is involved in a number of legal proceedings. The Company has made accruals with respect to these matters, where appropriate, which are reflected in the Company's Consolidated Financial Statements. For some matters, a liability is not probable or the amount cannot be reasonably estimated and therefore an accrual has not been made. However, where a liability is reasonably possible and may be material, such matters have been disclosed. The Company may enter into discussions regarding settlement of these matters, and may enter into settlement agreements, if it believes settlement is in the best interest of the Company and its shareholders.

Unless stated otherwise, the matters discussed below, if decided adversely to or settled by the Company, individually or in the aggregate, may result in a liability material to the Company's financial condition, results of operations or cash flows.

Asda Equal Value Claims

Asda Stores, Ltd. ("Asda"), a wholly-owned subsidiary of the Company, is a defendant in over 35,000 "equal value" claims that began in 2008 and are proceeding before an Employment Tribunal in Manchester (the "Employment Tribunal") in the United Kingdom ("UK") on behalf of current and former Asda store employees, and further claims may be asserted in the future. The claimants allege that the work performed by employees in Asda's retail stores is of equal value in terms of, among other things, the demands of their jobs compared to that of employees working in Asda's warehouse and distribution facilities, and that the difference in pay between these job positions disparately impacts women because more women work in retail stores while more men work in warehouses and distribution facilities, and that the pay difference is not objectively justified. The claimants are requesting differential back pay based on higher wage rates in the warehouse and distribution facilities and higher wage rates on a prospective basis.

In October 2016, following a preliminary hearing, the Employment Tribunal ruled that claimants could compare their positions in Asda's retail stores with those of employees in Asda's warehouse and distribution facilities. Asda appealed the ruling and the appeal is scheduled to be heard by the Supreme Court of the United Kingdom on July 14-15, 2020.

Notwithstanding the appeal, claimants are now proceeding in the next phase of their claims. That phase will determine whether the work performed by the claimants is of equal value to the work performed by employees in Asda's warehouse and distribution facilities.

At present, the Company cannot predict the number of such claims that may be filed, and cannot reasonably estimate any loss or range of loss that may arise from these proceedings. Accordingly, the Company can provide no assurance as to the scope and outcomes of these matters and no assurance as to whether its business, financial position, results of operations or cash flows will not be materially adversely affected. The Company believes it has substantial factual and legal defenses to these claims, and intends to defend the claims vigorously.

National Prescription Opiate Litigation and Related Matters

In December 2017, the United States Judicial Panel on Multidistrict Litigation consolidated numerous lawsuits filed against a wide array of defendants by various plaintiffs, including counties, cities, healthcare providers, Native American tribes, individuals, and third-party payors, asserting claims generally concerning the impacts of widespread opioid abuse. The consolidated multidistrict litigation is entitled *In re National Prescription Opiate Litigation (MDL No. 2804)*, and is pending in the U.S. District Court for the Northern District of Ohio. The Company is named as a defendant in some of the cases included in this multidistrict litigation. Similar cases that name the Company have also been filed in state courts by state, local and tribal governments, health care providers and other plaintiffs. Plaintiffs are seeking compensatory and punitive damages, as well as injunctive relief including abatement. The Company cannot predict the number of such claims that may be filed, but believes it has substantial factual and legal defenses to these claims, and intends to defend the claims vigorously. The Company has also been responding to subpoenas, information requests and investigations from governmental entities related to nationwide controlled substance dispensing and distribution practices involving opioids. The Company cannot reasonably estimate any loss

or range of loss that may arise from these matters. Accordingly, the Company can provide no assurance as to the scope and outcome of these matters and no assurance as to whether its business, financial position, results of operations or cash flows will not be materially adversely affected.

FCPA Investigation and Related Matters

As previously disclosed, the Company was under investigation by the U.S. Department of Justice (the "DOJ") and the Securities and Exchange Commission (the "SEC") regarding possible violations of the U.S. Foreign Corrupt Practices Act (the "FCPA"). Throughout the investigative process, the Company cooperated with the DOJ and the SEC, and on June 20, 2019, the Company announced the resolution of the investigations with the DOJ and the SEC and paid \$283 million in June 2019 consisting of a combination of penalties, disgorgement and interest as further described below (the "Settlement Amount"). The Company previously recorded the Settlement Amount in the Company's fiscal 2018 consolidated financial statements in anticipated settlement of these matters.

The resolution of the investigations with the DOJ and SEC included:

1. A non-prosecution agreement (the "NPA") between the DOJ and the Company for a three-year term. Pursuant to the NPA, the Company paid a \$138 million penalty and agreed to maintain the Company's anti-corruption compliance program for three years, certain reporting obligations for three years, and a limited monitorship with a third-party for two years regarding the Company's anti-corruption compliance program, with the possibility of a third year pending the results of the monitorship during the initial two-year period. The DOJ agreed that it will not prosecute the Company for any conduct described in the NPA provided that the Company performs its obligations under the NPA for the three-year term.
2. A plea agreement (the "Plea Agreement") entered into for a three-year term by the DOJ and WMT Brasilia S.a.r.l., an indirect wholly-owned foreign subsidiary of the Company ("WMT Brasilia") that previously owned a majority stake of the Company's Brazilian business. Through the Plea Agreement, entered in the United States District Court for the Eastern District of Virginia, WMT Brasilia pled guilty to one count of causing a books and records violation of the FCPA. The Company on behalf of WMT Brasilia was assessed a \$4 million penalty, including forfeiture, that was deducted from the amount paid by the Company under the NPA.
3. A Cease-and-Desist Order entered into by the SEC in a civil administrative proceeding (the "SEC Order"), the entry of which the Company consented to with respect to certain violations of the books and records and internal controls provisions of the FCPA. The Company paid \$145 million in disgorgement and interest, and agreed to make certain reports to the SEC on its anti-corruption compliance and remediation efforts for two years, and cease and desist any violations of the books and records and internal controls provisions of the FCPA.

On June 20, 2019, the Company also entered into an Administrative Agreement with the U.S. Environmental Protection Agency (the "EPA") for a three-year term, which replaces the interim administrative agreement between the Company and the EPA dated May 28, 2013. The May 28, 2013 agreement arose as part of a settlement by the Company regarding certain hazardous waste materials matters with several governmental authorities. The new EPA agreement, among other things, resolved any debarment or suspension as to participation in federal government programs by the Company due to the NPA, the Plea Agreement, and the SEC Order, provided that the Company fulfills the terms and conditions of the new EPA agreement, which requires reporting by the Company to the EPA periodically during the three-year term, and requires a new, limited two-year monitorship. The monitor referenced above that has been engaged by the Company under the NPA will also monitor compliance with the new EPA agreement. If the DOJ monitorship is extended as referenced above, the EPA monitorship may also be extended for an additional year.

In addition, the Company expects to incur costs in implementing the settlement and may incur costs in responding to any new civil or regulatory actions. The Company does not presently believe that these matters will have a material adverse effect on its business, financial position, results of operations, or cash flows.

Note 11. Retirement-Related Benefits

The Company offers a 401(k) plan for associates in the U.S. under which eligible associates can begin contributing to the plan immediately upon hire. The Company also offers a 401(k) type plan for associates in Puerto Rico under which associates can begin to contribute generally after one year of employment. Under these plans, after one year of employment, the Company matches 100% of participant contributions up to 6% of annual eligible earnings. The matching contributions immediately vest at 100% for each associate. Participants can contribute up to 50% of their pretax earnings, but not more than the statutory limits.

Associates in international countries who are not U.S. citizens are covered by various defined contribution post-employment benefit arrangements. These plans are administered based upon the legislative and tax requirements in the countries in which they are established.

The following table summarizes the contribution expense related to the Company's defined contribution plans for fiscal 2020, 2019 and 2018:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2020	2019	2018
Defined contribution plans:			
U.S.	\$ 1,184	\$ 1,165	\$ 1,124
International	177	126	126
Total contribution expense for defined contribution plans	\$ 1,361	\$ 1,291	\$ 1,250

Additionally, the Company's subsidiaries in the United Kingdom and Japan have sponsored defined benefit pension plans. In October 2019, Asda, Walmart and the Trustee of the Asda Group Pension Scheme (the "Plan") entered into an agreement pursuant to which Asda made a cash contribution of \$1.0 billion to the Plan (the "Asda Pension Contribution") which enabled the Plan to purchase a bulk annuity insurance contract for the benefit of Plan participants. The agreement between Asda, Walmart and the Trustee of the Plan contemplates that subsequent to the purchase of the bulk annuity insurance contract by the Plan, each of the Plan participants will be issued an individual annuity contract. The issuer of the individual annuity insurance contracts will be solely responsible for paying each participant's benefits in full and will release the Plan and Asda from any future obligations. The Company expects the issuance of individual annuity contracts to the Plan participants to take place in late fiscal 2021 or early fiscal 2022, which will trigger a pension settlement that will result in all Plan balances, including accumulated pension components within other comprehensive income, being charged to expense.

The defined benefit pension plan in Japan was underfunded by \$140 million and \$175 million as of January 31, 2020 and 2019, respectively and recorded as a liability in the Company's Consolidated Balance Sheets in deferred income taxes and other. Certain other international operations also have defined benefit arrangements that are not significant.

Note 12. Disposals, Acquisitions and Related Items

The following material disposals, acquisitions and other items impact the Company's Walmart International segment. Other immaterial transactions have also occurred or been announced.

Walmart Brazil

In August 2018, the Company sold an 80 percent stake of Walmart Brazil to Advent International ("Advent"). Under the terms of the sale, Advent agreed to contribute additional capital to the business over a three-year period and Walmart agreed to indemnify Advent for certain matters.

As a result, the Company recorded a pre-tax net loss of \$4.8 billion during fiscal 2019 in other gains and losses in the Company's Consolidated Statement of Income. Substantially all of this charge was recorded during the second quarter of fiscal 2019 upon meeting the held for sale criteria. In calculating the loss, the fair value of the disposal group was reduced by \$0.8 billion related to an indemnity, for which a liability was recognized upon closing and is recorded in deferred income taxes and other in the Company's Consolidated Balance Sheets. Under the indemnity, the Company will indemnify Advent for certain pre-closing tax and legal contingencies and other matters for up to R\$2.3 billion, adjusted for interest based on the Brazilian interbank deposit rate.

The Company deconsolidated the financial statements of Walmart Brazil during the third quarter of fiscal 2019 and began accounting for its remaining 20 percent ownership interest using the equity method of accounting. This equity method investment was determined to have no fair value and continues to have no carrying value.

Flipkart

In August 2018, the Company acquired 81 percent of the outstanding shares, or 77 percent of the diluted shares, of Flipkart, an Indian-based eCommerce marketplace, for cash consideration of approximately \$16 billion. The acquisition increases the Company's investment in India, a large, growing economy. In the second quarter of fiscal 2020, the Company finalized the valuation of assets acquired and liabilities assumed for the Flipkart acquisition as follows:

- Assets of \$24.1 billion, which comprise primarily of \$2.2 billion in cash and cash equivalents, \$2.8 billion in other current assets, \$5.0 billion in intangible assets and \$13.5 billion in goodwill. Of the intangible assets, \$4.7 billion represents the fair value of trade names, each with an indefinite life, which were estimated using the income approach based on Level 3 unobservable inputs. The remaining \$0.3 billion of

intangible assets primarily relate to acquired technology with a life of 3 years. The goodwill arising from the acquisition consists largely of anticipated synergies and economies of scale primarily related to procurement and logistics and is not expected to be deductible for tax purposes;

- Liabilities of \$3.7 billion, which comprise primarily of \$1.8 billion of current liabilities and \$1.7 billion of deferred income taxes; and

- Noncontrolling interest of \$4.3 billion, for which the fair value was estimated using the income approach based on Level 3 unobservable inputs.

The Company began consolidating the financial statements of Flipkart in the third quarter of fiscal 2019, using a one-month lag. To finance the acquisition, the Company used a combination of cash provided by long-term debt as discussed in [Note 6](#) and cash on hand. The Flipkart results of operations since acquisition and the pro forma financial information are immaterial.

Note 13. Segments and Disaggregated Revenue

Segments

The Company is engaged in the operation of retail, wholesale and other units, as well as eCommerce websites, located throughout the U.S., Africa, Argentina, Canada, Central America, Chile, China, India, Japan, Mexico and the United Kingdom. The Company previously operated in Brazil prior to the sale of the majority stake of Walmart Brazil in fiscal 2019 discussed in [Note 12](#). The Company's operations are conducted in three reportable segments: Walmart U.S., Walmart International and Sam's Club. The Company defines its segments as those operations whose results the chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources. The Company sells similar individual products and services in each of its segments. It is impracticable to segregate and identify revenues for each of these individual products and services.

The Walmart U.S. segment includes the Company's mass merchant concept in the U.S., as well as eCommerce and omni-channel initiatives. The Walmart International segment consists of the Company's operations outside of the U.S., as well as eCommerce and omni-channel initiatives. The Sam's Club segment includes the warehouse membership clubs in the U.S., as well as samsclub.com and omni-channel initiatives. Corporate and support consists of corporate overhead and other items not allocated to any of the Company's segments.

The Company measures the results of its segments using, among other measures, each segment's net sales and operating income, which includes certain corporate overhead allocations. From time to time, the Company revises the measurement of each segment's operating income, including any corporate overhead allocations, as determined by the information regularly reviewed by its CODM. Information for the Company's segments, as well as for Corporate and support, including the reconciliation to income before income taxes, is provided in the following table:

<i>(Amounts in millions)</i>	Walmart U.S.	Walmart International	Sam's Club	Corporate and support	Consolidated
Fiscal Year Ended January 31, 2020					
Net sales	\$ 341,004	\$ 120,130	\$ 58,792	\$ —	\$ 519,926
Operating income (loss)	17,380	3,370	1,642	(1,824)	20,568
Interest, net					(2,410)
Other gains and (losses)					1,958
Income before income taxes					\$ 20,116
Total assets	\$ 110,353	\$ 105,811	\$ 13,494	\$ 6,837	\$ 236,495
Depreciation and amortization	6,408	2,682	605	1,292	10,987
Capital expenditures	6,315	2,801	525	1,064	10,705
Fiscal Year Ended January 31, 2019					
Net sales	\$ 331,666	\$ 120,824	\$ 57,839	\$ —	\$ 510,329
Operating income (loss)	17,386	4,883	1,520	(1,832)	21,957
Interest, net					(2,129)
Other gains and (losses)					(8,368)
Income before income taxes					\$ 11,460
Total assets	\$ 105,114	\$ 97,066	\$ 12,893	\$ 4,222	\$ 219,295
Depreciation and amortization	6,201	2,590	639	1,248	10,678
Capital expenditures	6,034	2,661	450	1,199	10,344
Fiscal Year Ended January 31, 2018					
Net sales	\$ 318,477	\$ 118,068	\$ 59,216	\$ —	\$ 495,761

Operating income (loss)	16,995	5,229	915	(2,702)	20,437
Interest, net					(2,178)
Loss on extinguishment of debt					(3,136)
Income before income taxes					\$ 15,123
Total assets	\$ 104,347	\$ 81,549	\$ 13,418	\$ 5,208	\$ 204,522
Depreciation and amortization	6,005	2,601	698	1,225	10,529
Capital expenditures	5,680	2,607	626	1,138	10,051

Total revenues, consisting of net sales and membership and other income, and long-lived assets, consisting primarily of property and equipment, net and lease right-of-use assets, aggregated by the Company's U.S. and non-U.S. operations for fiscal 2020, 2019 and 2018, are as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2020	2019	2018
Revenues			
U.S. operations	\$ 402,532	\$ 392,265	\$ 380,580
Non-U.S. operations	121,432	122,140	119,763
Total revenues	<u>\$ 523,964</u>	<u>\$ 514,405</u>	<u>\$ 500,343</u>
Long-lived assets			
U.S. operations	\$ 86,944	\$ 81,144	\$ 81,478
Non-U.S. operations	40,105	30,251	33,340
Total long-lived assets	<u>\$ 127,049</u>	<u>\$ 111,395</u>	<u>\$ 114,818</u>

No individual country outside of the U.S. had total revenues or long-lived assets that were material to the consolidated totals. Additionally, the Company did not generate material total revenues from any single customer.

Disaggregated Revenues

In the following tables, segment net sales are disaggregated by either merchandise category or market. In addition, net sales related to eCommerce are provided for each segment, which include omni-channel sales, where a customer initiates an order online and the order is fulfilled through a store or club.

(Amounts in millions)	Fiscal Years Ended January 31,	
	2020	2019
Walmart U.S. net sales by merchandise category		
Grocery	\$ 190,550	\$ 184,202
General merchandise	109,600	108,739
Health and wellness	37,507	35,788
Other categories	3,347	2,937
Total	<u>\$ 341,004</u>	<u>\$ 331,666</u>

Of Walmart U.S.'s total net sales, approximately \$21.5 billion and \$15.7 billion related to eCommerce for fiscal 2020 and fiscal 2019, respectively.

(Amounts in millions)	Fiscal Years Ended January 31,	
	2020	2019
Walmart International net sales by market		
Mexico and Central America	\$ 33,350	\$ 31,790
United Kingdom	29,243	30,547
Canada	18,420	18,613
China	10,671	10,702
Other	28,446	29,172
Total	<u>\$ 120,130</u>	<u>\$ 120,824</u>

Of International's total net sales, approximately \$11.8 billion and \$6.7 billion related to eCommerce for fiscal 2020 and fiscal 2019, respectively.

(Amounts in millions)	Fiscal Year Ended January 31, 2020	
	2020	2019
Sam's Club net sales by merchandise category		
Grocery and consumables	\$ 35,328	\$ 33,708
Fuel, tobacco and other categories	11,296	12,110

Home and apparel	5,478	5,452
Health and wellness	3,371	3,181
Technology, office and entertainment	3,319	3,388
Total	\$ 58,792	\$ 57,839

Of Sam's Club's total net sales, approximately \$3.6 billion and \$2.7 billion related to eCommerce for fiscal 2020 and fiscal 2019, respectively.

Note 14. Subsequent Event

Dividends Declared

The Board of Directors approved, effective February 18, 2020, the fiscal 2021 annual dividend of \$2.16 per share, an increase over the fiscal 2020 dividend of \$2.12 per share. For fiscal 2021, the annual dividend will be paid in four quarterly installments of \$0.54 per share, according to the following record and payable dates:

Record Date	Payable Date
March 20, 2020	April 6, 2020
May 8, 2020	June 1, 2020
August 14, 2020	September 8, 2020
December 11, 2020	January 4, 2021

Note 15. Quarterly Financial Data (Unaudited)

(Amounts in millions, except per share data)	Fiscal Year Ended January 31, 2020				
	Q1	Q2	Q3	Q4	Total
Total revenues	\$ 123,925	\$ 130,377	\$ 127,991	\$ 141,671	\$ 523,964
Net sales	122,949	129,388	126,981	140,608	519,926
Cost of sales	93,034	97,923	95,900	107,748	394,605
Consolidated net income	3,906	3,680	3,321	4,294	15,201
Consolidated net income attributable to Walmart	3,842	3,610	3,288	4,141	14,881
Basic net income per common share attributable to Walmart ⁽¹⁾	1.34	1.27	1.16	1.46	5.22
Diluted net income per common share attributable to Walmart ⁽¹⁾	1.33	1.26	1.15	1.45	5.19

	Fiscal Year Ended January 31, 2019				
	Q1	Q2	Q3	Q4	Total
Total revenues	\$ 122,690	\$ 128,028	\$ 124,894	\$ 138,793	\$ 514,405
Net sales	121,630	127,059	123,897	137,743	510,329
Cost of sales	91,707	95,571	93,116	104,907	385,301
Consolidated net income (loss)	2,276	(727)	1,817	3,813	7,179
Consolidated net income (loss) attributable to Walmart	2,134	(861)	1,710	3,687	6,670
Basic net income (loss) per common share attributable to Walmart ⁽¹⁾	0.72	(0.29)	0.58	1.27	2.28
Diluted net income (loss) per common share attributable to Walmart ⁽¹⁾	0.72	(0.29)	0.58	1.27	2.26

- (1) The sum of quarterly amounts may not agree to annual amount due to rounding and the impact of a decreasing amount of shares outstanding during the year.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information, which is required to be timely disclosed, is accumulated and communicated to management in a timely fashion. In designing and evaluating such controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management is necessarily required to use judgment in evaluating controls and procedures. Also, we have investments in unconsolidated entities. Since we do not control or manage those entities, our controls and procedures with respect to those entities are substantially more limited than those we maintain with respect to our consolidated subsidiaries.

In the ordinary course of business, we review our internal control over financial reporting and make changes to our systems and processes to improve such controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, updating existing systems, automating manual processes, standardizing controls globally, migrating certain processes to our shared services organizations and increasing monitoring controls. These changes have not materially affected, and are not reasonably likely to materially affect, the Company's internal control over financial reporting. However, they allow us to continue to enhance our internal control over financial reporting and ensure that our internal control environment remains effective.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

Report on Internal Control Over Financial Reporting

Management has responsibility for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the Company's internal control over financial reporting as of January 31, 2020. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control-Integrated Framework (2013). Management concluded that based on its assessment, Walmart's internal control over financial reporting was effective as of January 31, 2020. The Company's internal control over financial reporting as of January 31, 2020, has been audited by Ernst & Young LLP as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting as of January 31, 2020, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Please see the information concerning our executive officers contained in [Part I, Item 1](#) herein under the caption "Information About Our Executive Officers," which is included there in accordance with Instruction 3 to Item 401(b) of the SEC's Regulation S-K.

Information required by this Item 10 with respect to the Company's directors and certain family relationships is incorporated by reference to such information under the caption "Proposal No. 1 – Election of Directors" included in our Proxy Statement relating to our 2020 Annual Meeting of Shareholders (our "Proxy Statement").

No material changes have been made to the procedures by which shareholders of the Company may recommend nominees to our board of directors since those procedures were disclosed in our proxy statement relating to our 2020 Annual Shareholders' Meeting as previously filed with the SEC.

The information regarding our Audit Committee, including our audit committee financial experts and our Codes of Ethics for the CEO and senior financial officers and our Statement of Ethics applicable to all of our associates, including our Chief Executive Officer, Chief Financial Officer and our Controller, who is our principal accounting officer, required by this Item is incorporated herein by reference to the information under the captions "Corporate Governance" and "Proposal No. 3: Ratification of Independent Accountants" included in our Proxy Statement. ["Item 1. Business"](#) above contains information relating to the availability of a copy of our Code of Ethics for our CEO and senior financial officers and our Statement of Ethics and the posting of amendments to and any waivers of the Code of Ethics for our CEO and senior financial officers and our Statement of Ethics on our website.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated herein by reference to the information under the captions "Corporate Governance – Director Compensation" and "Executive Compensation" included in our Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is incorporated herein by reference to the information that appears under the caption "Stock Ownership" included in our Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated herein by reference to the information under the caption "Corporate Governance – Board Processes and Practices" included in our Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item 14 is incorporated herein by reference to the information under the caption "Proposal No. 3 – Ratification of Independent Accountants" included in our Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- (a) Documents filed as part of this report are as follows:
1. Financial Statements: See the Financial Statements in [Part II, Item 8](#).
 2. Financial Statement Schedules:

Certain schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements, including the notes thereto.
 3. Exhibits:

See exhibits listed under part (b) below.
- (b) The required exhibits are filed as part of this Form 10-K or are incorporated by reference herein.
- (1)
- 3.1 [Restated Certificate of Incorporation of the Company dated February 1, 2018 is incorporated herein by reference to Exhibit 3.1 to the Report on Form 8-K filed by the Company on February 1, 2018](#)
 - 3.2 [Amended and Restated Bylaws of the Company dated July 23, 2019 are incorporated herein by reference to Exhibit 3.1 to the Report on Form 8-K filed by the Company on July 26, 2019](#)
 - 4.1 Indenture dated as of April 1, 1991, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, as successor trustee to The First National Bank of Chicago, Trustee, is incorporated herein by reference to Exhibit 4(a) to Registration Statement on Form S-3 (File Number 33-51344) ^(P)
 - 4.2 First Supplemental Indenture dated as of September 9, 1992, to the Indenture dated as of April 1, 1991, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, as successor trustee to The First National Bank of Chicago, Trustee, is incorporated herein by reference to Exhibit 4(b) to Registration Statement on Form S-3 (File Number 33-51344) ^(P)
 - 4.3 [Indenture dated as of December 11, 2002, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, is incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-3 \(File Number 333-101847\)](#)
 - 4.4 [Indenture dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association is incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-3 \(File Number 333-126512\)](#)
 - 4.5 [First Supplemental Indenture, dated December 1, 2006, between the Company and The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, National Association, as Trustee, under the Indenture, dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association, as Trustee, is incorporated herein by reference to Exhibit 4.6 to Post-Effective Amendment No. 1 to Registration Statement on Form S-3 \(File Number 333-130569\)](#)
 - 4.6 [Second Supplemental Indenture, dated December 19, 2014, between the Company and The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, National Association, as Trustee, under the Indenture, dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association, as Trustee, is incorporated herein by reference to Exhibit 4.3 to Registration Statement on Form S-3 \(File Number 333-201074\)](#)
 - 4.7 [Third Supplemental Indenture, dated June 26, 2018, between the Company and The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, National Association, as Trustee, under the Indenture, dated as of July 19, 2005, between the Company and J.P.](#)

[Morgan Trust Company, National Association, as Trustee, is incorporated herein by reference to Exhibit 4\(S\) to Current Report on Form 8-K filed on June 26, 2018.](#)

4.8*

[Description of Registrant's Securities](#)

- 10.1 [Walmart Inc. Officer Deferred Compensation Plan, as amended effective February 1, 2019 is incorporated by reference to Exhibit 10\(a\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2019, filed on March 30, 2019](#) ^(C)
- 10.2 [Walmart Inc. Management Incentive Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(b\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018](#) ^(C)
- 10.3 [Walmart Inc. 2016 Associate Stock Purchase Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(c\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018](#) ^(C)
- 10.4 [Walmart Inc. Stock Incentive Plan of 2015, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(d\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018](#) ^(C)
- 10.5 [Walmart Inc. Supplemental Executive Retirement Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(e\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018](#) ^(C)
- 10.6 [Walmart Inc. Director Compensation Deferral Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(f\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018](#) ^(C)
- 10.7 [Form of Post-Termination Agreement and Covenant Not to Compete with attached Schedule of Executive Officers who have executed a Post-Termination Agreement and Covenant Not to Compete is incorporated by reference to Exhibit 10\(p\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2011, filed on March 30, 2011](#) ^(C)
- 10.7(a)* [Amended Schedule of Executive Officers who have executed a Post-Termination Agreement and Covenant Not to Compete in the form filed as Exhibit 10\(p\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2011](#) ^(C)
- 10.8* [Form of Walmart Inc. Stock Incentive Plan of 2010 Restricted Stock Award, Notification of Award and Terms and Conditions of Award](#) ^(C)
- 10.9* [Form of Walmart Inc. Stock Incentive Plan of 2015 Global Share-Settled Performance-Based Restricted Stock Unit Notification and Terms and Conditions \(January 2020 annual award - all executive officers\)](#) ^(C)
- 10.10 [Share Settled Restricted Stock Unit Notification and Terms and Conditions Awarded to Marc Lore on September 19, 2016, is incorporated by reference to Exhibit 10\(a\) to the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended October 31, 2016, filed on December 1, 2016](#) ^(C)
- 10.11 [Deferred Contingent Merger Consideration Agreement dated August 7, 2016, between the Company and Marc Lore is incorporated herein by reference to Exhibit 10\(v\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2017 filed on March 30, 2017](#) ^(C)
- 10.12 [Amendment to Deferred Contingent Merger Consideration Agreement dated September 12, 2016, between the Company and Marc Lore is incorporated herein by reference to Exhibit 10\(w\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2017 filed on March 30, 2017](#) ^(C)
- 10.13 [Non-Competition, Non-Solicitation and No-Hire Agreement between the Company and Marc Lore dated September 19, 2016 is incorporated herein by reference to Exhibit 10\(x\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2017 filed on March 30, 2017](#) ^(C)
- 10.14 [Form of Walmart Inc. Restricted Stock Award Notification of Award and Terms and Conditions of Award \(Suresh Kumar\) dated July 9, 2019 is incorporated by reference to Exhibit 10.1 to the Quarterly Report of the Company for the fiscal quarter ended July 31, 2019 filed on September 6, 2019](#) ^(C)

10.15 [Form of Share Settled Restricted Stock Unit Notification and Terms and Conditions Awarded to Suresh Kumar on July 9, 2019 is incorporated by reference to Exhibit 10.2 to the Quarterly Report of the Company for the fiscal quarter ended July 31, 2019 filed on September 6, 2019](#) ^(C)

10.16*	<u>Post Termination Agreement and Covenant Not to Compete between the Company and Suresh Kumar dated June 6, 2019</u> ^(C)
10.17*	<u>Separation Agreement between the Company and Gregory S. Foran dated December 3, 2019</u> ^(C)
10.18	<u>Share Issuance and Acquisition Agreement by and Between Flipkart Private Limited and Walmart Inc. dated as of May 9, 2018. is incorporated herein by reference to Exhibit 10.1. to the Quarterly Report of the Company for the fiscal quarter ended July 31, 2018 filed on September 6, 2018 (portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.)</u>
10.19	<u>Counterpart Form of Share Purchase Agreement by and Among Wal-Mart International Holdings, Inc. the shareholders of Flipkart Private Limited identified on Schedule I thereto, Fortis Advisors LLC and Walmart Inc. dated as of May 9, 2018 is incorporated herein by reference to Exhibit 10.2. to the Quarterly Report of the Company for the fiscal quarter ended July 31, 2018 filed on September 6, 2018 (Portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.)</u>
21*	<u>List of the Company's Significant Subsidiaries</u>
23*	<u>Consent of Independent Registered Public Accounting Firm</u>
31.1*	<u>Chief Executive Officer Section 302 Certification</u>
31.2*	<u>Chief Financial Officer Section 302 Certification</u>
32.1**	<u>Chief Executive Officer Section 906 Certification</u>
32.2**	<u>Chief Financial Officer Section 906 Certification</u>
99.1*	<u>State Court Prescription Opiate Litigation Cases</u>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith as an Exhibit.

** Furnished herewith as an Exhibit.

(C) This Exhibit is a management contract or compensatory plan or arrangement

(P) This Exhibit was originally filed in paper format. Accordingly, a hyperlink has not been provided.

(I)

Certain instruments defining the rights of holders of long-term debt securities of the Registrant are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Company hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.

(c) Financial Statement Schedules: None.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Walmart Inc.

Date: March 20, 2020

By /s/ C. Douglas McMillon

C. Douglas McMillon

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Date: March 20, 2020

By /s/ C. Douglas McMillon

C. Douglas McMillon

President and Chief Executive Officer and Director

(Principal Executive Officer)

Date: March 20, 2020

By /s/ Gregory B. Penner

Gregory B. Penner

Chairman of the Board and Director

Date: March 20, 2020

By /s/ M. Brett Biggs

M. Brett Biggs

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: March 20, 2020

By /s/ David M. Chojnowski

David M. Chojnowski

Senior Vice President and Controller

(Principal Accounting Officer)

Signature Page to Walmart Inc.
Form 10-K for the Fiscal Year Ended January 31, 2020

Date: March 20, 2020	By	/s/ Cesar Conde Cesar Conde Director
Date: March 20, 2020	By	/s/ Timothy P. Flynn Timothy P. Flynn Director
Date: March 20, 2020	By	/s/ Sarah Friar Sarah Friar Director
Date: March 20, 2020	By	/s/ Carla A. Harris Carla A. Harris Director
Date: March 20, 2020	By	/s/ Thomas W. Horton Thomas W. Horton Director
Date: March 20, 2020	By	/s/ Marissa A. Mayer Marissa A. Mayer Director
Date: March 20, 2020	By	/s/ Steven S Reinemund Steven S Reinemund Director
Date: March 20, 2020	By	/s/ S. Robson Walton S. Robson Walton Director
Date: March 20, 2020	By	/s/ Steuart L. Walton Steuart L. Walton Director

Signature Page to Walmart Inc.
Form 10-K for the Fiscal Year Ended January 31, 2020

☒ **Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

for the fiscal year ended January 31, 2019, or

☐ **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number 001-6991.

image0a10a01a02a18.jpg

WALMART INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

71-0415188

(IRS Employer Identification No.)

**702 S.W. 8th Street
Bentonville, Arkansas**

(Address of principal executive offices)

72716

(Zip Code)

Registrant's telephone number, including area code: (479) 273-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	New York Stock Exchange
1.900% Notes Due 2022	New York Stock Exchange
2.550% Notes Due 2026	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of July 31, 2018, the aggregate market value of the voting common stock of the registrant held by non-affiliates of the registrant, based on the closing sale price of those shares on the New York Stock Exchange reported on July 31, 2018, was \$126,810,267,035. For the purposes of this disclosure only, the registrant has assumed that its directors, executive officers (as defined in Rule 3b-7 under the Exchange Act) and the beneficial owners of 5% or more of the registrant's outstanding common stock are the affiliates of the registrant.

The registrant had 2,869,684,230 shares of common stock outstanding as of March 26, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held June 5, 2019 (the "Proxy Statement")	Part III

Walmart Inc.
Form 10-K
For the Fiscal Year Ended January 31, 2019

Table of Contents

	Page
<u>Part I</u>	
<u>Item 1</u> <u>Business</u>	<u>7</u>
<u>Item 1A</u> <u>Risk Factors</u>	<u>15</u>
<u>Item 1B</u> <u>Unresolved Staff Comments</u>	<u>23</u>
<u>Item 2</u> <u>Properties</u>	<u>24</u>
<u>Item 3</u> <u>Legal Proceedings</u>	<u>26</u>
<u>Item 4</u> <u>Mine Safety Disclosures</u>	<u>27</u>
 <u>Part II</u>	
<u>Item 5</u> <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>28</u>
<u>Item 6</u> <u>Selected Financial Data</u>	<u>29</u>
<u>Item 7</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
<u>Item 7A</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>43</u>
<u>Item 8</u> <u>Financial Statements and Supplementary Data</u>	<u>45</u>
<u>Item 9</u> <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>79</u>
<u>Item 9A</u> <u>Controls and Procedures</u>	<u>79</u>
<u>Item 9B</u> <u>Other Information</u>	<u>80</u>
 <u>Part III</u>	
<u>Item 10</u> <u>Directors, Executive Officers and Corporate Governance</u>	<u>81</u>
<u>Item 11</u> <u>Executive Compensation</u>	<u>81</u>
<u>Item 12</u> <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>81</u>
<u>Item 13</u> <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>81</u>
<u>Item 14</u> <u>Principal Accounting Fees and Services</u>	<u>81</u>
 <u>Part IV</u>	
<u>Item 15</u> <u>Exhibits, Financial Statement Schedules</u>	<u>82</u>
<u>Item 16</u> <u>Form 10-K Summary</u>	<u>82</u>
<u>Signatures</u>	<u>83</u>
<u>Exhibit Index</u>	<u>85</u>

WALMART INC.

ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED JANUARY 31, 2019

All references in this Annual Report on Form 10-K, the information incorporated into this Annual Report on Form 10-K by reference to information in the Proxy Statement of Walmart Inc. for its Annual Shareholders' Meeting to be held on June 5, 2019 and in the exhibits to this Annual Report on Form 10-K to "Walmart Inc.," "Wal-Mart Stores, Inc.," "Walmart," "the Company," "our Company," "we," "us" and "our" are to the Delaware corporation named "Wal-Mart Stores, Inc." prior to February 1, 2018 and named "Walmart Inc." commencing on February 1, 2018 and, except where expressly noted otherwise or the context otherwise requires, that corporation's consolidated subsidiaries.

PART I

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K and other reports, statements, and information that Walmart Inc. (which individually or together with its subsidiaries, as the context otherwise requires, is referred to as "we," "Walmart" or the "Company") has filed with or furnished to the Securities and Exchange Commission ("SEC") or may file with or furnish to the SEC in the future, and prior or future public announcements and presentations that we or our management have made or may make, include or may include, or incorporate or may incorporate by reference, statements that may be deemed to be "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Act"), that are intended to enjoy the protection of the safe harbor for forward-looking statements provided by the Act.

Nature of Forward-Looking Statements

Such forward-looking statements are not statements of historical facts, but instead express our estimates or expectations for our consolidated, or one of our segment's, economic performance or results of operations for future periods or as of future dates or events or developments that may occur in the future or discuss our plans, objectives or goals. These forward-looking statements relate to:

- the growth of our business or change in our competitive position in the future or in or over particular periods;
- the amount, number, growth, increase, reduction or decrease in or over certain periods, of or in certain financial items or measures or operating measures, including our earnings per share, including as adjusted for certain items, net sales, comparable store and club sales, our Walmart U.S. operating segment's eCommerce sales, liabilities, expenses of certain categories, expense leverage, returns, capital and operating investments or expenditures of particular types, new store openings and investments in particular formats;
- investments and capital expenditures we will make and how certain of those investments and capital expenditures are expected to be financed;
- our increasing investments in eCommerce, technology, store remodels and other omni-channel customer initiatives, such as grocery pickup and delivery;
- volatility in currency exchange rates and fuel prices affecting our or one of our segments' results of operations;
- the Company continuing to provide returns to shareholders through share repurchases and dividends, the use of share repurchase authorization over a certain period or the source of funding of a certain portion of our share repurchases;
- our sources of liquidity, including our cash, continuing to be adequate or sufficient to fund and finance our operations, expansion activities, dividends and share repurchases, to meet our cash needs and to fund our operations;
- the insignificance of ineffective hedges; and reclassification of amounts related to our derivatives;
- our effective tax rate for certain periods and the realization of certain net deferred tax assets and the effects of resolutions of tax-related matters;

- the effect of adverse decisions in, or settlement of, litigation or other proceedings or investigations to which we are subject;
- the effect on the Company's results of operations or financial condition of the Company's adoption of certain new, or amendments to existing, accounting standards; or
- our commitments, intentions, plans or goals related to the sustainability of our environment and supply chains, the promotion of economic opportunity or other societal initiatives.

Our forward-looking statements may also include statements of our strategies, plans and objectives for our operations, including areas of future focus in our operations, and the assumptions underlying any of the forward-looking statements we make. The forward-looking statements we make can typically be identified by the use therein of words and phrases such as "aim," "anticipate," "believe," "could be," "could increase," "could occur," "could result," "continue," "estimate," "expansion," "expect," "expectation," "expected to be," "focus," "forecast," "goal," "grow," "guidance," "intend," "invest," "is expected," "may continue," "may fluctuate," "may grow," "may impact," "may result," "objective," "plan," "priority," "project," "strategy," "to be," "we'll," "we will," "will add," "will allow," "will be," "will benefit," "will change," "will come in at," "will continue,"

"will decrease," "will grow," "will have," "will impact," "will include," "will increase," "will open," "will remain," "will result," "will stay," "will strengthen," "would be," "would decrease" and "would increase," variations of such words or phrases, other phrases commencing with the word "will" or similar words and phrases denoting anticipated or expected occurrences or results.

Risks Factors and Uncertainties Affecting Our Business

Our business operations are subject to numerous risks, factors and uncertainties, domestically and internationally, outside of our control. One, or a combination, of these risks, factors and uncertainties could materially affect any of those matters as to which we have made forward-looking statements and cause our actual results or an actual event or occurrence to differ materially from those results or an event or occurrence described in a forward-looking statement. These risks, factors and uncertainties, which may be global in their effect or affect only some of the markets in which we operate and which may affect us on a consolidated basis or affect only some of our reportable segments, include, but are not limited to:

Economic Factors

- economic, geo-political, capital markets and business conditions, trends and events around the world and in the markets in which Walmart operates;
- currency exchange rate fluctuations;
- changes in market rates of interest;
- changes in market levels of wages;
- changes in the size of various markets, including eCommerce markets;
- unemployment levels;
- inflation or deflation, generally and in certain product categories;
- transportation, energy and utility costs;
- commodity prices, including the prices of oil and natural gas;
- consumer confidence, disposable income, credit availability, spending levels, shopping patterns, debt levels, and demand for certain merchandise;
- trends in consumer shopping habits around the world and in the markets in which Walmart operates;
- consumer enrollment in health and drug insurance programs and such programs' reimbursement rates and drug formularies; and
- initiatives of competitors, competitors' entry into and expansion in Walmart's markets, and competitive pressures;

Operating Factors

- the amount of Walmart's net sales and operating expenses denominated in U.S. dollar and various foreign currencies;
- the financial performance of Walmart and each of its segments, including the amounts of Walmart's cash flow during various periods;
- customer traffic and average ticket in Walmart's stores and clubs and on its eCommerce platforms;
- the mix of merchandise Walmart sells and its customers purchase;
- the availability of goods from suppliers and the cost of goods acquired from suppliers;
- the effectiveness of the implementation and operation of Walmart's strategies, plans, programs and initiatives;
- Walmart's ability to successfully integrate acquired businesses, including within the eCommerce space;
- unexpected changes in Walmart's objectives and plans;
- the amount of shrinkage Walmart experiences;

- consumer acceptance of and response to Walmart's stores and clubs, eCommerce platforms, programs, merchandise offerings and delivery methods;
- Walmart's gross profit margins, including pharmacy margins and margins of other product categories;
- the selling prices of gasoline and diesel fuel;
- disruption of seasonal buying patterns in Walmart's markets;
- Walmart's expenditures for Foreign Corrupt Practices Act ("FCPA") and other compliance-related matters including the adequacy of our accrual for our FCPA matter;
- disruptions in Walmart's supply chain;
- cybersecurity events affecting Walmart and related costs and impact of any disruption in business;
- Walmart's labor costs, including healthcare and other benefit costs;
- Walmart's casualty and accident-related costs and insurance costs;
- the size of and turnover in Walmart's workforce and the number of associates at various pay levels within that workforce;
- the availability of necessary personnel to staff Walmart's stores, clubs and other facilities;
- developments in, and the outcome of, legal and regulatory proceedings and investigations to which Walmart is a party or is subject, and the liabilities, obligations and expenses, if any, that Walmart may incur in connection therewith;
- changes in the credit ratings assigned to the Company's commercial paper and debt securities by credit rating agencies;
- Walmart's effective tax rate; and
- unanticipated changes in accounting judgments and estimates;

Regulatory and Other Factors

- changes in existing tax, labor and other laws and changes in tax rates, including the enactment of laws and the adoption and interpretation of administrative rules and regulations;
- the imposition of new taxes on imports and new tariffs and changes in existing tariff rates;
- the imposition of new trade restrictions and changes in existing trade restrictions;
- adoption or creation of new, and modification of existing, governmental policies, programs and initiatives in the markets in which Walmart operates and elsewhere and actions with respect to such policies, programs and initiatives;
- changes in currency control laws;
- changes in the level of public assistance payments;
- one or more prolonged federal government shutdowns;
- the timing and amount of federal income tax refunds;
- natural disasters, public health emergencies, civil disturbances, and terrorist attacks; and
- changes in generally accepted accounting principles in the United States.

We typically earn a disproportionate part of our annual operating income in the fourth quarter as a result of seasonal buying patterns, which patterns are difficult to forecast with certainty and can be affected by many factors.

Other Risk Factors; No Duty to Update

The above list of factors that may affect the estimates and expectations discussed in or implied or contemplated by forward-looking statements we make or are made on our behalf is not exclusive. We are subject to other risks discussed under "Part I, Item 1A. Risk Factors," and that we may discuss in Management's Discussions and Analysis of Financial Condition and Results of Operations under "Part II, Item 5," and in risks that may be discussed under "Part II, Item 1A. Risk Factors" and "Part I, Item 2. Management's Discussions and Analysis of Financial Condition and Results of Operations" appearing in our Quarterly Reports on Form 10-Q or may otherwise be disclosed in our Quarterly Reports on Form 10-Q and other reports filed with the SEC. Investors and other readers are urged to consider all of these risks, uncertainties and other factors carefully in evaluating our forward-looking statements.

The forward-looking statements that we make or that are made by others on our behalf are based on our knowledge of our business and our operating environment and assumptions that we believe to be or will believe to be reasonable when such forward-looking statements were or are made. As a consequence of the factors described above, the other risks, uncertainties and factors we disclose below and in the other reports as mentioned above, other risks not known to us at this time, changes in facts, assumptions not being realized or other circumstances, our actual results may differ materially from those discussed in or implied or contemplated by our forward-looking statements.

Consequently, this cautionary statement qualifies all forward-looking statements we make or that are made on our behalf, including those made herein and incorporated by reference herein. We cannot assure you that the results or developments expected or anticipated by us will be realized or, even if substantially realized, that those results or developments will result in the expected consequences for us or affect us, our business, our operations or our operating results in the manner or to the extent we expect. We caution readers not to place undue reliance on such forward-looking statements, which speak only as of their dates. We undertake no obligation to revise or update any of the forward-looking statements to reflect subsequent events or circumstances except to the extent required by applicable law.

ITEM 1. BUSINESS

General

Walmart Inc. ("Walmart," the "Company" or "we") helps people around the world save money and live better – anytime and anywhere – by providing the opportunity to shop in retail stores and through eCommerce. Through innovation, we strive to continuously improve a customer-centric experience that seamlessly integrates our eCommerce and retail stores in an omni-channel offering that saves time for our customers. Each week, we serve nearly 275 million customers who visit our more than 11,300 stores and numerous eCommerce websites under 58 banners in 27 countries.

Our strategy is to make every day easier for busy families, operate with discipline, sharpen our culture and become digital, and make trust a competitive advantage. Making life easier for busy families includes our commitment to price leadership, which has been and will remain a cornerstone of our business, as well as increasing convenience to save our customers time. By leading on price, we earn the trust of our customers every day by providing a broad assortment of quality merchandise and services at everyday low prices ("EDLP"). EDLP is our pricing philosophy under which we price items at a low price every day so our customers trust that our prices will not change under frequent promotional activity. Everyday low cost ("EDLC") is our commitment to control expenses so our cost savings can be passed along to our customers.

Our operations comprise three reportable segments: Walmart U.S., Walmart International and Sam's Club. Our fiscal year ends on January 31 for our United States ("U.S.") and Canadian operations. We consolidate all other operations generally using a one-month lag and on a calendar year basis. Our discussion is as of and for the fiscal years ended January 31, 2019 ("fiscal 2019"), January 31, 2018 ("fiscal 2018") and January 31, 2017 ("fiscal 2017"). During fiscal 2019, we generated total revenues of \$514.4 billion, which was primarily comprised of net sales of \$510.3 billion.

We maintain our principal offices at 702 S.W. 8th Street, Bentonville, Arkansas 72716, USA. Our common stock trades on the New York Stock Exchange under the symbol "WMT."

The Development of Our Company

Although Walmart was incorporated in Delaware in October 1969, the businesses conducted by our founders began in 1945 when Sam M. Walton opened a franchise Ben Franklin variety store in Newport, Arkansas. In 1946, his brother, James L. Walton, opened a similar store in Versailles, Missouri. Until 1962, our founders' business was devoted entirely to the operation of variety stores. In that year, the first Wal-Mart Discount City, which was a discount store, opened in Rogers, Arkansas. In 1983, we opened our first Sam's Club, and in 1988, we opened our first supercenter. In 1998, we opened our first Walmart Neighborhood Market. In 1991, we began our first international initiative when we entered into a joint venture in Mexico. Since then, our international presence has expanded and, as of January 31, 2019, our Walmart International segment conducted business in 26 countries.

In 2000, we began our first eCommerce initiative by creating walmart.com. That same year, we also created samsclub.com. Since then, our eCommerce presence has continued to grow. In 2007, leveraging our physical stores, walmart.com launched its Site to Store service, enabling customers to make a purchase online and pick up merchandise in stores. In 2016, we acquired jet.com in the U.S. and formed a strategic alliance with JD.com in China. Since the jet.com purchase, we have continued to expand our U.S. eCommerce capabilities through acquisitions including Shoes.com, Moosejaw, Bonobos and other digital consumer brands. In 2017, walmart.com launched free two-day shipping on more than 2 million items and we created Store N° 8, a technology incubator with a focus to drive commerce forward. In fiscal 2019, we acquired a majority stake of Flipkart Private Limited ("Flipkart"), an Indian-based eCommerce marketplace, with an ecosystem that includes eCommerce platforms of Flipkart, Myntra and Jabong. In the U.S., we added more grocery pickup and delivery locations and as of January 31, 2019, we offered grocery pickup at more than 2,100 locations and grocery delivery at nearly 800 locations. Our eCommerce efforts and innovation have led to omni-channel offerings in many of our markets. We are building an ecosystem with our omni-channel capabilities, stores, services, eCommerce sites, supply chain and more than 2.2 million associates to better serve our customers.

Information About Our Segments

We are engaged in global operations of retail, wholesale and other units, as well as eCommerce, located throughout the U.S., Africa, Argentina, Canada, Central America, Chile, China, India, Japan, Mexico and the United Kingdom, as well as Brazil prior to the sale of the majority stake of Walmart Brazil discussed in [Note 13](#) to our Consolidated Financial Statements. Our operations are conducted in three reportable segments: Walmart U.S., Walmart International and Sam's Club. We define our segments as those operations whose results the chief operating decision

maker ("CODM") regularly reviews to analyze performance and allocate resources. Each of our segments contributes to the Company's operating results differently. Each, however, has generally maintained a consistent contribution rate to the Company's net sales and operating income in recent years other than minor changes to the contribution rate for the Walmart International segment due to fluctuations in currency exchange rates. We sell similar individual products and services in each of our segments. It is impractical to segregate and identify revenues for each of these individual products and services.

We measure the results of our segments using, among other measures, each segment's net sales and operating income, which includes certain corporate overhead allocations. From time to time, we revise the measurement of each segment's operating income, including any corporate overhead allocations, as determined by the information regularly reviewed by our CODM. When the measurement of a segment changes, previous period amounts and balances are reclassified to be comparable to the current period's presentation. In fiscal 2019, we revised certain of our corporate overhead allocations to the operating segments and, accordingly, revised prior period amounts for comparability.

Walmart U.S. Segment

Walmart U.S. is our largest segment and operates in the U.S., including in all 50 states, Washington D.C. and Puerto Rico. Walmart U.S. is a mass merchandiser of consumer products, operating under the "Walmart" and "Walmart Neighborhood Market" brands, as well as walmart.com, jet.com and other eCommerce brands. Walmart U.S. had net sales of \$331.7 billion for fiscal 2019, representing 65% of our fiscal 2019 consolidated net sales, and had net sales of \$318.5 billion and \$307.8 billion for fiscal 2018 and 2017, respectively. Of our three segments, Walmart U.S. has historically had the highest gross profit as a percentage of net sales ("gross profit rate"). In addition, Walmart U.S. has historically contributed the greatest amount to the Company's net sales and operating income.

Omni-channel. Walmart U.S. provides an omni-channel experience to customers, integrating retail stores and eCommerce, through services such as "Walmart Pickup," "Pickup Today," "Grocery Pickup," "Grocery Delivery," and "Endless Aisle." As of January 31, 2019, we had over 2,100 Grocery Pickup locations and nearly 800 Grocery Delivery locations. Our eCommerce websites include walmart.com, jet.com and others. The following table provides the approximate size of our retail stores as of January 31, 2019:

	Minimum Square Feet	Maximum Square Feet	Average Square Feet
Supercenters (general merchandise and grocery)	69,000	260,000	178,000
Discount stores (general merchandise and limited grocery)	30,000	206,000	105,000
Neighborhood markets ⁽¹⁾ (grocery)	28,000	65,000	42,000

(1) Excludes other small formats.

The following table provides the retail unit count and retail square feet by format for the fiscal years shown:

Fiscal Year	Supercenters					Discount Stores				
	Opened	Closed	Conversions ⁽¹⁾	Total ⁽²⁾	Square Feet ⁽²⁾	Opened	Closed	Conversions ⁽¹⁾	Total ⁽²⁾	Square Feet ⁽²⁾
Balance forward				3,288	589,858				508	53,496
2015	79	—	40	3,407	607,415	2	—	(40)	470	49,327
2016	55	(16)	19	3,465	616,428	—	(9)	(19)	442	45,991
2017	38	(2)	21	3,522	625,930	—	(6)	(21)	415	43,347
2018	30	—	9	3,561	632,479	—	(6)	(9)	400	41,926
2019	6	(2)	5	3,570	634,198	1	(10)	(5)	386	40,626

Fiscal Year	Neighborhood Markets and Other Small Formats					Total Segment			
	Opened and acquired ⁽³⁾	Closed	Conversions ⁽¹⁾	Total ⁽²⁾	Square Feet ⁽²⁾	Opened and acquired ⁽³⁾ ⁽⁴⁾	Closed	Total ⁽²⁾	Square Feet ⁽²⁾
Balance forward				407	15,778			4,203	659,132
2015	235	(3)	—	639	23,370	316	(3)	4,516	680,112
2016	161	(133)	—	667	27,228	216	(158)	4,574	689,647
2017	73	(5)	—	735	30,012	111	(13)	4,672	699,289
2018	85	(20)	—	800	30,111	115	(26)	4,761	704,516
2019	24	(11)	—	813	29,895	31	(23)	4,769	704,719

(1) Conversions of discount stores or neighborhood markets to supercenters.

- (2) "Total" and "Square Feet" columns are as of January 31 for the years shown. "Square Feet" columns are reported in thousands.
- (3) Includes acquired retail locations related to Walmart U.S. eCommerce brands
- (4) Total opened, net of conversions of discount stores or neighborhood markets to supercenters.

Merchandise. Walmart U.S. does business in three strategic merchandise units, listed below:

- Grocery consists of a full line of grocery items, including meat, produce, natural & organics, deli & bakery, dairy, frozen foods, alcoholic and nonalcoholic beverages, floral and dry grocery, as well as consumables such as health and beauty aids, baby products, household chemicals, paper goods and pet supplies;
- Health and wellness includes pharmacy, optical services, clinical services, and over-the-counter drugs and other medical products;

- General merchandise includes:
 - Entertainment (e.g., electronics, cameras and supplies, photo processing services, wireless, movies, music, video games and books);
 - Hardlines (e.g., stationery, automotive, hardware and paint, sporting goods, outdoor living and horticulture);
 - Apparel (e.g., apparel for women, girls, men, boys and infants, as well as shoes, jewelry and accessories); and
 - Home/Seasonal (e.g., home furnishings, housewares and small appliances, bedding, home decor, toys, fabrics and crafts and seasonal merchandise).

Walmart U.S. also offers fuel and financial services and related products, including money orders, prepaid cards, wire transfers, money transfers, check cashing and bill payment. These services total less than 1% of annual net sales.

Brand name merchandise represents a significant portion of the merchandise sold in Walmart U.S. We also market lines of merchandise under our private-label brands, including brands such as: "Athletic Works," "Bonobos," "Equate," "Everstart," "George," "Great Value," "Holiday Time," "Mainstays," "Marketside," "ModCloth," "No Boundaries," "Onn," "Ozark Trail," "Parent's Choice," "Time and Tru" and "Wonder Nation." The Company also markets lines of merchandise under licensed brands, some of which include: "Better Homes & Gardens," "Farberware," "Russell" and "SwissTech."

Periodically, revisions are made to the categorization of the components comprising our strategic merchandise units. When revisions are made, the previous periods' presentation is adjusted to maintain comparability.

Operations. Many supercenters, discount stores and neighborhood markets are open 24 hours each day. A variety of payment methods are accepted.

Seasonal Aspects of Operations. Walmart U.S.'s business is seasonal to a certain extent due to calendar events and national and religious holidays, as well as different weather patterns. Historically, its highest sales volume and segment operating income have occurred in the fiscal quarter ending January 31.

Competition. Walmart U.S. competes with omni-channel retailers operating discount, department, retail and wholesale grocers, drug, dollar, variety and specialty stores, supermarkets, hypermarkets and supercenter-type stores, as well as eCommerce retailers. Our ability to develop, open and operate units at the right locations and to deliver a customer-centric omni-channel experience largely determines our competitive position within the retail industry. We employ many programs designed to meet competitive pressures within our industry. These programs include the following:

- EDLP: our pricing philosophy under which we price items at a low price every day so our customers trust that our prices will not change under frequent promotional activity;
- EDLC: everyday low cost is our commitment to control expenses so our cost savings can be passed along to our customers; and
- Omni-channel offerings such as Walmart Pickup, where a customer places an order online and picks it up for free from a store; Pickup Today, where a customer places an order online and picks it up for free from a store; Grocery Delivery, where a customer places a grocery order online and has it delivered; or Grocery Pickup, where a customer places a grocery order online and picks it up at one of our participating stores or remote locations.

Distribution. For fiscal 2019, approximately 77% of Walmart U.S.'s purchases of store merchandise were shipped through our 156 distribution facilities, which are located strategically throughout the U.S. The remaining store merchandise we purchased was shipped directly from suppliers. General merchandise and dry grocery merchandise is transported primarily through the segment's private truck fleet; however, we contract with common carriers to transport the majority of our perishable grocery merchandise. We ship merchandise purchased by customers on our eCommerce platforms by a number of methods from multiple locations including from our 33 dedicated eCommerce fulfillment centers.

Walmart International Segment

Walmart International is our second largest segment and operates in 26 countries outside of the U.S. Walmart International operates through our wholly-owned subsidiaries in Argentina, Canada, Chile, China, India, Japan and the United Kingdom, as well as Brazil prior to the sale of the majority stake of Walmart Brazil discussed in [Note 13](#) to our Consolidated Financial Statements; and our majority-owned subsidiaries in Africa (which includes Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, South Africa, Swaziland, Tanzania, Uganda and Zambia), Central America (which includes Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua), India and Mexico.

Walmart International includes numerous formats divided into three major categories: retail, wholesale and other. These categories consist of many formats, including: supercenters, supermarkets, hypermarkets, warehouse clubs (including Sam's Clubs) and cash & carry, as well as eCommerce through walmart.com.mx, asda.com, walmart.ca, flipkart.com and other sites.

Walmart International had net sales of \$120.8 billion for fiscal 2019, representing 24% of our fiscal 2019 consolidated net sales, and had net sales of \$118.1 billion and \$116.1 billion for fiscal 2018 and 2017, respectively. The segment's net sales have been negatively impacted by currency exchange rate fluctuations for all years presented. The gross profit rate is lower than that of Walmart U.S. primarily because of its merchandise mix.

To deliver strong efficient growth, we have to be decisive when it comes to our capital and our time. As such, we have taken certain strategic actions to reposition Walmart International, including:

- Acquisition of a majority stake of Flipkart in August 2018 for \$16 billion, or \$13.8 billion net of cash acquired. We began consolidating Flipkart's results in the third quarter of fiscal 2019, using a one-month lag. The ongoing operations negatively impacted fiscal 2019 net income and this negative impact will continue in fiscal 2020.
- Proposed combination of J Sainsbury plc and Asda Group Limited ("Asda"), our wholly-owned United Kingdom retail subsidiary. Under the terms, we would receive approximately 42 percent of the share capital of the combined company and approximately £3.0 billion in cash, subject to customary closing adjustments, while retaining obligations under the Asda defined benefit pension plan. Due to a complex regulatory review process, the outcome of which is uncertain and may take some time to complete, the held for sale classification criteria for the disposal group has not been met as of January 31, 2019. Further, there can be no assurance as to whether regulatory approval will be obtained or the proposed combination will be consummated. In the future, if the held for sale classification criteria is met for the disposal group, we expect to recognize a loss, the amount of which may fluctuate based on the changes in the value of share capital received and foreign exchange rates.
- Divestiture of 80 percent of Walmart Brazil to Advent International ("Advent") in August 2018. Advent agreed to contribute additional capital to the business over a three-year period and we agreed to indemnify Advent for certain pre-closing tax and legal contingencies and other matters. We recorded a pre-tax net loss of \$4.8 billion in fiscal 2019 for the sale, of which \$2.0 billion related to cumulative foreign currency translation loss which was reclassified from accumulated other comprehensive loss.
- Consistent with our focus on core retail capabilities, the divestiture of the Walmart Chile banking operations in December 2018 and the proposed divestiture of the Walmart Canada banking operations, classified as held for sale as of January 31, 2019.

Omni-channel. Walmart International provides an omni-channel experience to customers, integrating retail stores and eCommerce, such as through services like "Click & Collect" in the United Kingdom, our grocery pick-up and delivery business in several other markets, and our marketplaces, such as Flipkart in India.

Generally, retail units range in size from 1,500 square feet to 186,000 square feet. Our wholesale stores generally range in size from 25,000 square feet to 155,000 square feet. Other includes stand-alone gas stations operating in the United Kingdom, which range in size up to 2,200 square feet.

The following tables provide the unit count⁽¹⁾ and square feet⁽²⁾ for the fiscal years shown:

Fiscal Year	Africa		Argentina		Brazil ⁽³⁾		Canada		Central America		Chile	
	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet
Balance forward	379	20,513	104	8,062	556	32,501	389	49,914	661	10,427	380	13,697
2015	396	21,223	105	8,119	557	33,028	394	50,927	690	11,094	404	14,762
2016	408	21,869	108	8,280	499	30,675	400	51,784	709	11,410	395	15,407
2017	412	22,542	107	8,264	498	30,642	410	53,088	731	11,770	363	15,260
2018	424	23,134	106	8,305	465	29,824	410	53,082	778	12,448	378	15,990
2019	436	24,317	92	8,095	—	—	411	53,167	811	12,978	371	16,411

(1) "Unit Count" includes retail stores, wholesale clubs and other. Walmart International unit counts, with the exception of Canada, are as of December 31, to correspond with the fiscal year end of the related geographic market. Canada unit counts and square footage are as of January 31.

(2) "Square Feet" columns are reported in thousands.

(3) The Company sold the majority stake of Walmart Brazil in fiscal 2019.



Fiscal Year	China		India		Japan		Mexico ⁽⁴⁾		United Kingdom		Total Segment	
	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet
Balance forward	405	67,205	20	1,083	438	24,489	2,199	94,900	576	35,416	6,107	358,207
2015	411	68,269	20	1,083	431	24,429	2,290	98,419	592	36,277	6,290	367,630
2016	432	71,724	21	1,146	346	22,551	2,360	100,308	621	37,044	6,299	372,198
2017	439	73,172	20	1,091	341	21,921	2,411	101,681	631	37,338	6,363	376,769
2018	443	73,615	20	1,091	336	21,181	2,358	97,024	642	37,587	6,360	373,281
2019	443	71,543	22	1,204	332	20,290	2,442	98,623	633	37,582	5,993	344,210

(1) "Unit Count" includes retail stores, wholesale clubs and other. Walmart International unit counts, with the exception of Canada, are as of December 31, to correspond with the fiscal year end of the related geographic market. Canada unit counts and square footage are as of January 31.

(2) "Square Feet" columns are reported in thousands.

(4) All periods presented exclude units and square feet for the Vips restaurant business. The Company completed the sale of the Vips restaurant business in fiscal 2015.

Unit counts⁽¹⁾ as of January 31, 2019 for Walmart International are summarized by major category for each geographic market as follows:

Geographic Market	Retail	Wholesale	Other ⁽²⁾	Total
Africa ⁽³⁾	346	90	—	436
Argentina	92	—	—	92
Canada	411	—	—	411
Central America ⁽⁴⁾	811	—	—	811
Chile	363	8	—	371
China	420	23	—	443
India	—	22	—	22
Japan	332	—	—	332
Mexico	2,279	163	—	2,442
United Kingdom	615	—	18	633
Total	5,669	306	18	5,993

(1) Walmart International unit counts, with the exception of Canada, are as of December 31, 2018, to correspond with the balance sheet date of the related geographic market. Canada unit counts are as of January 31, 2019.

(2) Other includes stand-alone gas stations.

(3) Africa unit counts by country are Botswana (11), Ghana (4), Kenya (2), Lesotho (3), Malawi (2), Mozambique (6), Namibia (4), Nigeria (5), South Africa (389), Swaziland (1), Tanzania (1), Uganda (1) and Zambia (7).

(4) Central America unit counts by country are Costa Rica (256), El Salvador (97), Guatemala (250), Honduras (105) and Nicaragua (103).

Merchandise. The merchandising strategy for Walmart International is similar to that of our operations in the U.S. in terms of the breadth and scope of merchandise offered for sale. While brand name merchandise accounts for a majority of our sales, we have both leveraged U.S. private brands and developed market specific private brands to serve our customers with high quality, low priced items. Along with the private brands we market globally, such as "Equate," "George," "Great Value," "Holiday Time," "Mainstays," "Marketside," and "Parent's Choice," our international markets have developed market specific brands including "Aurrera," "Cambridge," "Lider," "Myntra," "Jabong," "PhonePe," and "Extra Special." In addition, we have developed relationships with regional and local suppliers in each market to ensure reliable sources of quality merchandise that is equal to national brands at low prices.

Operations. The hours of operation for operating units in Walmart International vary by country and by individual markets within countries, depending upon local and national ordinances governing hours of operation. Operating units in each country accept a variety of payment methods.

Seasonal Aspects of Operations. Walmart International's business is seasonal to a certain extent. Historically, the segment's highest sales volume and operating income have occurred in the fourth quarter of our fiscal year. The seasonality of the business varies by country due to different national and religious holidays, festivals and customs, as well as different weather patterns.

Competition. Walmart International competes with omni-channel retailers who operate department, drug, discount, variety and specialty stores, supermarkets, hypermarkets and supercenter-type stores, wholesale clubs, home-improvement stores, specialty electronics stores, cash & carry operations and convenience stores, and eCommerce retailers, as well as catalog businesses. Our ability to develop, open and operate units at the right locations and to deliver a customer-centric omni-channel experience largely determines our competitive position within the retail industry. We believe price leadership is a critical part of our business model and we continue to focus on moving our markets towards an EDLP approach. Additionally, our ability to operate food departments effectively has a significant impact on our competitive position in the markets where we operate.

Distribution. We utilize a total of 226 distribution facilities located in Argentina, Canada, Central America, Chile, China, Japan, Mexico, South Africa, India and the United Kingdom. Through these facilities, we process and distribute both imported and domestic products to the operating units of the Walmart International segment. During fiscal 2019, approximately 83% of Walmart International's purchases passed through these distribution facilities. Suppliers ship the balance of Walmart International's purchases directly to our stores in the various markets in which we operate. We ship merchandise purchased by customers on our eCommerce platforms by a number of methods from multiple locations including from our 90 dedicated eCommerce fulfillment centers, as well as more than 1,900 eCommerce sort centers in India.

Sam's Club Segment

Sam's Club operates in 44 states in the U.S. and in Puerto Rico. Sam's Club is a membership-only warehouse club that also operates samsclub.com. Sam's Club had net sales of \$57.8 billion for fiscal 2019, representing 11% of our consolidated fiscal 2019 net sales, and had net sales of \$59.2 billion and \$57.4 billion for fiscal 2018 and 2017, respectively. As a membership-only warehouse club, membership income is a significant component of the segment's operating income. Sam's Club operates with a lower gross profit rate and lower operating expenses as a percentage of net sales than our other segments.

Membership. The following two options are available to members:

	Plus Membership	Club Membership
Annual Membership Fee	\$100	\$45
Number of Add-on Memberships (\$40 each)	Up to 16	Up to 8
Eligible for Cash Rewards	Yes	No

All memberships include a spouse/household card at no additional cost. Plus Members are eligible for Cash Rewards, which is a benefit that provides \$10 for every \$500 in qualifying Sam's Club purchases up to a \$500 cash reward annually. The amount earned can be used for purchases, membership fees or redeemed for cash. Plus Members are also eligible for Free Shipping on the majority of merchandise, with no minimum order size, and receive discounts on prescriptions, glasses and contacts.

Omni-channel. While Sam's Club is a membership-only warehouse club, it provides an omni-channel experience to customers, integrating retail stores and eCommerce. The warehouse facility sizes generally range between 34,000 and 168,000 square feet, with an average size of approximately 134,000 square feet. The following table provides the retail unit count and retail square feet for the fiscal years shown:

Fiscal Year	Opened	Closed	Total ⁽¹⁾	Square Feet ⁽¹⁾
Balance forward			632	84,382
2015	16	(1)	647	86,510
2016	8	—	655	87,552
2017	9	(4)	660	88,376
2018	4	(67)	597	80,068
2019	2		599	80,240

(1) "Total" and "Square Feet" columns are as of January 31 for the fiscal years shown. "Square Feet" column is reported in thousands.

Members have access to a broad assortment of merchandise, including products not found in our clubs, and services online at samsclub.com and through our mobile commerce applications, providing the option of delivery direct-to-home or to the club through services such as "Club Pickup." Sam's Club omni-channel capabilities also include "Scan and Go," a mobile checkout and payment solution, which allows members to bypass the checkout line.

Merchandise. Sam's Club offers merchandise in the following five merchandise categories:

- Grocery and consumables includes dairy, meat, bakery, deli, produce, dry, chilled or frozen packaged foods, alcoholic and nonalcoholic beverages, floral, snack foods, candy, other grocery items, health and beauty aids, paper goods, laundry and home care, baby care, pet supplies and other consumable items;
- Fuel and other categories consists of gasoline stations, tobacco, tools and power equipment, and tire and battery centers;

- Home and apparel includes home improvement, outdoor living, grills, gardening, furniture, apparel, jewelry, housewares, toys, seasonal items, mattresses and small appliances;
- Technology, office and entertainment includes electronics, wireless, software, video games, movies, books, music, office supplies, office furniture, photo processing and third-party gift cards; and
- Health and wellness includes pharmacy, optical and hearing services and over-the-counter drugs.

The Member's Mark brand continues to expand assortment and deliver member value. In fiscal 2019, Member's Mark sales exceeded \$12 billion, driven by growth across multiple categories in the private brand portfolio.

Operations. Operating hours for Sam's Clubs are generally Monday through Friday from 10:00 a.m. to 8:30 p.m., Saturday from 9:00 a.m. to 8:30 p.m. and Sunday from 10:00 a.m. to 6:00 p.m. Additionally, all club locations offer Plus Members the ability to shop before the regular operating hours Monday through Saturday, starting at 7:00 a.m. A variety of payment methods are accepted.

Seasonal Aspects of Operations. Sam's Club's business is seasonal to a certain extent due to calendar events and national and religious holidays, as well as different weather patterns. Historically, its highest sales volume and segment operating income have occurred in the fiscal quarter ending January 31.

Competition. Sam's Club competes with other membership-only warehouse clubs, the largest of which is Costco, as well as with discount retailers, retail and wholesale grocers, general merchandise wholesalers and distributors, gasoline stations as well as omni-channel and eCommerce retailers and catalog businesses. At Sam's Club, we provide value at members-only prices, a quality merchandise assortment, and bulk sizing to serve both our Plus and Club members. Our eCommerce website and mobile commerce applications have increasingly become important factors in our ability to compete.

Distribution. During fiscal 2019, approximately 70% of Sam's Club's non-fuel club purchases were shipped from Sam's Club's 23 dedicated distribution facilities, located strategically throughout the U.S., or from some of the Walmart U.S. segment's distribution facilities, which service the Sam's Club segment for certain items. Suppliers shipped the balance of the Sam's Club segment's club purchases directly to Sam's Club locations. Sam's Club ships merchandise purchased on samsclub.com and through its mobile commerce applications by a number of methods from its six dedicated eCommerce fulfillment centers and other distribution centers, including two dedicated import facilities.

The principal focus of Sam's Club's distribution operations is on cross-docking merchandise while minimizing stored inventory. Cross-docking is a distribution process under which shipments are directly transferred from inbound to outbound trailers. Shipments typically spend less than 24 hours in a cross-dock facility, and sometimes less than an hour.

Sam's Club uses a combination of our private truck fleet, as well as common carriers, to transport non-perishable merchandise from distribution facilities to clubs. The segment contracts with common carriers to transport perishable grocery merchandise from distribution facilities to clubs.

Intellectual Property

We regard our trademarks, service marks, copyrights, patents, domain names, trade dress, trade secrets, proprietary technologies, and similar intellectual property as important to our success, and with respect to our associates, customers and others, we rely on trademark, copyright, and patent law, trade-secret protection, and confidentiality and/or license agreements to protect our proprietary rights. We have registered, or applied for the registration of, a number of U.S. and international domain names, trademarks, service marks and copyrights. Additionally, we have filed U.S. and international patent applications covering certain of our proprietary technology. We have licensed in the past, and expect that we may license in the future, certain of our proprietary rights to third parties.

Suppliers and Supply Chain

As a retailer and warehouse club operator, we utilize a global supply chain that includes over 100,000 suppliers located around the world, including in the United States, from whom we purchase the merchandise that we sell in our stores, clubs and online. In many instances, we purchase merchandise from producers located near the stores and clubs in which such merchandise will be sold, particularly products in the "fresh" category. Our purchases may represent a significant percentage of a number of our suppliers' annual sales, and the volume of product we acquire from many suppliers allows us to obtain favorable pricing from such suppliers. Our suppliers are subject to standards of conduct, including requirements that they comply with local labor laws, local worker safety laws and other applicable laws. Our ability to acquire from our suppliers the assortment and volume of products we wish to offer to our customer, to receive those products within the required time through our supply chain and to distribute those products to our stores and clubs determines, in part, our in-stock levels in our stores and clubs and the attractiveness of our merchandise assortment we offer to our customers and members.

Employees

As of the end of fiscal 2019, Walmart Inc. and our subsidiaries employed more than 2.2 million employees ("associates") worldwide, with 1.5 million associates in the U.S. and 0.7 million associates internationally. Similar to other retailers, the Company has a large number of part-time, hourly or non-exempt associates. We believe our relationships with our associates are good. A large number of associates turn over each year, although Walmart U.S. turnover has improved in both fiscal 2019 and 2018 as a result of our focus on increasing wages and providing improved tools, technology and training to associates.

Certain information relating to retirement-related benefits we provide to our associates is included in [Note 12](#) to our Consolidated Financial Statements. In addition to retirement-related benefits, in the U.S. we offer a broad range of

Company-paid benefits to our associates. These include a store discount card or Sam's Club membership, bonuses based on Company performance, matching a portion of associate purchases of our stock through our Associate Stock Purchase Plan and life insurance. In addition to the health-care benefits for eligible full-time and part-time associates in the U.S., we offer maternity leave and a paid parental leave program to all full-time associates. We also offer a \$5,000 benefit to assist eligible associates with adoption. Additionally, we offer eligible associates tuition assistance towards earning a college degree. Similarly, in the

operations outside the U.S., we provide a variety of associate benefits that vary based on customary local practices and statutory requirements.

Executive Officers of the Registrant

The following chart names the executive officers of the Company as of the date of the filing of this Annual Report on Form 10-K with the SEC, each of whom is elected by and serves at the pleasure of the Board of Directors. The business experience shown for each officer has been his or her principal occupation for at least the past five years, unless otherwise noted.

Name	Business Experience	Current Position Held Since	Age
Daniel J. Bartlett	Executive Vice President, Corporate Affairs, effective June 2013. From November 2007 to June 2013, he served as the Chief Executive Officer and President of U.S. Operations at Hill & Knowlton, Inc., a public relations company.	2013	47
M. Brett Biggs	Executive Vice President and Chief Financial Officer, effective January 2016. From January 2014 to December 2015, he served as Executive Vice President and Chief Financial Officer of Walmart International.	2016	50
Rachel Brand	Executive Vice President, Global Governance, Chief Legal Officer and Corporate Secretary, effective April 2018. From May 2017 to February 2018, she served as Associate Attorney General in the United States Department of Justice. From January 2017 to May 2017, she was an Associate Professor of Law at George Mason University Antonin Scalia Law School. From August 2012 to February 2017, she served as a Board Member on the Privacy and Civil Liberties Oversight Board of the U.S. government.	2018	45
Jacqueline P. Canney	Executive Vice President, Global People, effective August 2015. From September 2003 to July 2015, she served as the Managing Director of Global Human Resources at Accenture plc., a global management consulting, technology services and outsourcing company.	2015	51
David M. Chojnowski	Senior Vice President and Controller effective January 2017. From October 2014 to January 2017, he served as Vice President and Controller, Walmart U.S. From January 2013 to October 2014, he served as Vice President, Finance Transformation, of Walmart International.	2017	49
Gregory Foran	Executive Vice President, President and Chief Executive Officer, Walmart U.S. effective August 2014. From May 2014 to August 2014, he served as President and Chief Executive Officer for the Walmart Asia region. From March 2012 to May 2014, he served as President and Chief Executive Officer of Walmart China.	2014	57
John Furner	Executive Vice President, President and Chief Executive Officer, Sam's Club, effective February 2017. From October 2015 to January 2017, he served as Executive Vice President and Chief Merchandising Officer of Sam's Club. From January 2013 to October 2015, he served as Senior Vice President and Chief Merchandising Officer of Walmart China.	2017	44
Marc Lore	Executive Vice President, President and Chief Executive Officer, U.S. eCommerce, effective September 2016. From April 2014 to September 2016, he served as President and Chief Executive Officer of Jet.com, Inc.	2016	47
Judith McKenna	Executive Vice President, President and Chief Executive Officer, Walmart International, effective February 2018. From February 2015 to January 2018, she served as Executive Vice President and Chief Operating Officer of Walmart U.S. From April 2014 to February 2015, she served as Executive Vice President and Chief Development Officer for Walmart U.S. From April 2013 to April 2014, she served as	2018	52

Executive Vice President, Strategy and Development, for Walmart International.

C.
Douglas McMillon

President and Chief Executive Officer, effective February 2014. From February 2009 to January 2014, he served as Executive Vice President, President and Chief Executive Officer, Walmart International.

2014 52

Our Website and Availability of SEC Reports and Other Information

Our corporate website is located at www.stock.walmart.com. We file with or furnish to the SEC Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports, proxy statements and annual reports to shareholders, and, from time to time, other documents. The reports and other documents filed with or furnished to the SEC are available to investors on or through our corporate website free of charge as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. The SEC maintains a website that contains reports, proxy and information statements and other information regarding issuers, such as the Company, that file electronically with the SEC. The address of that website is www.sec.gov. Our SEC filings, our Code of Ethics for our CEO and senior financial officers and our Statement of Ethics can be found on our website at www.stock.walmart.com. These documents are available in print to any shareholder who requests a copy by writing or calling our Investor Relations Department, which is located at our principal offices.

A description of any substantive amendment or waiver of Walmart's Code of Ethics for the CEO and senior financial officers or our Statement of Ethics for our chief executive officer, our chief financial officer and our controller, who is our principal accounting officer, will be disclosed on our website at www.stock.walmart.com under the Corporate Governance section. Any such description will be located on our website for a period of 12 months following the amendment or waiver.

ITEM 1A. RISK FACTORS

The risks described below could materially and adversely affect our business, results of operations, financial condition and liquidity. Our business operations could also be affected by additional factors that apply to all companies operating in the U.S. and globally.

Strategic Risks

General or macro-economic factors, both domestically and internationally, may materially adversely affect our financial performance.

General economic conditions and other economic factors, globally or in one or more of the markets we serve, may adversely affect our financial performance. Higher interest rates, lower or higher prices of petroleum products, including crude oil, natural gas, gasoline, and diesel fuel, higher costs for electricity and other energy, weakness in the housing market, inflation, deflation, increased costs of essential services, such as medical care and utilities, higher levels of unemployment, decreases in consumer disposable income, unavailability of consumer credit, higher consumer debt levels, changes in consumer spending and shopping patterns, fluctuations in currency exchange rates, higher tax rates, imposition of new taxes or other changes in tax laws, changes in healthcare laws, other regulatory changes, the imposition of tariffs or other measures that create barriers to or increase the costs associated with international trade, overall economic slowdown or recession and other economic factors in the U.S. or in any of the other markets in which we operate could adversely affect consumer demand for the products we sell in the U.S. or such other markets, change the mix of products we sell to one with a lower average gross margin, cause a slowdown in discretionary purchases of goods, adversely affect our net sales and result in slower inventory turnover and greater markdowns of inventory, or otherwise materially adversely affect our operations and operating results and could result in impairment charges to intangible assets, goodwill or other long-lived assets.

In addition, the economic factors listed above, any other economic factors or circumstances resulting in higher transportation, labor, insurance or healthcare costs or commodity prices, and other economic factors in the U.S. and other countries in which we operate can increase our cost of sales and operating, selling, general and administrative expenses and otherwise materially adversely affect our operations and operating results.

The economic factors that affect our operations may also adversely affect the operations of our suppliers, which can result in an increase in the cost to us of the goods we sell to our customers or, in more extreme cases, in certain suppliers not producing goods in the volume typically available to us for sale.

We face strong competition from other retailers and wholesale club operators which could materially adversely affect our financial performance.

Each of our segments competes for customers, employees, digital prominence, products and services and in other important aspects of its business with many other local, regional, national and global eCommerce and omni-channel retailers, wholesale club operators and retail intermediaries.

We compete in a variety of ways, including the prices at which we sell our merchandise, merchandise selection and availability, services offered to customers, location, store hours, in-store amenities, the shopping convenience and overall shopping experience we offer, the attractiveness and ease of use of our digital platforms, cost and speed of

and options for delivery to customers of merchandise purchased through our digital platforms or through our omni-channel integration of our physical and digital operations.

A failure to respond effectively to competitive pressures and changes in the retail markets or delays or failure in execution of our strategy could materially adversely affect our financial performance. See "[Item 1. Business](#)" above for additional discussion of the competitive situation of each of our reportable segments.

Certain segments of the retail industry are undergoing consolidation, which could result in increased competition and significantly alter the dynamics of the retail marketplace. Other segments are substantially reducing operations which could also result in competition rushing to fill the void created by such corporate actions. Such consolidation, or other business combinations or alliances, or reduction in operation may result in competitors with greatly improved financial resources, improved access to merchandise, greater market penetration than they previously enjoyed and other improvements in their competitive positions. Such business combinations or alliances could result in the provision of a wider variety of products and services at competitive prices by such consolidated or aligned companies, which could adversely affect our financial performance.

We may not timely identify or effectively respond to consumer trends or preferences, which could negatively affect our relationship with our customers, demand for the products and services we sell, our market share and the growth of our business.

It is difficult to predict consistently and successfully the products and services our customers will demand and changes in their shopping patterns. The success of our business depends in part on how accurately we predict consumer demand, availability of merchandise, the related impact on the demand for existing products and the competitive environment. Price transparency, assortment of products, customer experience, convenience, ease and the speed and cost of shipping are of primary importance to customers and continue to increase in importance, particularly as a result of digital tools and social media available to consumers and the choices available to consumers for purchasing products. Our failure to adequately or effectively respond to changing consumer tastes, preferences and shopping patterns, or any other failure on our part to timely identify or effectively respond to changing consumer tastes, preferences and shopping patterns could negatively affect our relationship with our customers, the demand for the products we sell, our market share and the growth of our business.

Failure to successfully execute our omni-channel strategy and the cost of our increasing eCommerce investments may materially adversely affect our market position, net sales and financial performance.

The retail business is rapidly evolving and consumers are increasingly embracing shopping digitally. As a result, the portion of total consumer expenditures with retailers and wholesale clubs occurring through digital platforms is increasing and the pace of this increase could accelerate.

Our strategy, which includes acquisitions, joint ventures, investments in eCommerce, technology, store remodels and other customer initiatives may not adequately or effectively allow us to grow our eCommerce business, increase comparable store sales, maintain or grow our overall market position or otherwise offset the impact on the growth of our business of a moderated pace of new store and club openings. The success of this strategy will depend in large measure on our ability to build and deliver a seamless omni-channel shopping experience and is further subject to the risks we face as outlined in this [Item 1A](#). As a result, our market position, net sales and financial performance could be adversely affected, which could also result in impairment charges to intangible assets or other long-lived assets. In addition, a greater concentration of eCommerce sales could result in a reduction in the amount of traffic in our stores and clubs, which would, in turn, reduce the opportunities for cross-store or cross-club sales of merchandise that such traffic creates and could reduce our sales within our stores and clubs and materially adversely affect our financial performance.

Furthermore, the cost of certain eCommerce and technology investments, including any operating losses incurred will adversely impact our financial performance in the short-term and may adversely impact our financial performance over the longer term.

The performance of strategic alliances and other business relationships to support the expansion of our business could materially adversely affect our financial performance.

We may enter into strategic alliances and other business relationships in the countries in which we have existing operations or in other markets to expand our retail operations. These arrangements may not generate the level of sales we anticipate when entering into the arrangement or may otherwise adversely impact our business and competitive position relative to the results we could have achieved in the absence of such alliance. In addition, any investment we make in connection with a strategic alliance or business relationship could materially adversely affect our financial performance.

Operational Risks

Natural disasters, changes in climate, and geo-political events could materially adversely affect our financial performance.

The occurrence of one or more natural disasters, such as hurricanes, tropical storms, floods, fires, earthquakes, tsunamis, cyclones, typhoons, weather conditions such as major or extended winter storms, droughts and tornadoes, whether as a result of climate change or otherwise, severe changes in climate and geo-political events, such as war, civil unrest or terrorist attacks in a

country in which we operate or in which our suppliers are located could adversely affect our operations and financial performance.

Such events could result in physical damage to, or the complete loss of, one or more of our properties, the closure of one or more stores, clubs and distribution facilities, the lack of an adequate work force in a market, the inability of customers and associates to reach or have transportation to our stores and clubs affected by such events, the evacuation of the populace from areas in which our stores, clubs and distribution facilities are located, the unavailability of our digital platforms to our customers, changes in the purchasing patterns of consumers and in consumers' disposable income, the temporary or long-term disruption in the supply of products from some suppliers, the disruption in the transport of goods from overseas, the disruption or delay in the delivery of goods to our distribution facilities or stores within a country in which we are operating, the reduction in the availability of products in our stores, the disruption of utility services to our stores and our facilities, and disruption in our communications with our stores.

We bear the risk of losses incurred as a result of physical damage to, or destruction of, any stores, clubs and distribution facilities, loss or spoilage of inventory and business interruption caused by such events. These events and their impacts could otherwise disrupt and adversely affect our operations in the areas in which they occur and could materially adversely affect our financial performance.

Risks associated with our suppliers could materially adversely affect our financial performance.

The products we sell are sourced from a wide variety of domestic and international suppliers. Global sourcing of many of the products we sell is an important factor in our financial performance. We expect our suppliers to comply with applicable laws, including labor, safety, anti-corruption and environmental laws, and to otherwise meet our required supplier standards of conduct. Our ability to find qualified suppliers who uphold our standards, and to access products in a timely and efficient manner, is a significant challenge, especially with respect to suppliers located and goods sourced outside the U.S.

Political and economic instability in the countries in which our foreign suppliers and their manufacturers are located, the financial instability of suppliers, suppliers' failure to meet certain of our supplier standards (including our responsible sourcing standards), labor problems experienced by our suppliers and their manufacturers, the availability of raw materials to suppliers, merchandise safety and quality issues, disruption in the transportation of merchandise from the suppliers and manufacturers to our stores, clubs, and other facilities, including as a result of labor slowdowns at any port at which a material amount of merchandise we purchase enters into the markets in which we operate, currency exchange rates, transport availability and cost, transport security, inflation and other factors relating to the suppliers and the countries in which they are located are beyond our control.

In addition, the U.S. foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, the limitation on the importation of certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade are beyond our control. These and other factors affecting our suppliers and our access to products could adversely affect our financial performance.

If the products we sell are not safe or otherwise fail to meet our customers' expectations, we could lose customers, incur liability for any injuries suffered by customers using or consuming a product we sell or otherwise experience a material impact to our brand, reputation and financial performance. We may also face reputational and other risks related to third-party sales on our digital platforms.

Our customers count on us to provide them with safe products. Concerns regarding the safety of food and non-food products that we source from our suppliers or that we prepare and then sell could cause customers to avoid purchasing certain products from us, or to seek alternative sources of supply for all of their food and non-food needs, even if the basis for the concern is outside of our control. Any lost confidence on the part of our customers would be difficult and costly to reestablish and may also expose us to product liability or food safety claims. As such, any issue regarding the safety of any food or non-food items we sell, regardless of the cause, could adversely affect our brand, reputation and financial performance. In addition, third-parties sell goods on some of our digital platforms, which we refer to as marketplace transactions. The applicability to us of laws related to such sales is currently unsettled and we may face reputational, financial and other risks, including liability, for third-party sales of goods that are counterfeit or otherwise fraudulent.

We rely extensively on information systems to process transactions, summarize results and manage our business. Disruptions in our systems could harm our ability to conduct our operations.

Given the number of individual transactions we have each year, it is crucial that we maintain uninterrupted operation of our business-critical information systems. Our information systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, worms, other malicious computer

programs, denial-of-service attacks, security breaches (through cyber-attacks from cyber-attackers and sophisticated organizations), catastrophic events such as fires, tornadoes, earthquakes and hurricanes, and usage errors by our associates or contractors. Our information systems are essential to our business operations, including the processing of transactions, management of our associates, facilities, logistics, inventories, physical stores and clubs and our online operations. Our information systems are not fully

redundant and if our systems are damaged, breached or cease to function properly, we may have to make a significant investment to repair or replace them, and we may suffer interruptions in our business operations in the interim. Any interruption to our information systems may have a material adverse effect on our business or results of operations. In addition, we are constantly updating our information technology processes and systems. The risk of system disruption is increased when significant system changes are undertaken. If we fail to timely integrate and update our information systems and processes, we may fail to realize the cost savings anticipated to be derived from these initiatives.

If the technology-based systems that give our customers the ability to shop with us online do not function effectively, our operating results, as well as our ability to grow our eCommerce business globally, could be materially adversely affected.

Increasingly, customers are using computers, tablets, and smart phones to shop with us and with our competitors and to do comparison shopping. We use social media and electronic mail to interact with our customers and as a means to enhance their shopping experience. As a part of our omni-channel sales strategy, in addition to home delivery, we offer "Walmart Pickup," "Pickup Today," "Club Pickup" and "Online Grocery" programs under which many products available for purchase online can be picked up by the customer at a local Walmart store or Sam's Club, which provides additional customer traffic at such stores and clubs. Omni-channel retailing is a rapidly evolving part of the retail industry and of our operations in the U.S. (whether through organic growth or eCommerce acquisitions) and in a number of markets in which our Walmart International segment operates.

We must anticipate and meet our customers' changing expectations while adjusting for technology investments and developments in our competitors' operations through focusing on the building and delivery of a seamless shopping experience across all channels by each operating segment. Any failure on our part to provide attractive, user-friendly secure digital platforms that offer a wide assortment of merchandise at competitive prices and with low cost and rapid delivery options and that continually meet the changing expectations of online shoppers and developments in online and digital platform merchandising and related technology could place us at a competitive disadvantage, result in the loss of eCommerce and other sales, harm our reputation with customers, have a material adverse impact on the growth of our eCommerce business globally and have a material adverse impact on our business and results of operations.

Our digital platforms, which are increasingly important to our business and continue to grow in complexity and scope, and the computer and operating systems on which they run, including those applications and systems in our acquired eCommerce businesses, are regularly subject to cyber-attacks. Those attacks involve attempts to gain access to our eCommerce websites (including marketplace platforms) or mobile commerce applications to obtain and make unauthorized use of customers' or members' payment information and related risks discussed below. Such attacks, if successful, may also create denials of service or otherwise disable, degrade or sabotage one or more of our digital platforms and otherwise significantly disrupt our customers' and members' shopping experience. If we are unable to maintain the security of our digital platforms and keep them operating within acceptable parameters, we could suffer loss of sales, reductions in traffic, reputational damage and deterioration of our competitive position and incur liability for any damage to customers whose personal information is unlawfully obtained and used, any of which events could have a material adverse impact on our business and results of operations and impede the execution of our strategy for the growth of our business.

Any failure to maintain the security of the information relating to our company, customers, members, associates and vendors, whether as a result of cybersecurity attacks on our information systems or otherwise, could damage our reputation, result in litigation or other legal actions against us, cause us to incur substantial additional costs, and materially adversely affect our business and operating results.

As do most retailers, we receive and store in our digital information systems certain personal information about our customers and members, and we receive and store personal information concerning our associates and vendors. Some of that information is stored digitally in connection with our digital platforms. We also utilize third-party service providers for a variety of reasons, including, without limitation, for encryption and authentication technology, content delivery to customers and members, back-office support, and other functions. Such providers may have access to information we hold about our customers, members, associates or vendors. In addition, our eCommerce operations depend upon the secure transmission of confidential information over public networks, including information permitting cashless payments.

Cyber threats are rapidly evolving and those threats and the means for obtaining access to information in digital and other storage media are becoming increasingly sophisticated. Cyber threats and cyber-attackers can be sponsored by countries or sophisticated criminal organizations or be the work of single "hackers" or small groups of "hackers." Each year, cyber-attackers make numerous attempts to access the information stored in our information systems. As cyber threats evolve, change and become more difficult to detect and successfully defend against, one or more cyber-

attacks might defeat our or a third-party service provider's security measures in the future and obtain the personal information of customers, members, associates and vendors.

Associate error or malfeasance, faulty password management or other irregularities may also result in a defeat of our or our third-party service providers' security measures and a breach of our or their information systems. Moreover, hardware, software or applications we use may have inherent defects of design, manufacture or operations or could be inadvertently or intentionally implemented or used in a manner that could compromise information security. We or our third-party service providers may not discover any security breach and loss of information for a significant period of time after the security breach occurs.

Any breach of our security measures or any breach, error or malfeasance of those of our third-party service providers and loss of our confidential information, or any failure by us to comply with applicable privacy and information security laws and regulations, could cause us to incur significant costs to protect any customers, members, associates and vendors whose personal data was compromised and to restore their confidence in us and to make changes to our information systems and administrative processes to address security issues and compliance with applicable laws and regulations.

In addition, such events could be widely publicized and could materially adversely affect our reputation with our customers, members, associates, vendors and shareholders, could harm our competitive position particularly with respect to our eCommerce operations, and could result in a material reduction in our net sales in our eCommerce operations, as well as in our stores thereby materially adversely affecting our operations, net sales, results of operations, financial condition, cash flows and liquidity. Such events could also result in the release to the public of confidential information about our operations and financial condition and performance and could result in litigation or other legal actions against us or the imposition of penalties, fines, fees or liabilities, which may not be covered by our insurance policies. Moreover, a security breach could require us to devote significant management resources to address the problems created by the security breach and to expend significant additional resources to upgrade further the security measures we employ to guard personal information against cyber-attacks and other attempts to access such information and could result in a disruption of our operations, particularly our digital operations.

We accept payments using a variety of methods, including cash, checks, credit and debit cards, our private label credit cards and gift cards, and we may offer new payment options over time, which may have information security risk implications. As a retailer accepting debit and credit cards for payment, we are subject to various industry data protection standards and protocols, such as payment network security operating guidelines and the Payment Card Industry Data Security Standard. We cannot be certain that the security measures we maintain to protect all of our information technology systems are able to prevent, contain or detect any cyber-attacks, cyber terrorism, or security breaches from known cyber-attacks or malware that may be developed in the future. To the extent that any cyber-attack or incursion in our or one of our third-party service provider's information systems results in the loss, damage or misappropriation of information, we may be materially adversely affected by claims from customers, financial institutions, regulatory authorities, payment card networks and others. In certain circumstances, payment card association rules and obligations to which we are subject under our contracts with payment card processors make us liable to payment card issuers if information in connection with payment cards and payment card transactions that we hold is compromised, which liabilities could be substantial. In addition, the cost of complying with stricter and more complex data privacy, data collection and information security laws and standards could be significant to us.

Changes in the results of our retail pharmacy business could adversely affect our overall results of operations, cash flows and liquidity.

Walmart has retail pharmacy operations in our Walmart U.S. and Sam's Club segments. A large majority of our retail pharmacy net sales are generated by filling prescriptions for which we receive payment through established contractual relationships with third-party payers and payment administrators, such as private insurers, governmental agencies and pharmacy benefit managers ("PBMs").

Our retail pharmacy operations are subject to numerous risks, including: reductions in the third-party reimbursement rates for drugs; changes in our payer mix (i.e., shifts in the relative distribution of our pharmacy customers across drug insurance plans and programs toward plans and programs with less favorable reimbursement terms); changes in third party payer drug formularies (i.e., the schedule of prescription drugs approved for reimbursement or which otherwise receive preferential coverage treatment); growth in, and our participation in or exclusion from, exclusive and preferred pharmacy network arrangements operated by PBMs and/or any insurance plan or program; increases in the prices we pay for brand name and generic prescription drugs we sell; increases in the administrative burdens associated with seeking third-party reimbursement; changes in the frequency with which new brand name pharmaceuticals become available to consumers; introduction of lower cost generic drugs as substitutes for existing brand name drugs for which there was no prior generic drug competition; changes in drug mix (i.e., the relative distribution of drugs customers purchase at our pharmacies between brands and generics); changes in the health insurance market generally; changes in the scope of or the elimination of Medicare Part D or Medicaid drug programs; increased competition from other retail pharmacy operations; further consolidation among third party

payers, PBMs or purchasers of drugs; overall economic conditions and the ability of our pharmacy customers to pay for drugs prescribed for them to the extent the costs are not reimbursed by a third party; failure to meet any performance or incentive thresholds to which our level of third party reimbursement may be subject; and changes in the regulatory environment for the retail pharmacy industry and the pharmaceutical industry, including as a result of restrictions on the further implementation of or the repeal of

the Patient Protection and Affordable Care Act or the enactment and implementation of a law replacing such act, and other changes in laws, rules and regulations that affect our retail pharmacy business.

If the supply of certain pharmaceuticals provided by one or more of our vendors were to be disrupted for any reason, our pharmacy operations could be severely affected until at least such time as we could obtain a new supplier for such pharmaceuticals. Any such disruption could cause reputational damage and result in a significant number of our pharmacy customers transferring their prescriptions to other pharmacies.

One or a combination of such factors may adversely affect the volumes of brand name and generic pharmaceuticals we sell, our cost of sales associated with our retail pharmacy operations, and the net sales and gross margin of those operations or result in the loss of cross-store or cross-club selling opportunities and, in turn, adversely affect our overall net sales, other results of operations, cash flows and liquidity.

Our failure to attract and retain qualified associates, increases in wage and benefit costs, changes in laws and other labor issues could materially adversely affect our financial performance.

Our ability to continue to conduct and expand our operations depends on our ability to attract and retain a large and growing number of qualified associates globally. Our ability to meet our labor needs, including our ability to find qualified personnel to fill positions that become vacant at our existing stores, clubs and distribution centers, while controlling our associate wage and related labor costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force of the markets in which we operate, unemployment levels within those markets, prevailing wage rates, changing demographics, health and other insurance costs and adoption of new or revised employment and labor laws and regulations. If we are unable to locate, to attract or to retain qualified personnel, the quality of service we provide to our customers may decrease and our financial performance may be adversely affected.

In addition, if our costs of labor or related costs increase for other reasons or if new or revised labor laws, rules or regulations or healthcare laws are adopted or implemented that further increase our labor costs, our financial performance could be materially adversely affected.

Financial Risks

Fluctuations in foreign exchange rates may materially adversely affect our financial performance and our reported results of operations.

Our operations in countries other than the U.S. are conducted primarily in the local currencies of those countries. Our consolidated financial statements are denominated in U.S. dollars, and to prepare those financial statements we must translate the amounts of the assets, liabilities, net sales, other revenues and expenses of our operations outside of the U.S. from local currencies into U.S. dollars using exchange rates for the current period. In recent years, fluctuations in currency exchange rates that were unfavorable have had adverse effects on our reported results of operations.

As a result of such translations, fluctuations in currency exchange rates from period-to-period that are unfavorable to us may also result in our consolidated financial statements reflecting significant adverse period-over-period changes in our financial performance or reflecting a period-over-period improvement in our financial performance that is not as robust as it would be without such fluctuations in the currency exchange rates. Such unfavorable currency exchange rate fluctuations will adversely affect the reported performance of our Walmart International operating segment and have a corresponding adverse effect on our reported consolidated results of operations.

We may pay for products we purchase for sale in our stores and clubs around the world with a currency other than the local currency of the country in which the goods will be sold. When we must acquire the currency to pay for such products and the exchange rates for the payment currency fluctuate in a manner unfavorable to us, our cost of sales may increase and we may be unable or unwilling to change the prices at which we sell those goods to address that increase in our costs, with a corresponding adverse effect on our gross profit. Consequently, fluctuations in currency exchange rates may adversely affect our results of operations.

Failure to meet market expectations for our financial performance could adversely affect the market price and volatility of our stock.

We believe that the price of our stock generally reflects high market expectations for our future operating results. Any failure to meet or delay in meeting these expectations, including our comparable store and club sales growth rates, eCommerce growth rates, gross margin, or earnings and earnings per share could cause the market price of our stock to decline, as could changes in our dividend or stock repurchase programs or policies. Additionally, failure of Walmart's performance to compare favorably to that of other retailers may have a negative effect on the price of our stock.



Legal, Tax, Regulatory, Compliance, Reputational and Other Risks

Our international operations subject us to legislative, judicial, accounting, legal, regulatory, tax, political and economic risks and conditions specific to the countries or regions in which we operate, which could materially adversely affect our business or financial performance.

In addition to our U.S. operations, we operate our retail business in Africa, Argentina, Canada, Central America, Chile, China, India, Japan, Mexico and the United Kingdom.

During fiscal 2019, our Walmart International operations generated approximately 24% of our consolidated net sales. Walmart International's operations in various countries also sources goods and services from other countries. Our future operating results in these countries could be negatively affected by a variety of factors, most of which are beyond our control. These factors include political conditions, including political instability, local and global economic conditions, legal and regulatory constraints (such as regulation of product and service offerings including regulatory restrictions on eCommerce offerings in international markets, such as India), restrictive governmental actions (such as trade protection measures), local product safety and environmental laws, tax regulations, local labor laws, anti-money laundering laws and regulations, trade policies, currency regulations, laws and regulations regarding consumer and data protection, and other matters in any of the countries or regions in which we operate, now or in the future.

Our business and results of operations in the UK may be negatively affected by increases in food costs, changes in trade policies, changes in labor, immigration, tax or other laws and fluctuations in currency exchange rates resulting from the UK's pending exit from the European Union. We expect continued uncertainty around the extent of the impact of this exit on our business until the UK and the European Union put in alternative trade and other arrangements.

The economies of some of the countries in which we have operations have in the past suffered from high rates of inflation and currency devaluations, which, if they occurred again, could adversely affect our financial performance. Other factors which may impact our international operations include foreign trade, monetary and fiscal policies of the U.S. and of other countries, laws, regulations and other activities of foreign governments, agencies and similar organizations, and risks associated with having numerous facilities located in countries which have historically been less stable than the U.S. Additional risks inherent in our international operations generally include, among others, the costs and difficulties of managing international operations, adverse tax consequences and greater difficulty in enforcing intellectual property rights in countries other than the U.S. The various risks inherent in doing business in the U.S. generally also exist when doing business outside of the U.S., and may be exaggerated by the difficulty of doing business in numerous sovereign jurisdictions due to differences in culture, laws and regulations.

In foreign countries in which we have operations, a risk exists that our associates, contractors or agents could, in contravention of our policies, engage in business practices prohibited by U.S. laws and regulations applicable to us, such as the Foreign Corrupt Practices Act ("FCPA"), or the laws and regulations of other countries, such as the UK Bribery Act. We maintain a global policy prohibiting such business practices and have in place a global anti-corruption compliance program designed to ensure compliance with these laws and regulations. Nevertheless, we remain subject to the risk that one or more of our associates, contractors or agents, including those based in or from countries where practices that violate such U.S. laws and regulations or the laws and regulations of other countries may be customary, will engage in business practices that are prohibited by our policies, circumvent our compliance programs and, by doing so, violate such laws and regulations. Any such violations, even if prohibited by our internal policies, could adversely affect our business or financial performance and our reputation.

Changes in tax and trade laws and regulations could materially adversely affect our financial performance.

In fiscal 2019, our Walmart U.S. and Sam's Club operating segments generated approximately 76% of our consolidated net sales. The federal government has created the potential for significant changes in trade policies, including tariffs and government regulations affecting trade between the U.S. and other countries where we source many of the products we sell in our stores and clubs. Potential changes which have been discussed include the renegotiation or termination of trade agreements and the imposition of higher tariffs on imports into the U.S. A significant portion of the general merchandise we sell in our U.S. stores and clubs is manufactured in other countries. Any such actions could increase the cost to us of such merchandise (whether imported directly or indirectly) and cause increases in the prices at which we sell such merchandise to our customers, which could materially adversely affect the financial performance of our U.S. operations and our business.

We are subject to income taxes and other taxes in both the U.S. and the foreign jurisdictions in which we currently operate or have historically operated. The determination of our worldwide provision for income taxes and current and deferred tax assets and liabilities requires judgment and estimation. Our income taxes could be materially adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than

anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in worldwide tax laws, regulations, or accounting principles.

For example, the Tax Cuts and Jobs Act of 2017 (the "Tax Act") significantly changed income tax laws that affect U.S. corporations and there are aspects of the Tax Act that remain unclear as additional guidance from the U.S. tax authority is pending. As further guidance is issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, any resulting changes in our estimates will be treated in accordance with the relevant accounting guidance.

In addition, we are subject to regular review and audit by both domestic and foreign tax authorities as well as subject to the prospective and retrospective effects of changing tax regulations and legislation. Although we believe our tax estimates are reasonable, the ultimate tax outcome may materially differ from the tax amounts recorded in our consolidated financial statements and may materially affect our income tax provision, net income, or cash flows in the period or periods for which such determination and settlement is made.

Changes in and/or failure to comply with other laws and regulations specific to the environments in which we operate could materially adversely affect our reputation, market position, or our business and financial performance.

We operate in complex regulated environments in the United States and in the other countries in which we operate and could be adversely affected by changes to existing legal requirements including the related interpretations and enforcement practices, new legal requirements and/or any failure to comply with applicable regulations.

Our pharmacy operations in the United States are subject to numerous federal, state and local regulations including licensing and other requirements for pharmacies and reimbursement arrangements. The regulations to which we are subject include, but are not limited to: federal and state registration and regulation of pharmacies; dispensing and sale of controlled substances and products containing pseudoephedrine; applicable governmental payer regulations including Medicare and Medicaid; data privacy and security laws and regulations including the Health Insurance Portability and Accountability Act, the Affordable Care Act, laws and regulations relating to the protection of the environment and health and safety matters, including those governing exposure to, and the management and disposal of, hazardous substances; regulations regarding food and drug safety including those of the U.S. Food and Drug Administration (the "FDA") and the Drug Enforcement Administration (the "DEA"), trade regulations including those of the U.S. Federal Trade Commission, and consumer protection and safety regulations including those of the Consumer Product Safety Commission, as well as state regulatory authorities, governing the availability, sale, advertisement and promotion of products we sell and the financial services we offer; anti-kickback laws; false claims laws; and federal and state laws governing health care fraud and abuse and the practice of the professions of pharmacy, optical care and nurse practitioner services.

For example, in the United States the DEA and various other regulatory authorities regulate the distribution and dispensing of pharmaceuticals and controlled substances. We are required to hold valid DEA and state-level licenses, meet various security and operating standards and comply with the federal and various state controlled substance acts and related regulations governing the sale, dispensing, disposal and holding of controlled substances. The DEA, the FDA and state regulatory authorities have broad enforcement powers, including the ability to seize or recall products and impose significant criminal, civil and administrative sanctions for violations of these laws and regulations.

We are also governed by foreign, national and state laws and regulations of general applicability, including laws and regulations related to working conditions, health and safety, equal employment opportunity, employee benefit and other labor and employment matters, laws and regulations related to competition, and antitrust matters, and health and wellness related regulations for our pharmacy operations outside of the United States. In addition, certain financial services we offer or make available, such as our money transfer agent services, are subject to legal and regulatory requirements, including those intended to help detect and prevent money laundering, fraud and other illicit activity. The impact of new laws, regulations and policies and the related interpretations and changes in enforcement practices or regulatory scrutiny generally cannot be predicted, and changes in applicable laws, regulations and policies and the related interpretations and enforcement practices may require extensive system and operational changes, be difficult to implement, increase our operating costs, require significant capital expenditures, or adversely impact the cost or attractiveness of the products or services we offer.

Untimely compliance or noncompliance with applicable laws and regulations could result in the imposition of civil and criminal penalties that could adversely affect the continued operation of our businesses, including: suspension of payments from government programs; loss of required government certifications; loss of authorizations to participate in or exclusion from government programs, including the Medicare and Medicaid programs in the United States; loss of licenses; and significant fines or monetary damages and/or penalties. In addition, failure to comply with applicable legal or regulatory requirements in the United States or in any of the countries in which we operate could result in significant legal and financial exposure, damage to our reputation, and have a material adverse effect on our business operations, financial condition and results of operations.

We are subject to certain legal proceedings that may materially adversely affect our results of operations, financial condition and liquidity.

We are involved in a number of legal proceedings, which include consumer, employment, tort and other litigation. In particular, we are currently a defendant in a number of cases containing class-action allegations in which the plaintiffs have brought claims under federal and state wage and hour laws, as well as a number of cases containing class-action allegations in which the plaintiffs have brought claims under federal and state consumer laws.

In addition, ASDA Stores, Ltd. ("Asda"), a wholly-owned subsidiary of the Company, has been named as a defendant in numerous "equal value" claims pending in the Manchester Employment Tribunal (the "Employment Tribunal") in the United Kingdom. The claimants, who are current and former Asda store employees, allege that the work performed by female employees in Asda's retail stores is of equal value in terms of, among other things, the demands of their jobs to that of male employees working in Asda's warehouses and distribution facilities, and that the disparity in pay between these different job positions is not objectively justified. The claimants are seeking differential back pay based on higher wage rates in the warehouses and distribution facilities and higher wage rates on a prospective basis. At present, we cannot predict the number of such claims that may be filed, and cannot reasonably estimate any loss or range of loss that may arise from these matters.

In December 2017, the United States Judicial Panel on Multidistrict Litigation consolidated numerous lawsuits filed against a wide array of defendants by various plaintiffs, including counties, cities, healthcare providers, Native American tribes, individuals, and third-party payors, asserting claims generally concerning the impacts of widespread opioid abuse. The consolidated multidistrict litigation is entitled *In re National Prescription Opiate Litigation (MDL No. 2804)*, and is pending in the U.S. District Court for the Northern District of Ohio. The Company is named as a defendant in some of the cases included in this multidistrict litigation. Similar cases that name the Company have also been filed in state courts by state, local and tribal governments, health care providers and other plaintiffs. Plaintiffs are seeking compensatory and punitive damages, as well as injunctive relief including abatement. The Company cannot predict the number of such claims that may be filed, and cannot reasonably estimate any loss or range of loss that may arise from such claims.

We discuss these cases and other litigation to which we are party below under the caption "[Item 3. Legal Proceedings](#)" and in [Note 10](#) in the "[Notes to our Consolidated Financial Statements](#)," which are part of this Annual Report on Form 10-K.

We could be subject to liability, penalties and other sanctions and other adverse consequences arising out of our on-going FCPA matter.

As previously disclosed, we are under investigation by the U.S. Department of Justice (the "DOJ") and the SEC regarding possible violations of the FCPA. We have been cooperating with those agencies and discussions have been ongoing with them regarding the resolution of these matters. These discussions have progressed to a point that in fiscal 2018, we reasonably estimated a probable loss and recorded an aggregate accrual of \$283 million with respect to these matters (the "Accrual").

A number of federal and local government agencies in Mexico also investigated these matters. Walmex cooperated with the Mexican governmental agencies that conducted these investigations.

Furthermore, lawsuits relating to the matters under investigation were filed by several of our shareholders against us, certain of our current and former directors and former officers and certain of Walmex's former officers. These matters have been resolved or immaterial accruals have been made for proposed settlements.

We could be exposed to a variety of negative consequences as a result of the matters noted above. One or more enforcement actions could be instituted in respect of the matters that are the subject of some or all of the on-going government investigations, and such actions, if brought, may result in judgments, settlements, fines, penalties, injunctions, cease and desist orders, debarment or other relief, criminal convictions and/or penalties. Shareholder lawsuits may result in judgments against us and our current and former directors and officers named in those proceedings. We also expect that there will be ongoing media and governmental interest regarding these matters, including additional news articles on these matters that could impact the perception among certain audiences of our role as a corporate citizen. Moreover, we have incurred and expect to continue to incur costs in responding to requests for information or subpoenas seeking documents, testimony and other information in connection with the government investigations, in defending the shareholder lawsuits and with respect to investigations.

While we have made an Accrual for these matters, because the discussions are continuing, there can be no assurance as to the timing or the terms of the final resolution of these matters. Although we do not presently believe that these matters, including the Accrual (and the payment of the Accrual at some point-in-time in the future) will have a material adverse effect on our business, financial position, results of operations or cash flows, given the inherent uncertainties in such situations, we can provide no assurance that these matters will not be material to our business, financial position, results of operations or cash flows in the future.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

United States

The Walmart U.S. and Sam's Club segments comprise the Company's operations in the U.S. As of January 31, 2019, unit counts for Walmart U.S. and Sam's Club are summarized by format for each state and territory as follows:

State or Territory	Walmart U.S.			Sam's Club	Grand Total
	Supercenters	Discount Stores	Neighborhood Markets and other small formats ⁽¹⁾	Clubs	
Alabama	101	1	30	13	145
Alaska	7	2	—	—	9
Arizona	83	2	31	12	128
Arkansas	76	5	37	9	127
California	141	72	80	29	322
Colorado	70	4	18	17	109
Connecticut	12	21	1	1	35
Delaware	6	3	—	1	10
Florida	232	9	98	46	385
Georgia	154	2	35	24	215
Hawaii	—	10	—	2	12
Idaho	23	—	3	1	27
Illinois	139	15	12	25	191
Indiana	97	6	12	13	128
Iowa	58	2	—	9	69
Kansas	58	2	16	9	85
Kentucky	78	7	9	9	103
Louisiana	89	2	34	14	139
Maine	19	3	—	3	25
Maryland	30	18	3	11	62
Massachusetts	27	22	3	—	52
Michigan	91	3	10	23	127
Minnesota	65	4	1	12	82
Mississippi	65	3	10	7	85
Missouri	112	9	18	19	158
Montana	14	—	—	2	16
Nebraska	35	—	7	5	47
Nevada	30	2	11	7	50
New Hampshire	19	8	—	2	29
New Jersey	33	30	—	8	71
New Mexico	35	2	9	7	53
New York	80	17	7	12	116
North Carolina	144	6	45	22	217
North Dakota	14	—	—	3	17
Ohio	139	6	3	27	175
Oklahoma	81	8	35	13	137
Oregon	29	7	10	—	46
Pennsylvania	116	21	3	24	164
Puerto Rico	13	5	12	7	37
Rhode Island	5	4	—	—	9
South Carolina	84	—	27	13	124

South Dakota	15	—	—	2	17
Tennessee	117	2	21	14	154
Texas	393	18	112	82	605
Utah	41	—	13	8	62
Vermont	3	3	—	—	6
Virginia	109	6	25	15	155
Washington	52	10	6	—	68
Washington D.C.	3	—	3	—	6
West Virginia	38	—	1	5	44
Wisconsin	83	4	2	10	99
Wyoming	12	—	—	2	14
U.S. total	3,570	386	813	599	5,368

(1) Includes 698 neighborhood markets, 77 Walmart U.S. eCommerce retail locations and 38 other small formats.

International

The Walmart International segment comprises the Company's operations outside of the U.S. Unit counts as of January 31, 2019⁽¹⁾ for Walmart International are summarized by major category for each geographic market as follows:

Geographic Market	Retail	Wholesale	Other ⁽²⁾	Total
Africa ⁽³⁾	346	90	—	436
Argentina	92	—	—	92
Canada	411	—	—	411
Central America ⁽⁴⁾	811	—	—	811
Chile	363	8	—	371
China	420	23	—	443
India	—	22	—	22
Japan	332	—	—	332
Mexico	2,279	163	—	2,442
United Kingdom	615	—	18	633
International total	5,669	306	18	5,993

- (1) Walmart International unit counts, with the exception of Canada, are as of December 31, 2018, to correspond with the balance sheet date of the related geographic market. Canada unit counts are as of January 31, 2019.
- (2) Other includes stand-alone gas stations.
- (3) Africa unit counts by country are Botswana (11), Ghana (4), Kenya (2), Lesotho (3), Malawi (2), Mozambique (6), Namibia (4), Nigeria (5), South Africa (389), Swaziland (1), Tanzania (1), Uganda (1) and Zambia (7).
- (4) Central America unit counts by country are Costa Rica (256), El Salvador (97), Guatemala (250), Honduras (105) and Nicaragua (103).

Owned and Leased Properties

The following table provides further details of our retail units and distribution facilities, including return facilities and dedicated eCommerce fulfillment centers, as of January 31, 2019:

	Owned and Operated	Owned and Third Party Operated	Leased and Operated	Third Party Owned and Operated	Total
U.S. properties					
Walmart U.S. retail units	4,075	—	694	—	4,769
Sam's Club retail units	513	—	86	—	599
Total U.S. retail units	4,588	—	780	—	5,368
Walmart U.S. distribution facilities	107	2	29	18	156
Sam's Club distribution facilities	7	3	4	9	23
Total U.S. distribution facilities	114	5	33	27	179
Total U.S. properties	4,702	5	813	27	5,547
International properties					
Africa	38	—	398	—	436
Argentina	67	—	25	—	92
Canada	124	—	287	—	411
Central America	327	—	484	—	811
Chile	218	—	153	—	371
China	2	—	441	—	443
India	2	—	20	—	22
Japan	54	—	278	—	332
Mexico	680	—	1,762	—	2,442
United Kingdom	434	—	199	—	633
Total International retail units	1,946	—	4,047	—	5,993

International distribution facilities	33	5	122	66	226
Total International properties	1,979	5	4,169	66	6,219
Total properties	6,681	10	4,982	93	11,766
Total retail units	6,534	—	4,827	—	11,361
Total distribution facilities	147	10	155	93	405
Total properties	6,681	10	4,982	93	11,766

We own office facilities in Bentonville, Arkansas, that serve as our principal office and own and lease office facilities throughout the U.S. and internationally for operations as well as for field and market management. The land on which our stores are located is either owned or leased by the Company. We use independent contractors to construct our buildings. All store leases provide for annual rentals, some of which escalate during the original lease or provide for additional rent based on sales volume. Substantially all of the Company's store and club leases have renewal options, some of which include rent escalation clauses.

For further information on our distribution centers, see the caption "Distribution" provided for each of our segments under "[Item 1. Business.](#)"

ITEM 3. LEGAL PROCEEDINGS

I. SUPPLEMENTAL INFORMATION: We discuss certain legal proceedings in [Note 10](#) to our Consolidated Financial Statements, entitled "Contingencies," which is included in [Part II, Item 8](#). Financial Statements and Supplementary Data of this Annual Report on Form 10-K. We refer you to that discussion for important information concerning those legal proceedings, including the basis for such actions and, where known, the relief sought. We provide the following additional information concerning those legal proceedings, including the name of the lawsuit, the court in which the lawsuit is pending, and the date on which the petition commencing the lawsuit was filed.

ASDA Equal Value Claims: *Ms S Brierley & Others v ASDA Stores Ltd* (2406372/2008 & Others - Manchester Employment Tribunal); *ASDA Stores Ltd v Brierley & Ors* (A2/2016/0973 - United Kingdom Court of Appeal); *ASDA Stores Ltd v Ms S Brierley & Others* (UKEAT/0059/16/DM - United Kingdom Employment Appeal Tribunal); *ASDA Stores Ltd v Ms S Brierley & Others* (UKEAT/0009/16/JOJ - United Kingdom Employment Appeal Tribunal).

National Prescription Opiate Litigation: *In re National Prescription Opiate Litigation* (MDL No. 2804) (the "MDL"). The MDL is pending in the U.S. District Court for the Northern District of Ohio and includes 440 cases as of March 15, 2019; 27 cases are in the process of being transferred to the MDL or have remand motions pending; and there are 92 additional state cases pending as of March 15, 2019. The case citations for the state cases are listed on Exhibit 99.1 to this Form 10-K.

II. CERTAIN OTHER PROCEEDINGS: The Company is a defendant in a lawsuit in which the complaint closely tracks the allegations set forth in a news story that appeared in *The New York Times* (the "Times") on April 21, 2012. This is a securities lawsuit, *City of Pontiac General Employees Retirement System v. Wal-Mart Stores, Inc.*, USDC, Western Dist. of AR, that was filed on May 7, 2012, in the United States District Court for the Middle District of Tennessee, and subsequently transferred to the Western District of Arkansas, in which the plaintiff alleges various violations of the U.S. Foreign Corrupt Practices Act (the "FCPA") beginning in 2005, and asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, relating to certain prior disclosures of the Company. The plaintiff seeks to represent a class of shareholders who purchased or acquired stock of the Company between December 8, 2011, and April 20, 2012, and has sought damages and other relief based on allegations that the defendants' conduct affected the value of such stock. On September 20, 2016, the court granted plaintiff's motion for class certification. On October 6, 2016, the defendants filed a petition to appeal the class certification ruling to the U.S. Court of Appeals for the Eighth Circuit. On November 7, 2016, the U.S. Court of Appeals for the Eighth Circuit denied the Company's petition. On October 26, 2018, the parties filed a motion asking the court to approve a proposed settlement under which the Company would pay \$160 million (the "Settlement Amount") to resolve the claims of all class members. On December 6, 2018, the court preliminarily approved the settlement and scheduled the final approval hearing for April 4, 2019. The settlement does not include or constitute an admission, concession, or finding of any fault, liability, or wrongdoing by the Company or any defendant. The Settlement Amount was expensed in the Company's fiscal 2019 financial statements.

Securities Class Action: *City of Pontiac General Employees Retirement System v. Wal-Mart Stores, Inc.*, USDC, Western Dist. of AR; 5/7/12.

III. ENVIRONMENTAL MATTERS: Item 103 of SEC Regulation S-K requires disclosure of certain environmental matters. The following matters are disclosed in accordance with that requirement. For the matters listed below, management does not believe any possible loss or the range of any possible loss that may be incurred in connection with each matter, individually or in the aggregate, will be material to the Company's financial condition or results of operations.

In September 2018, the United States Environmental Protection Agency (the "EPA") notified the Company that it had initiated an administrative penalty action by issuing a Draft Consent Agreement and Final Order. The letter

accompanying the Draft Consent Agreement and Final Order alleges that the Company distributed and/or sold three unregistered pesticide products from March 1, 2017 through June 23, 2017. The EPA is seeking a penalty of \$960,000. The manufacturer of the product is responsible for ensuring that a FIFRA-regulated product is properly registered prior to its sale. The Company is cooperating with the EPA.

In January 2018, the Environmental Prosecutor of the State of Chiapas (Procuraduría Ambiental del Estado de Chiapas) in Mexico imposed a fine of approximately \$163,000 for the absence of an Environmental Impact Authorization License related to the store Mi Bodega Las Rosas. The Company is challenging the fine.

In April 2017, the California Air Resources Board (the "ARB") notified the Company that it had taken the position that retailers are required to use unclaimed deposits collected on sales of small containers of automotive refrigerant to fund certain consumer education programs. The ARB alleged that the Company had improperly retained approximately \$4.2 million in unclaimed deposits and has sought reimbursement. The Company has denied any wrongdoing.

In April 2013, a subsidiary of the Company, Corporacion de Compañias Agroindustriales, operating in Costa Rica, became aware that the Municipality of Curridabat is seeking a penalty of approximately \$380,000 in connection with the construction of a retaining wall for a perishables distribution center that is situated along a protected river bank. The subsidiary obtained permits from the Municipality and the Secretaria Técnica Nacional Ambiental at the time of construction, but the Municipality now alleges that the wall is non-conforming.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Common Stock

Walmart's common stock is listed for trading on the New York Stock Exchange, which is the primary market for Walmart's common stock. The common stock trades under the symbol "WMT."

Holders of Record of Common Stock

As of March 26, 2019, there were 223,968 holders of record of Walmart's common stock.

Stock Performance Chart

This graph compares the cumulative total shareholder return on Walmart's common stock during the five fiscal years ending with fiscal 2019 to the cumulative total returns on the S&P 500 Retailing Index and the S&P 500 Index. The comparison assumes \$100 was invested on February 1, 2014, in shares of our common stock and in each of the indices shown and assumes that all of the dividends were reinvested.

cstockperformancechart13119.jpg

*Assumes \$100 Invested on February 1, 2014
Assumes Dividends Reinvested
Fiscal Year Ending January 31, 2019

	Fiscal Years Ended January 31,					
	2014	2015	2016	2017	2018	2019
Walmart Inc.	\$ 100.00	\$ 116.63	\$ 93.60	\$ 96.88	\$ 158.71	\$ 146.06
S&P 500 Index	100.00	114.22	113.46	136.20	172.17	168.19
S&P 500 Retailing Index	100.00	119.10	140.73	167.11	241.08	256.26

Issuer Repurchases of Equity Securities

From time to time, we repurchase shares of our common stock under share repurchase programs authorized by the Company's Board of Directors. All repurchases made during fiscal 2019 were made under the current \$20.0 billion share repurchase program approved in October 2017, which has no expiration date or other restrictions limiting the period over which the Company can make share repurchases. As of January 31, 2019, authorization for \$11.3 billion of share repurchases remained. Any repurchased shares are constructively retired and returned to an unissued status.

Share repurchase activity under our share repurchase programs, on a trade date basis, for each month in the quarter ended January 31, 2019, was as follows:

Fiscal Period	Total Number of Shares Repurchased	Average Price Paid per Share (in dollars)	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Repurchased Under the Plans or Programs ⁽¹⁾ (in billions)
November 1-30, 2018	8,949,106	\$ 98.25	8,949,106	\$ 13.7
December 1-31, 2018	14,204,024	91.52	14,204,024	12.4
January 1-31, 2019	11,660,639	\$ 95.59	11,660,639	\$ 11.3
Total	34,813,769		34,813,769	

(1) Represents the approximate dollar value of shares that could have been repurchased at the end of the month.

ITEM 6. SELECTED FINANCIAL DATA

Five-Year Financial Summary

Walmart Inc.

	As of and for the Fiscal Years Ended January 31,				
(Amounts in millions, except per share and unit count data)	2019	2018	2017	2016	2015
Operating results					
Total revenues	\$ 514,405	\$ 500,343	\$ 485,873	\$ 482,130	\$ 485,651
Percentage change in total revenues from previous fiscal year	2.8 %	3.0 %	0.8 %	(0.7) %	2.0 %
Net sales	\$ 510,329	\$ 495,761	\$ 481,317	\$ 478,614	\$ 482,229
Percentage change in net sales from previous fiscal year	2.9 %	3.0 %	0.6 %	(0.7) %	1.9 %
Increase (decrease) in calendar comparable sales ⁽¹⁾ in the U.S.	4.0 %	2.2 %	1.4 %	0.3 %	0.5 %
Walmart U.S.	3.7 %	2.1 %	1.6 %	1.0 %	0.6 %
Sam's Club	5.4 %	2.8 %	0.5 %	(3.2) %	0.0 %
Gross profit margin	24.5 %	24.7 %	24.9 %	24.6 %	24.3 %
Operating, selling, general and administrative expenses, as a percentage of net sales	21.0 %	21.5 %	21.2 %	20.3 %	19.4 %
Operating income	\$ 21,957	\$ 20,437	\$ 22,764	\$ 24,105	\$ 27,147
Interest, net	2,129	2,178	2,267	2,467	2,348
Loss on extinguishment of debt	—	3,136	—	—	—
Other (gains) and losses	8,368	—	—	—	—
Income from continuing operations attributable to Walmart	6,670	9,862	13,643	14,694	16,182
Diluted income per common share from continuing operations attributable to Walmart	\$ 2.26	\$ 3.28	\$ 4.38	\$ 4.57	\$ 4.99
Dividends declared per common share	2.08	2.04	2.00	1.96	1.92
Financial position					
Inventories	\$ 44,269	\$ 43,783	\$ 43,046	\$ 44,469	\$ 45,141
Property, equipment, capital lease and financing obligation assets, net	111,395	114,818	114,178	116,516	116,655
Total assets	219,295	204,522	198,825	199,581	203,490
Long-term debt and long-term capital lease and financing obligations (excluding amounts due within one year)	50,203	36,825	42,018	44,030	43,495
Total Walmart shareholders' equity	72,496	77,869	77,798	80,546	81,394

Unit counts⁽²⁾

Walmart U.S. segment	4,769	4,761	4,672	4,574	4,516
Walmart International segment	5,993	6,360	6,363	6,299	6,290
Sam's Club segment	599	597	660	655	647
Total units	<u>11,361</u>	<u>11,718</u>	<u>11,695</u>	<u>11,528</u>	<u>11,453</u>

- (1) Comparable sales include sales from stores and clubs open for the previous 12 months, including sales from acquisitions when such acquisitions have been owned for 12 months. Sales at a store that has changed in format are excluded from comparable sales when the conversion of that store is accompanied by a relocation or expansion that results in a change in the store's retail square feet of more than five percent. Comparable sales include fuel.
- (2) Unit counts related to discontinued operations have been removed from all relevant periods.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

This discussion, which presents our results for the fiscal years ended January 31, 2019 ("fiscal 2019"), January 31, 2018 ("fiscal 2018") and January 31, 2017 ("fiscal 2017") should be read in conjunction with our Consolidated Financial Statements and the accompanying notes. We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from period to period and the primary factors that accounted for those changes. We also discuss certain performance metrics that management uses to assess the Company's performance. Additionally, the discussion provides information about the financial results of each of the three segments to provide a better understanding of how each of those segments and its results of operations affect the financial condition and results of operations of the Company as a whole.

Management measures the results of the Company's segments using each segment's operating income, including certain corporate overhead allocations, as well as other measures. From time to time, we revise the measurement of each segment's operating income and other measures as determined by the information regularly reviewed by our chief operating decision maker. In fiscal 2019, the Company revised certain of its corporate overhead allocations, including depreciation expense, to the operating segments and, accordingly, revised prior period amounts for comparability.

Management also measures the results of comparable store and club sales, or comparable sales, a metric that indicates the performance of our existing stores and clubs by measuring the change in sales for such stores and clubs, including eCommerce sales, for a particular period from the corresponding period in the previous year. Walmart's definition of comparable sales includes sales from stores and clubs open for the previous 12 months, including remodels, relocations, expansions and conversions, as well as eCommerce sales. We measure the eCommerce sales impact by including all sales initiated online or through mobile applications, including omni-channel transactions which are fulfilled through our stores and clubs. Sales at a store that has changed in format are excluded from comparable sales when the conversion of that store is accompanied by a relocation or expansion that results in a change in the store's retail square feet of more than five percent. Additionally, sales related to acquisitions are excluded until such acquisitions have been owned for 12 months. Comparable sales are also referred to as "same-store" sales by others within the retail industry. The method of calculating comparable sales varies across the retail industry. As a result, our calculation of comparable sales is not necessarily comparable to similarly titled measures reported by other companies.

In discussing our operating results, the term currency exchange rates refers to the currency exchange rates we use to convert the operating results for countries where the functional currency is not the U.S. dollar into U.S. dollars or for countries experiencing hyperinflation. We calculate the effect of changes in currency exchange rates as the difference between current period activity translated using the current period's currency exchange rates and the comparable prior year period's currency exchange rates. Additionally, no currency exchange rate fluctuations are calculated for non-USD acquisitions until owned for 12 months. Throughout our discussion, we refer to the results of this calculation as the impact of currency exchange rate fluctuations. Volatility in currency exchange rates may impact the results, including net sales and operating income, of the Company and the Walmart International segment in the future.

Our business is seasonal to a certain extent due to calendar events and national and religious holidays, as well as weather patterns. Generally, our highest sales volume and operating income have occurred in the fiscal quarter ending January 31.

We made certain strategic portfolio decisions, further discussed in [Item 1. Business](#), which include the following:

- Acquisition of 81 percent of the outstanding shares, or 77 percent of the diluted shares, of Flipkart Private Limited ("Flipkart") in August 2018. The ongoing operations negatively impacted fiscal 2019 net income and this negative impact will continue in fiscal 2020.
- Proposed combination of J Sainsbury plc and Asda Group Limited ("Asda"), where we would receive approximately 42 percent of the share capital of the combined company, however, the held for sale criteria has not been met as of January 31, 2019. Further, there can be no assurance as to whether regulatory approval will be obtained or the proposed combination will be consummated. In the future, if the held for sale classification criteria is met for the disposal group, we expect to recognize a loss, the amount of

which may fluctuate based on the changes in the value of share capital received and foreign exchange rates.

- Divestiture of 80 percent of Walmart Brazil to Advent International ("Advent") in August 2018, for which we recorded a pre-tax loss of \$4.8 billion in fiscal 2019.
- Divestiture of banking operations in Walmart Chile in December 2018 and the proposed divestiture of banking operations in Walmart Canada, classified as held for sale as of January 31, 2019.

The Retail Industry

We operate in the highly competitive omni-channel retail industry in all of the markets we serve. We face strong sales competition from other discount, department, drug, dollar, variety and specialty stores, warehouse clubs and supermarkets, as well as eCommerce businesses. Many of these competitors are national, regional or international chains or have a national or international omni-channel or eCommerce presence. We also compete with a number of companies for attracting and retaining quality employees ("associates"). We, along with other retail companies, are influenced by a number of factors including, but not limited to: catastrophic events, weather, competitive pressures, consumer disposable income, consumer debt levels and buying patterns, consumer credit availability, cost of goods, currency exchange rate fluctuations, customer preferences, deflation, inflation, fuel and energy prices, general economic conditions, insurance costs, interest rates, labor costs, tax rates, the imposition of tariffs, cybersecurity attacks and unemployment. Further information on the factors that can affect our operating results and on certain risks to our Company and an investment in its securities can be found herein under "[Item 1A. Risk Factors](#)," and under "[Cautionary Statement Regarding Forward-Looking Statements](#)."

Company Performance Metrics

We are committed to helping customers save money and live better through everyday low prices, supported by everyday low costs. At times, we adjust our business strategies to maintain and strengthen our competitive positions in the countries in which we operate. We define our financial framework as:

- strong, efficient growth;
- consistent operating discipline; and
- strategic capital allocation.

As we execute on this financial framework, we believe our returns on capital will improve over time.

Strong, Efficient Growth

Our objective of prioritizing strong, efficient growth means we will focus on the most productive growth opportunities, increasing comparable store and club sales, accelerating eCommerce sales growth and expansion of omni-channel initiatives while slowing the rate of growth of new stores and clubs. At times, we make strategic investments which are focused on the long-term growth of the Company.

Comparable sales is a metric that indicates the performance of our existing stores and clubs by measuring the change in sales for such stores and clubs, including eCommerce sales, for a particular period over the corresponding period in the previous year. The retail industry generally reports comparable sales using the retail calendar (also known as the 4-5-4 calendar). To be consistent with the retail industry, we provide comparable sales using the retail calendar in our quarterly earnings releases. However, when we discuss our comparable sales below, we are referring to our calendar comparable sales calculated using our fiscal calendar, which may result in differences when compared to comparable sales using the retail calendar.

Calendar comparable sales, as well as the impact of fuel, for fiscal 2019 and 2018, were as follows:

	Fiscal Years Ended January 31,			
	2019	2018	2019	2018
	With Fuel		Fuel Impact	
Walmart U.S.	3.7%	2.1%	0.1%	0.1%
Sam's Club	5.4%	2.8%	1.6%	1.0%
Total U.S.	4.0%	2.2%	0.4%	0.2%

Walmart U.S. comparable sales increased 3.7% and 2.1% in fiscal 2019 and 2018, respectively, driven by ticket and traffic growth. Walmart U.S. eCommerce sales positively contributed approximately 1.3% and 0.7% to comparable sales for fiscal 2019 and fiscal 2018, respectively, as we continue to focus on a seamless omni-channel experience for our customers. Sam's Club comparable sales increased 5.4% and 2.8% in fiscal 2019 and 2018, respectively. Sam's Club fiscal 2019 comparable sales were driven by strong traffic, which was aided by transfers of sales from our closed clubs to our existing clubs and fuel sales. These increases were partially offset by reduced tobacco sales due to our decision to remove tobacco from certain locations in fiscal 2019. Sam's Club fiscal 2018 comp sales were driven

by strong traffic and fuel sales. Sam's Club eCommerce sales positively contributed approximately 0.9% and 0.7% to comparable sales for fiscal 2019 and 2018, respectively.

Consistent Operating Discipline

We operate with discipline by managing expenses, optimizing the efficiency of how we work and creating an environment in which we have sustainable lowest cost to serve. We invest in technology and process improvements to increase productivity, manage inventory and reduce costs. We measure operating discipline through expense leverage, which we define as net sales growing at a faster rate than operating, selling, general and administrative expenses.

<i>(Amounts in millions, except unit counts)</i>	Fiscal Years Ended January 31,	
	2019	2018
Net sales	\$ 510,329	\$ 495,761
Percentage change from comparable period	2.9 %	3.0 %
Operating, selling, general and administrative expenses	\$ 107,147	\$ 106,510
Percentage change from comparable period	0.6 %	4.6 %
Operating, selling, general and administrative expenses as a percentage of net sales	21.0 %	21.5 %

For fiscal 2019, operating, selling, general and administrative ("operating") expenses as a percentage of net sales decreased 48 basis points, when compared to the same period in the previous fiscal year. The primary drivers of the expense leverage were strong sales performance in conjunction with productivity improvements and lapping fiscal 2018 charges discussed in the following paragraph. The improvements in fiscal 2019 were partially offset by additional investments in eCommerce and technology, as well as a \$160 million charge related to a securities class action lawsuit.

For fiscal 2018, operating expenses as a percentage of net sales increased 32 basis points, when compared to the previous fiscal year. While our increase in net sales and improving expense management had a positive impact on our operating expenses as a percentage of net sales, we did not leverage expenses as a result of approximately \$0.6 billion in charges related to Sam's Club closures and discontinued real estate projects, \$400 million related to a lump sum bonus paid to associates, \$300 million related to Home Office severance, the legal accrual of \$283 million related to the FCPA matter, a charge of \$244 million related to discontinued real estate projects in Walmart U.S. and the decisions to exit certain international properties and wind down the first party Brazil eCommerce operations.

Strategic Capital Allocation

We are allocating more capital to eCommerce, technology, supply chain, and store remodels and less to new store and club openings, when compared to prior years. This allocation aligns with our initiatives of improving our customer proposition in stores and clubs and a seamless omni-channel experience for our customers. Total fiscal 2019 capital expenditures increased slightly compared to the prior year; the following table provides additional detail:

<i>(Amounts in millions)</i>	Fiscal Years Ended January 31,	
	2019	2018
Allocation of Capital Expenditures		
eCommerce, technology, supply chain and other	5,218	4,521
Remodels	2,152	2,009
New stores and clubs, including expansions and relocations	\$ 313	\$ 914
Total U.S.	7,683	7,444
Walmart International	2,661	2,607
Total capital expenditures	<u>\$ 10,344</u>	<u>\$ 10,051</u>

Returns

As we execute our financial framework, we believe our return on capital will improve over time. We measure return on capital with our return on assets, return on investment and free cash flow metrics. We also provide returns in the form of share repurchases and dividends, which are discussed in the [Liquidity and Capital Resources](#) section.

Return on Assets and Return on Investment

We include Return on Assets ("ROA"), the most directly comparable measure based on our financial statements presented in accordance with generally accepted accounting principles in the U.S. ("GAAP"), and Return on

Investment ("ROI") as metrics to assess returns on assets. While ROI is considered a non-GAAP financial measure, management believes ROI is a meaningful metric to share with investors because it helps investors assess how effectively Walmart is deploying its assets. Trends in ROI can fluctuate over time as management balances long-term strategic initiatives with possible short-term impacts. ROA was 3.4% and 5.2% for the fiscal years ended January 31, 2019 and 2018, respectively. For fiscal 2019, the decline in ROA was primarily due to the decrease in consolidated net income resulting from the \$4.5 billion net loss related to the sale of the majority stake in Walmart Brazil and also the \$2.8 billion net unrealized loss on our JD.com investment. For fiscal 2018, the decline in ROA was primarily due to the loss on extinguishment of debt and the decrease in operating income. ROI was 14.2% for fiscal 2019, which was flat compared to fiscal 2018.

We define ROI as adjusted operating income (operating income plus interest income, depreciation and amortization, and rent expense) for the trailing 12 months divided by average invested capital during that period. We consider average invested capital to be the average of our beginning and ending total assets, plus average accumulated depreciation and average amortization, less average accounts payable and average accrued liabilities for that period, plus a rent factor equal to the rent for the fiscal year or trailing 12 months multiplied by a factor of 8.

Our calculation of ROI is considered a non-GAAP financial measure because we calculate ROI using financial measures that exclude and include amounts that are included and excluded in the most directly comparable GAAP financial measure. For example, we exclude the impact of depreciation and amortization from our reported operating income in calculating the numerator of our calculation of ROI. In addition, we include a factor of 8 for rent expense that estimates the hypothetical capitalization of our operating leases. As mentioned above, we consider ROA to be the financial measure computed in accordance with generally accepted accounting principles most directly comparable to our calculation of ROI. ROI differs from ROA (which is consolidated net income for the period divided by average total assets for the period) because ROI: adjusts operating income to exclude certain expense items and adds interest income; adjusts total assets for the impact of accumulated depreciation and amortization, accounts payable and accrued liabilities; and incorporates a factor of rent to arrive at total invested capital. Because of the adjustments mentioned above, we believe ROI more accurately measures how we are deploying our key assets and is more meaningful to investors than ROA.

Although ROI is a standard financial measure, numerous methods exist for calculating a company's ROI. As a result, the method used by management to calculate our ROI may differ from the methods used by other companies to calculate their ROI. Beginning in fiscal 2020, our calculation of ROI will change upon adoption of ASU 2016-02, *Leases*, primarily to replace the factor of 8 for rent expense with US GAAP operating lease assets.

The calculation of ROA and ROI, along with a reconciliation of ROI to the calculation of ROA, the most comparable GAAP financial measure, is as follows:

	Fiscal Years Ended January 31,	
	2019	2018
<i>(Amounts in millions)</i>		
CALCULATION OF RETURN ON ASSETS		
Numerator		
Consolidated net income	\$ 7,179	\$ 10,523
Denominator		
Average total assets ⁽¹⁾	\$ 211,909	\$ 201,674
Return on assets (ROA)	3.4 %	5.2 %
CALCULATION OF RETURN ON INVESTMENT		
Numerator		
Operating income	\$ 21,957	\$ 20,437
+ Interest income	217	152
+ Depreciation and amortization	10,678	10,529
+ Rent	3,004	2,932
= Adjusted operating income	\$ 35,856	\$ 34,050
Denominator		
Average total assets ⁽¹⁾	\$ 211,909	\$ 201,674
+ Average accumulated depreciation and amortization ⁽¹⁾	85,107	79,995
- Average accounts payable ⁽¹⁾	46,576	43,763
- Average accrued liabilities ⁽¹⁾	22,141	21,388
+ Rent x 8	24,032	23,456
= Average invested capital	\$ 252,331	\$ 239,974
Return on investment (ROI)	14.2 %	14.2 %

As of January 31,		
2019	2018	2017

Certain Balance Sheet Data						
Total assets	\$	219,295	\$	204,522	\$	198,825
Accumulated depreciation and amortization		87,175		83,039		76,951
Accounts payable		47,060		46,092		41,433
Accrued liabilities		22,159		22,122		20,654

(1) The average is based on the addition of the account balance at the end of the current period to the account balance at the end of the prior period and dividing by 2.

Free Cash Flow

Free cash flow is considered a non-GAAP financial measure. Management believes, however, that free cash flow, which measures our ability to generate additional cash from our business operations, is an important financial measure for use in evaluating the Company's financial performance. Free cash flow should be considered in addition to, rather than as a substitute for, consolidated net income as a measure of our performance and net cash provided by operating activities as a measure of our liquidity. See [Liquidity and Capital Resources](#) for discussions of GAAP metrics including net cash provided by operating activities, net cash used in investing activities and net cash used in financing activities.

We define free cash flow as net cash provided by operating activities in a period minus payments for property and equipment made in that period. We had net cash provided by operating activities of \$27.8 billion, \$28.3 billion and \$31.7 billion for fiscal 2019, 2018 and 2017, respectively. We generated free cash flow of \$17.4 billion, \$18.3 billion and \$21.1 billion for fiscal 2019, 2018 and 2017, respectively. Net cash provided by operating activities for fiscal 2019 declined when compared to fiscal 2018 primarily due to timing of vendor payments, partially offset by lower tax payments mainly resulting from U.S. tax reform enacted on December 22, 2017 ("Tax Reform") and the timing of tax payments. Free cash flow for fiscal 2019 declined when compared to fiscal 2018 due to the same reasons as the decline in net cash provided by operating activities, as well as \$0.3 billion in increased capital expenditures. The decrease in net cash provided by operating activities and free cash flow in fiscal 2018 from fiscal 2017 were primarily due to the timing of tax and other payments, as well as lapping the previous year's improvements in working capital management and the benefit from the application of tax regulations adopted in fiscal 2017.

Walmart's definition of free cash flow is limited in that it does not represent residual cash flows available for discretionary expenditures due to the fact that the measure does not deduct the payments required for debt service and other contractual obligations or payments made for business acquisitions. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our [Consolidated Statements of Cash Flows](#).

Although other companies report their free cash flow, numerous methods may exist for calculating a company's free cash flow. As a result, the method used by management to calculate our free cash flow may differ from the methods used by other companies to calculate their free cash flow.

The following table sets forth a reconciliation of free cash flow, a non-GAAP financial measure, to net cash provided by operating activities, which we believe to be the GAAP financial measure most directly comparable to free cash flow, as well as information regarding net cash used in investing activities and net cash used in financing activities.

	Fiscal Years Ended January 31,		
	2019	2018	2017
<i>(Amounts in millions)</i>			
Net cash provided by operating activities	\$ 27,753	\$ 28,337	\$ 31,673
Payments for property and equipment	(10,344)	(10,051)	(10,619)
Free cash flow	\$ 17,409	\$ 18,286	\$ 21,054
Net cash used in investing activities ⁽¹⁾	\$ (24,036)	\$ (9,079)	\$ (13,896)
Net cash used in financing activities	(2,537)	(19,875)	(19,072)

(1) "Net cash used in investing activities" includes payments for property and equipment, which is also included in our computation of free cash flow.

Results of Operations

Consolidated Results of Operations

	Fiscal Years Ended January 31,		
	2019	2018	2017
<i>(Amounts in millions, except unit counts)</i>			
Total revenues	\$ 514,405	\$ 500,343	\$ 485,873
Percentage change from comparable period	2.8 %	3.0 %	0.8 %
Net sales	\$ 510,329	\$ 495,761	\$ 481,317
Percentage change from comparable period	2.9 %	3.0 %	0.6 %
Total U.S. calendar comparable sales increase	4.0 %	2.2 %	1.4 %
Gross profit rate	24.5 %	24.7 %	24.9 %
Operating income	\$ 21,957	\$ 20,437	\$ 22,764
Operating income as a percentage of net sales	4.3 %	4.1 %	4.7 %
Consolidated net income	\$ 7,179	\$ 10,523	\$ 14,293
Unit counts at period end	11,361	11,718	11,695
Retail square feet at period end	1,129	1,158	1,164

Our total revenues, which are mostly comprised of net sales, but also include membership and other income, increased \$14.1 billion or 2.8% and \$14.5 billion or 3.0% for fiscal 2019 and 2018, respectively, when compared to the previous fiscal year. Net sales increased \$14.6 billion or 2.9% and \$14.4 billion or 3.0% for fiscal 2019 and 2018, respectively, when compared to the previous fiscal year. For fiscal 2019, net sales were positively impacted by overall positive comparable sales for Walmart U.S. and Sam's Club segments, along with positive comparable sales in the majority of our International markets and net sales

from Flipkart, which we acquired in the third quarter of fiscal 2019. Additionally, for fiscal 2019, the increase in net sales was partially offset by a \$4.5 billion decrease in net sales due to club closures in the Sam's Club segment during fiscal 2018, a \$3.1 billion reduction in net sales due to the sale of the majority stake in Walmart Brazil in the International segment, and \$0.7 billion of negative impact from fluctuations in currency exchange rates. For fiscal 2018, net sales were positively impacted by overall positive comparable sales, the impact from new store openings and sales generated from eCommerce acquisitions. The positive effect of such factors on our consolidated net sales for fiscal 2018 was partially offset by a reduction in net sales of \$1.9 billion due to divesting our Yihaodian and Suburbia businesses and the \$0.5 billion of negative impact from fluctuations in currency exchange rates.

Our gross profit rate decreased 18 and 26 basis points for fiscal 2019 and 2018, respectively, when compared to the previous fiscal year. For fiscal 2019, the decrease was due to the mix effects from our growing eCommerce business, the consolidation of Flipkart, our planned pricing strategy and increased transportation expenses. For fiscal 2018, the

decrease was primarily due to our planned pricing strategy and the mix effects from our growing eCommerce business.

Membership and other income decreased for fiscal 2019, when compared to the previous fiscal year, primarily due to the prior year recognition of a \$387 million gain from the sale of Suburbia in our International Segment. Membership and other income was relatively flat for fiscal 2018, when compared to the previous fiscal year. While fiscal 2018 included a \$387 million gain from the sale of Suburbia, along with a \$47 million gain from a land sale, higher recycling income from our sustainability efforts and higher membership income from increased Plus Member penetration at Sam's Club, these gains were offset by gains recognized in fiscal 2017.

For fiscal 2019, operating expenses as a percentage of net sales decreased 48 basis points, when compared to the same period in the previous fiscal year. The primary drivers of the expense leverage were strong sales performance in conjunction with productivity improvements and lapping fiscal 2018 charges discussed in the following paragraph. The improvements in fiscal 2019 were partially offset by additional investments in eCommerce and technology, as well as a \$160 million charge related to a securities class action lawsuit.

For fiscal 2018, operating expenses as a percentage of net sales increased 32 basis points, when compared to the previous fiscal year. While our increase in net sales and improving expense management had a positive impact on our operating expenses as a percentage of net sales, we did not leverage expenses as a result of approximately \$0.6 billion in charges related to Sam's Club closures and discontinued real estate projects, \$400 million related to a lump sum bonus paid to associates, \$300 million related to Home Office severance, the legal accrual of \$283 million related to the FCPA matter, a charge of \$244 million related to discontinued real estate projects in Walmart U.S. and the decisions to exit certain international properties and wind down the first party Brazil eCommerce operations.

Other losses were \$8.4 billion for fiscal 2019, primarily the result of the \$4.8 billion pre-tax loss on the sale of the majority stake in Walmart Brazil and a \$3.5 billion pre-tax decrease in the market value of our investment in JD.com. Fiscal 2018 results included loss on extinguishment of debt of \$3.1 billion.

Our effective income tax rate was 37.4% for fiscal 2019, 30.4% for fiscal 2018, and 30.3% for fiscal 2017. Although the U.S. statutory rate was lowered due to the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), our effective income tax rate increased in fiscal 2019 primarily because we recognized minimal tax benefit related to the sale of the majority stake in Walmart Brazil and Flipkart's results. Additionally, our effective income tax rate may also fluctuate as a result of factors including changes in our assessment of certain tax contingencies, valuation allowances, changes in tax law, outcomes of administrative audits, the impact of discrete items and the mix and size of earnings among our U.S. operations and international operations, which are subject to statutory rates that, beginning in fiscal 2019, are generally higher than the U.S. statutory rate. The reconciliation from the U.S. statutory rate to the effective income tax rates for fiscal 2019, 2018 and 2017 is presented in [Note 9](#) in the "[Notes to Consolidated Financial Statements](#)."

As a result of the factors discussed above, we reported \$7.2 billion and \$10.5 billion of consolidated net income for fiscal 2019 and 2018, respectively, which represents a decrease of \$3.3 billion and \$3.8 billion for fiscal 2019 and 2018, respectively, when compared to the previous fiscal year. Diluted net income per common share attributable to Walmart ("EPS") was \$2.26, \$3.28 and \$4.38 for fiscal 2019, 2018 and 2017, respectively.

Walmart U.S. Segment

(Amounts in millions, except unit counts)	Fiscal Years Ended January 31,		
	2019	2018	2017
Net sales	\$ 331,666	\$ 318,477	\$ 307,833
Percentage change from comparable period	4.1 %	3.5 %	3.2 %
Calendar comparable sales increase	3.7 %	2.1 %	1.6 %
Operating income	\$ 17,386	\$ 16,995	\$ 17,012
Operating income as a percentage of net sales	5.2 %	5.3 %	5.5 %
Unit counts at period end	4,769	4,761	4,672
Retail square feet at period end	705	705	699

Net sales for the Walmart U.S. segment increased \$13.2 billion or 4.1% and \$10.6 billion or 3.5% for fiscal 2019 and 2018, respectively, when compared to the previous fiscal year. The increases in net sales were primarily due to increases in comparable store sales of 3.7% and 2.1% for fiscal 2019 and 2018, respectively, driven by ticket and traffic growth. Walmart U.S. eCommerce sales positively contributed approximately 1.3% and 0.7% to comparable sales for fiscal 2019 and 2018. Additionally, for fiscal 2018, year-over-year growth in retail square feet further contributed to the year-over-year increase.

Gross profit rate decreased 28 and 24 basis points for fiscal 2019 and 2018, respectively, when compared to the previous fiscal year. For fiscal 2019, the decrease was primarily due to our planned pricing strategy, increased transportation expenses, and the mix effects from our growing eCommerce business. For fiscal 2018, the decrease was primarily due to our planned pricing strategy and the mix effects from our growing eCommerce business. Partially offsetting the negative factors for fiscal 2018 was the positive impact of savings from procuring merchandise.

Operating expenses as a percentage of segment net sales decreased 23 basis points for fiscal 2019 and was relatively flat for fiscal 2018, when compared to the previous fiscal year. The decrease in fiscal 2019 was primarily due to strong sales performance in conjunction with productivity improvements and the prior year comparable period including charges related to discontinued real estate projects of \$244 million. These improvements more than offset investments in eCommerce, technology and omni-channel initiatives and raising the starting wage rate at the beginning of fiscal 2019.

As a result of the factors discussed above, segment operating income increased \$391 million for fiscal 2019 and was relatively flat for fiscal 2018, respectively, when compared to the same periods in the previous fiscal year.

Walmart International Segment

(Amounts in millions, except unit counts)	Fiscal Years Ended January 31,		
	2019	2018	2017
Net sales	\$ 120,824	\$ 118,068	\$ 116,119
Percentage change from comparable period	2.3 %	1.7 %	(5.9) %
Operating income	\$ 4,883	\$ 5,229	\$ 5,737
Operating income as a percentage of net sales	4.0 %	4.4 %	4.9 %
Unit counts at period end	5,993	6,360	6,363
Retail square feet at period end	344	373	377

Net sales for the Walmart International segment increased \$2.8 billion or 2.3% and \$1.9 billion or 1.7% for fiscal 2019 and 2018, respectively, when compared to the previous fiscal year. For fiscal 2019, the increase was primarily due to positive comparable sales in the majority of our markets and net sales from Flipkart, which we acquired in the third quarter of fiscal 2019. These increases were partially offset by a \$3.1 billion reduction in net sales due to our sale of the majority stake in Walmart Brazil, a \$0.7 billion negative impact from fluctuations in currency exchange rates, the continued wind down of our first party Brazil eCommerce operations and a reduction in net sales of \$140 million due to divesting our Suburbia business in the second quarter of fiscal 2018. For fiscal 2018, the increase in net sales was due to positive comparable sales in the majority of our markets and the impact of new stores, partially

offset by a reduction in net sales of \$1.9 billion due to divesting our Yihaodian and Suburbia businesses and a \$0.5 billion negative impact from fluctuations in currency exchange rates.

Gross profit rate decreased 41 and 28 basis points for fiscal 2019 and 2018, respectively, when compared to the previous fiscal year. For fiscal 2019, the decrease was due to Flipkart and strategic price investments in certain markets. For fiscal 2018, the decrease in the gross profit rate was primarily due to strategic price investments in certain markets.

Membership and other income decreased 22.4% and 14.0% for fiscal 2019 and 2018, respectively, when compared to the previous fiscal year. The decrease in fiscal 2019 was due to the prior year recognition of a \$387 million gain from the sale of Suburbia. While fiscal 2018 included the \$387 million gain from the sale of Suburbia and a \$47 million gain from a land sale, these gains were less than gains recognized in fiscal 2017, which included a \$535 million gain from the sale of our Yihaodian business and a \$194 million gain from the sale of shopping malls in Chile.

Operating expenses as a percentage of segment net sales decreased 37 basis points for fiscal 2019 and was flat for 2018, when compared to the previous fiscal year. The decrease in operating expenses as a percentage of segment net sales for fiscal 2019 was primarily due to impairment charges in the previous fiscal year of approximately \$0.5 billion, which included charges from decisions to exit certain properties and wind down the first party Brazil eCommerce operations; this decrease in operating expenses was partially offset by the addition of operating expenses from Flipkart in fiscal 2019. While fiscal 2018 was benefited by an increase in net sales, this benefit was offset by restructuring and impairment charges in certain markets of approximately \$0.5 billion, including charges from decisions to exit certain properties and wind down the first party Brazil eCommerce operations.

As a result of the factors discussed above, segment operating income decreased \$346 million and \$508 million for fiscal 2019 and 2018, respectively.

Sam's Club Segment

	Fiscal Years Ended January 31,		
	2019	2018	2017
<i>(Amounts in millions, except unit counts)</i>			
<i>Including Fuel</i>			
Net sales	\$ 57,839	\$ 59,216	\$ 57,365
Percentage change from comparable period	(2.3) %	3.2 %	0.9 %
Calendar comparable sales increase	5.4 %	2.8 %	0.5 %
Operating income	\$ 1,520	\$ 915	\$ 1,628
Operating income as a percentage of net sales	2.6 %	1.5 %	2.8 %
Unit counts at period end	599	597	660
Retail square feet at period end	80	80	88
<i>Excluding Fuel ⁽¹⁾</i>			
Net sales	\$ 52,332	\$ 54,456	\$ 53,289
Percentage change from comparable period	(3.9) %	2.2 %	1.8 %
Operating income	\$ 1,383	\$ 797	\$ 1,576
Operating income as a percentage of net sales	2.6 %	1.5 %	3.0 %

(1) We believe the "Excluding Fuel" information is useful to investors because it permits investors to understand the effect of the Sam's Club segment's fuel sales on its results of operations, which are impacted by the volatility of fuel prices. Volatility in fuel prices may continue to impact the operating results of the Sam's Club segment in the future.

Net sales for the Sam's Club segment decreased \$1.4 billion or 2.3% for fiscal 2019 and increased \$1.9 billion or 3.2% for fiscal 2018, when compared to the previous fiscal year. For fiscal 2019, the decrease was primarily due to a \$4.5 billion decrease in net sales resulting from the net closure of 63 clubs during fiscal 2018, as well as reduced tobacco sales due to our decision to remove tobacco from certain locations. These decreases were partially offset by increases in comparable sales, which were benefited by transfers of sales from our closed clubs to our existing clubs. Sam's Club eCommerce sales positively contributed approximately 0.9% to comparable sales for fiscal 2019. Additional fuel sales of \$0.7 billion partially offset the decreases in net sales for fiscal 2019. For fiscal 2018, the increase in net sales was primarily due to an increase in comparable sales which were benefited by an increase of \$0.7 billion in fuel sales from higher fuel prices. Sam's Club eCommerce sales positively contributed approximately 0.7% to comparable sales for fiscal 2018.

Gross profit rate was relatively flat for fiscal 2019 and decreased 44 basis points for fiscal 2018, when compared to the previous fiscal year. For fiscal 2019, gross profit rate was benefited by lapping the impact of markdowns to liquidate inventory related to club closures in fiscal 2018 and decreased tobacco sales in fiscal 2019, which have lower margins. This benefit to the gross profit rate was offset by higher transportation costs and eCommerce shipping costs, investments in price and increased shrink in fiscal 2019. For fiscal 2018, the decrease in gross profit rate was primarily due to the impact of markdowns to liquidate inventory related to club closures, a reclassification of certain supply expenses from operating expenses to cost of goods sold, increased shrink, increased eCommerce shipping costs and the investment in cash rewards.

Membership and other income increased 2.6% and 2.3% for fiscal 2019 and 2018, respectively, when compared to the previous fiscal year. For fiscal 2019, the increase was due to an increase of 1.5% in membership income resulting from increased Plus Member penetration and gains on property sales. These increases were partially offset by lower

recycling income when compared to the previous fiscal year. For fiscal 2018, the increase in membership and other income was primarily due to higher recycling income from our sustainability efforts and an increase of 1.3% in membership income resulting from increased Plus Member penetration.

Operating expenses as a percentage of segment net sales decreased 99 basis points for fiscal 2019 and increased 83 basis points for fiscal 2018, when compared to the previous fiscal year. For fiscal 2019, the decrease in operating expenses as a percentage of segment net sales was primarily due to a charge of approximately \$0.6 billion in the prior year's comparable period related to club closures and discontinued real estate projects. This charge resulted in the increase in operating expenses as a percentage of segment net sales in fiscal 2018.

As a result of the factors discussed above, segment operating income increased \$605 million for fiscal 2019 and decreased \$713 million for fiscal 2018, when compared to the previous fiscal year.

Liquidity and Capital Resources

Liquidity

The strength and stability of our operations have historically supplied us with a significant source of liquidity. Our cash flows provided by operating activities, supplemented with our long-term debt and short-term borrowings, have been sufficient to fund our operations while allowing us to invest in activities that support the long-term growth of our operations. Generally, some or all of the remaining available cash flow has been used to fund dividends on our common stock and share repurchases. We believe our sources of liquidity will continue to be adequate to fund operations, finance our global investment and expansion activities, pay dividends and fund our share repurchases for the foreseeable future.

Net Cash Provided by Operating Activities

<i>(Amounts in millions)</i>	Fiscal Years Ended January 31,		
	2019	2018	2017
Net cash provided by operating activities	\$ 27,753	\$ 28,337	\$ 31,673

Net cash provided by operating activities was \$27.8 billion, \$28.3 billion and \$31.7 billion for fiscal 2019, 2018 and 2017, respectively. Net cash provided by operating activities for fiscal 2019 declined when compared to the previous fiscal year primarily due to timing of vendor payments, partially offset by lower tax payments mainly resulting from Tax Reform and the timing of tax payments. The decrease in net cash provided by operating activities for fiscal 2018, when compared to the previous fiscal year, was due to the timing of tax and other payments, as well as lapping the previous year's improvements in working capital management and the benefit from the application of tax regulations adopted in fiscal 2017.

Cash Equivalents and Working Capital

Cash and cash equivalents were \$7.7 billion and \$6.8 billion as of January 31, 2019 and 2018, respectively. Our working capital deficit was \$15.6 billion and \$18.9 billion as of January 31, 2019 and 2018, respectively. We generally operate with a working capital deficit due to our efficient use of cash in funding operations, consistent access to the capital markets and returns provided to our shareholders in the form of payments of cash dividends and share repurchases. The decreased working capital deficit as of January 31, 2019 compared to 2018 was primarily due to higher current assets as a result of the consolidation of Flipkart.

Historically, we have used intercompany financing arrangements to make cash available in the country in which it is needed with the minimum cost possible. During fiscal 2019, we repatriated to the U.S. \$5.3 billion of cash at a tax cost of approximately \$40 million.

As of January 31, 2019 and 2018, cash and cash equivalents of \$2.8 billion and \$1.4 billion, respectively, may not be freely transferable to the U.S. due to local laws or other restrictions. Of the \$2.8 billion as of January 31, 2019, approximately \$1.2 billion can only be accessed through dividends or intercompany financing arrangements subject to approval of the Flipkart minority shareholders; however, this cash is expected to be utilized to fund the operations of Flipkart.

Net Cash Used in Investing Activities

<i>(Amounts in millions)</i>	Fiscal Years Ended January 31,		
	2019	2018	2017
Net cash used in investing activities	\$ (24,036)	\$ (9,079)	\$ (13,896)

Net cash used in investing activities was \$24.0 billion, \$9.1 billion and \$13.9 billion for fiscal 2019, 2018 and 2017, respectively, and generally consisted of payments for business acquisitions and to expand our eCommerce capabilities, invest in other technologies, remodel existing stores and club and add new stores and clubs. Net cash used in investing activities increased \$15.0 billion for fiscal 2019 when compared to the previous fiscal year. This increase was primarily due to the \$13.8 billion payment for Flipkart, net of cash acquired, as well as payments for other, smaller acquisitions. Net cash used in investing activities decreased \$4.8 billion for fiscal 2018 when compared to the previous fiscal year. Fiscal 2018 included cash received of \$1.0 billion from the sale of Suburbia in Mexico, while fiscal 2017 included our acquisition of Jet.com, Inc. ("jet.com") for \$2.4 billion and our purchase of

\$1.9 billion of shares in JD.com ("JD"). Refer to [Note 13](#) to our Consolidated Financial Statements for further details on our acquisition of jet.com and investment in JD. Additionally, refer to the "[Strategic Capital Allocation](#)" section in our [Company Performance Metrics](#) for capital expenditure detail for fiscal 2019 and 2018.

Growth Activities

For the fiscal year ending January 31, 2020 ("fiscal 2020"), we project capital expenditures will be approximately \$11.0 billion. In fiscal 2020, we expect to add approximately 300 new stores in Walmart International, primarily in Mexico, Central America and China, and add less than 10 stores in Walmart U.S.

Net Cash Used in Financing Activities

(Amounts in millions)	Fiscal Years Ended January 31,		
	2019	2018	2017
Net cash used in financing activities	\$ (2,537)	\$ (19,875)	\$ (19,072)

Net cash used in financing activities generally consists of transactions related to our short-term and long-term debt, financing obligations, dividends paid and the repurchase of Company stock. Transactions with noncontrolling interest shareholders are also classified as cash flows from financing activities. Fiscal 2019 net cash used in financing activities decreased \$17.3 billion when compared to the same period in the previous fiscal year. The decrease was primarily due to the \$15.9 billion of net proceeds received from the issuance of long-term debt to fund a portion of the purchase price for Flipkart and for general corporate purposes, as well as a decrease in share repurchases due to the suspension of repurchases in anticipation of the Flipkart announcement. Fiscal 2018 net cash used in financing activities increased \$0.8 billion for fiscal 2018 when compared to the same period in the previous fiscal year. The increase was primarily due to premiums paid for early extinguishment of debt. Further discussion of financing activities is provided by major categories below.

Short-term Borrowings

Net cash flows provided by short-term borrowings were relatively flat in fiscal 2019 and increased \$4.1 billion in fiscal 2018, when compared to the balance at the end of the previous fiscal year. We generally utilize the liquidity provided by short-term borrowings to provide funding for our operations, dividend payments, share repurchases, capital expenditures and other cash requirements. For fiscal 2018, the additional cash provided by short-term borrowings was primarily due to the timing of our January 2018 debt extinguishment.

The following table includes additional information related to the Company's short-term borrowings for fiscal 2019, 2018 and 2017:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2019	2018	2017
Maximum amount outstanding at any month-end	\$ 13,389	\$ 11,386	\$ 9,493
Average daily short-term borrowings	10,625	8,131	5,691
Annual weighted-average interest rate	2.4 %	1.3 %	1.8 %

In addition to our short-term borrowings, we have \$15.0 billion of various undrawn committed lines of credit in the U.S. and approximately \$2.8 billion of various undrawn committed lines of credit outside of the U.S., as of January 31, 2019, that provide additional liquidity, if needed.

Long-term Debt

The following table provides the changes in our long-term debt for fiscal 2019:

(Amounts in millions)	Long-term debt due within one year	Long-term debt	Total
Balances as of February 1, 2018	\$ 3,738	\$ 30,045	\$ 33,783
Proceeds from issuance of long-term debt	—	15,872	15,872
Payments of long-term debt	(3,763)	(21)	(3,784)
Reclassifications of long-term debt	1,864	(1,864)	—
Other	37	(512)	(475)
Balances as of January 31, 2019	<u>\$ 1,876</u>	<u>\$ 43,520</u>	<u>\$ 45,396</u>

Our total long-term debt increased \$11.6 billion for fiscal 2019, primarily due to the net proceeds from issuance of long-term debt to fund a portion of the purchase price for Flipkart and for general corporate purposes.

Dividends

Our total dividend payments were \$6.1 billion, \$6.1 billion and \$6.2 billion for fiscal 2019, 2018 and 2017, respectively. The Board of Directors approved, effective February 19, 2019, the fiscal 2020 annual dividend of \$2.12 per share, an increase over the fiscal 2019 annual dividend of \$2.08 per share. For fiscal 2020, the annual dividend will be paid in four quarterly installments of \$0.53 per share, according to the following record and payable dates:

Record Date	Payable Date
March 15, 2019	April 1, 2019
May 10, 2019	June 3, 2019
August 9, 2019	September 3, 2019
December 6, 2019	January 2, 2020

Company Share Repurchase Program

From time to time, the Company repurchases shares of its common stock under share repurchase programs authorized by the Company's Board of Directors. All repurchases made during fiscal 2019 were made under the current \$20 billion share repurchase program approved in October 2017, which has no expiration date or other restrictions limiting the period over which the Company can make share repurchases. As of January 31, 2019, authorization for \$11.3 billion of share repurchases remained under the share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status.

We regularly review share repurchase activity and consider several factors in determining when to execute share repurchases, including, among other things, current cash needs, capacity for leverage, cost of borrowings, our results of operations and the market price of our common stock. We anticipate that a majority of the ongoing share repurchase program will be funded through the Company's free cash flow. The following table provides, on a settlement date basis, the number of shares repurchased, average price paid per share and total amount paid for share repurchases for fiscal 2019, 2018 and 2017:

(Amounts in millions, except per share data)	Fiscal Years Ended January 31,		
	2019	2018	2017
Total number of shares repurchased	79.5	104.9	119.9
Average price paid per share	\$ 93.18	\$ 79.11	\$ 69.18
Total amount paid for share repurchases	\$ 7,410	\$ 8,296	\$ 8,298

Share repurchases decreased for fiscal 2019 and were relatively flat for fiscal 2018, respectively, when compared to the previous fiscal year. The decrease in fiscal 2019 was due to the suspension of repurchases in anticipation of the announcement of the Flipkart acquisition. Repurchases of Company stock returned to a more normalized level in the latter half of fiscal 2019.

Capital Resources

We believe cash flows from operations, our current cash position and access to capital markets will continue to be sufficient to meet our anticipated operating cash needs, which include funding seasonal buildups in merchandise inventories and funding our capital expenditures, acquisitions, dividend payments and share repurchases.

We have strong commercial paper and long-term debt ratings that have enabled and should continue to enable us to refinance our debt as it becomes due at favorable rates in capital markets. As of January 31, 2019, the ratings assigned to our commercial paper and rated series of our outstanding long-term debt were as follows:

Rating agency	Commercial paper	Long-term debt
Standard & Poor's	A-1+	AA
Moody's Investors Service	P-1	Aa2
Fitch Ratings	F1+	AA

Credit rating agencies review their ratings periodically and, therefore, the credit ratings assigned to us by each agency may be subject to revision at any time. Accordingly, we are not able to predict whether our current credit ratings will remain consistent over time. Factors that could affect our credit ratings include changes in our operating performance, the general economic environment, conditions in the retail industry, our financial position, including our total debt and capitalization, and changes in our business strategy. Any downgrade of our credit ratings by a credit rating agency could increase our future borrowing costs or impair our ability to access capital and credit

markets on terms commercially acceptable to us. In addition, any downgrade of our current short-term credit ratings could impair our ability to access the commercial paper markets with the same flexibility that we have experienced historically, potentially requiring us to rely more heavily on more expensive types of debt financing. The credit rating agency ratings are not recommendations to buy, sell or hold our commercial paper or debt securities. Each rating may be subject to revision or withdrawal at any time by the assigning rating organization and should be evaluated independently of any other rating. Moreover, each credit rating is specific to the security to which it applies.

Contractual Obligations

The following table sets forth certain information concerning our obligations to make contractual future payments, such as debt and lease agreements, and certain contingent commitments as of January 31, 2019:

		Payments Due During Fiscal Years Ending January 31,			
(Amounts in millions)	Total	2020	2021-2022	2023-2024	Thereafter
Recorded contractual obligations:					
Long-term debt ⁽¹⁾	\$ 45,396	\$ 1,876	\$ 8,427	\$ 7,439	\$ 27,654
Short-term borrowings	5,225	5,225	—	—	—
Capital lease and financing obligations ⁽²⁾	9,896	917	1,650	1,260	6,069
Unrecorded contractual obligations:					
Non-cancelable operating leases ⁽³⁾	14,118	1,856	3,075	2,296	6,891
Estimated interest on long-term debt	23,039	1,745	3,219	2,851	15,224
Syndicated and other letters of credit	2,180	2,180	—	—	—
Purchase obligations	14,343	7,325	4,249	1,441	1,328
Total contractual obligations	\$ 114,197	\$ 21,124	\$ 20,620	\$ 15,287	\$ 57,166

- (1) "Long-term debt" includes the fair value of our derivatives designated as fair value hedges.
- (2) "Capital lease and financing obligations" represents undiscounted aggregate minimum annual rentals, which are recorded on the balance sheet at present value. Refer to [Note 11](#) to our Consolidated Financial Statements for more information.
- (3) Represents minimum contractual obligation for non-cancelable leases with initial or remaining terms greater than 12 months as of January 31, 2019.

Under the terms of the sale of the majority stake of Walmart Brazil, we agreed to indemnify Advent for certain pre-closing tax and legal contingencies and other matters for up to R\$2.3 billion, adjusted for interest based on the Brazilian interbank deposit rate. As of January 31, 2019, the indemnification liability recorded was \$0.8 billion and included in deferred income taxes and other in the Company's Consolidated Balance Sheet.

Additionally, we have \$15.0 billion of various undrawn committed lines of credit in the U.S. and approximately \$2.8 billion of various undrawn committed lines of credit outside of the U.S. which, if drawn upon, would be included in the current liabilities section of the Company's Consolidated Balance Sheets.

Estimated interest payments are based on our principal amounts and expected maturities of all debt outstanding as of January 31, 2019, and assumes interest rates remain at current levels for our variable rate debt.

Purchase obligations include legally binding contracts, such as firm commitments for inventory and utility purchases, as well as commitments to make capital expenditures, software acquisition and license commitments and legally binding service contracts. For the purposes of the above table, contractual obligations for the purchase of goods or services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Contracts that specify the Company will purchase all or a portion of its requirements of a specific product or service from a supplier, but do not include a fixed or minimum quantity, are excluded from the table above. Accordingly, purchase orders for inventory are not included in the table above as purchase orders represent authorizations to purchase rather than binding agreements. Our purchase orders are based on our current inventory needs and are fulfilled by our suppliers within short time periods. We also enter into contracts for outsourced services; however, the obligations under these contracts are not significant and the contracts generally contain clauses allowing for cancellation without significant penalty.

The expected timing for payment discussed above is estimated based on current information. Timing of payments and actual amounts paid may be different depending on the timing of receipt of goods or services or changes to agreed-upon amounts for some obligations.

In addition to the amounts shown in the table above, \$1.3 billion of unrecognized tax benefits are considered uncertain tax positions and have been recorded as liabilities. The timing of the payment, if any, associated with these liabilities is uncertain. Refer to [Note 9](#) to our Consolidated Financial Statements for additional discussion of unrecognized tax benefits.

Off Balance Sheet Arrangements

As of January 31, 2019, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources.

Other Matters

We discuss our existing FCPA investigation and related matters and possible effects of those matters on Walmart's business, including certain risks arising therefrom, in [Part I, Item 1A](#) of this Form 10-K under the caption "Risk Factors" and under the sub-caption "Legal Proceedings" in [Note 10](#) to our Consolidated Financial Statements, which is captioned "Contingencies," and appears elsewhere herein. We discuss the "ASDA Equal Value Claims" which includes certain existing employment claims against our United Kingdom subsidiary, ASDA Stores, Ltd., including certain risks arising therefrom, in [Part I, Item 1A](#) of this Form 10-K under the caption "Risk Factors" and under the sub-caption "Legal Proceedings" in [Note 10](#) to our Consolidated Financial Statements, which is captioned "Contingencies," and appears elsewhere herein. We also discuss the National Prescription Opiate Litigation and related matters including certain risks arising therefrom, in [Part I, Item 1A](#) of this Form 10-K under the caption "Risk Factors" and under the sub-caption "Legal Proceedings" in [Note 10](#) to our Consolidated Financial Statements, which is captioned "Contingencies," and appears elsewhere herein. We also discuss various legal proceedings related to the FCPA investigation, ASDA Equal Value Claims, and National Prescription Opiate Litigation in [Part I, Item 3](#) herein under the caption "Legal Proceedings." The foregoing matters and other matters described elsewhere in this Annual Report on Form 10-K represent contingent liabilities of the Company that may or may not result in the Company incurring a material liability upon their final resolution.

Summary of Critical Accounting Estimates

Management strives to report our financial results in a clear and understandable manner, although in some cases accounting and disclosure rules are complex and require us to use technical terminology. In preparing the Company's Consolidated Financial Statements, we follow accounting principles generally accepted in the U.S. These principles require us to make certain estimates and apply judgments that affect our financial position and results of operations as reflected in our financial statements. These judgments and estimates are based on past events and expectations of future outcomes. Actual results may differ from our estimates.

Management continually reviews our accounting policies, how they are applied and how they are reported and disclosed in our financial statements. Following is a summary of our critical accounting estimates and how they are applied in preparation of the financial statements.

Inventories

We value inventories at the lower of cost or market as determined primarily by the retail inventory method of accounting, using the last-in, first-out ("LIFO") method for Walmart U.S. segment's inventories. The inventory at the Sam's Club segment is valued using the weighted-average cost LIFO method. When necessary, we record a LIFO provision for the estimated annual effect of inflation, and these estimates are adjusted to actual results determined at year-end. Our LIFO provision is calculated based on inventory levels, markup rates and internally generated retail price indices. As a measure of sensitivity, a 1% increase to our retail price indices would not have resulted in a decrease to the carrying value of inventory. As of January 31, 2019 and 2018, our inventories valued at LIFO approximated those inventories as if they were valued at FIFO.

Impairment of Assets

We evaluate long-lived assets for indicators of impairment whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. Management's judgments regarding the existence of impairment indicators are based on market conditions and financial performance. The evaluation of long-lived assets is performed at the lowest level of identifiable cash flows, which is generally at the individual store level. The variability of these factors depends on a number of conditions, including uncertainty about future events and changes in demographics. Thus, our accounting estimates may change from period to period. These factors could cause management to conclude that indicators of impairment exist and require impairment tests be performed, which could result in management determining the value of long-lived assets is impaired, resulting in a write-down of the related long-lived assets. While fiscal 2019 included a pre-tax loss of \$4.8 billion related to the sale of the majority stake in Walmart Brazil, which included full impairment of all related-assets, there were no other material impairment charges for fiscal 2019. As a measure of sensitivity, fiscal 2019 impairment would not change materially with a 10% decrease in the undiscounted cash flows for the stores or clubs with indicators of impairment. For fiscal 2018, although impairment charges were \$1.4 billion, these charges primarily related to restructuring activities described in [Note 14](#), as well as discontinued real estate projects in the U.S. and decisions to exit certain international properties. Impairment charges not related to restructuring activities or decisions to exit properties for fiscal 2019 and 2018 were not material.



Business Combinations, Goodwill, and Acquired Intangible Assets

We account for business combinations using the acquisition method of accounting, which requires that once control is obtained, all the assets acquired and liabilities assumed, including amounts attributable to noncontrolling interests, be recorded at their respective fair values at the date of acquisition. The determination of fair values of identifiable assets and liabilities requires estimates and the use of valuation techniques when market value is not readily available. For intangible assets acquired in a business combination, we typically use the income method. Significant estimates in valuing certain intangible assets include, but are not limited to, the amount and timing of future cash flows, growth rates, discount rates and useful lives. The excess of the purchase price over fair values of identifiable assets and liabilities is recorded as goodwill.

Goodwill is assigned to the reporting unit which consolidates the acquisition. Components within the same reportable segment are aggregated and deemed a single reporting unit if the components have similar economic characteristics. As of January 31, 2019, our reporting units consisted of Walmart U.S., Walmart International and Sam's Club. Goodwill and other indefinite-lived acquired intangible assets are not amortized, but are evaluated for impairment annually or whenever events or changes in circumstances indicate that the value of a certain asset may be impaired. Generally, this evaluation begins with a qualitative assessment to determine whether a quantitative impairment test is necessary. If we determine, after performing an assessment based on the qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative impairment test would be performed. The quantitative test for impairment requires management to make judgments relating to future cash flows, growth rates and economic and market conditions. These evaluations are based on determining the fair value of a reporting unit or asset using a valuation method such as discounted cash flow or a relative, market-based approach. Historically, our reporting units and other indefinite-lived acquired intangible assets have generated sufficient returns to recover the cost of goodwill and other indefinite-lived acquired intangible assets. Because of the nature of the factors used in these tests, if different conditions occur in future periods, future operating results could be materially impacted. For approximately \$300 million of certain acquired indefinite-lived intangible assets, the fair value approximated the carrying value; any deterioration in the fair value may result in an impairment charge.

Income Taxes

Income taxes have a significant effect on our net earnings. We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Accordingly, the determination of our provision for income taxes requires significant judgment, the use of estimates and the interpretation and application of complex tax laws. Our effective income tax rate is affected by many factors, including changes in our assessment of certain tax contingencies, increases and decreases in valuation allowances, changes in tax law, outcomes of administrative audits, the impact of discrete items and the mix of earnings among our U.S. and international operations where the statutory rates are generally lower than the U.S. statutory rate, and may fluctuate as a result.

Our tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions. The benefits of uncertain tax positions are recorded in our financial statements only after determining a more likely than not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities. When facts and circumstances change, we reassess these probabilities and record any changes in the financial statements as appropriate. We account for uncertain tax positions by determining the minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. This determination requires the use of significant judgment in evaluating our tax positions and assessing the timing and amounts of deductible and taxable items.

Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. Deferred tax assets are evaluated for future realization and reduced by a valuation allowance to the extent that a portion is not more likely than not to be realized. Many factors are considered when assessing whether it is more likely than not that the deferred tax assets will be realized, including recent cumulative earnings, expectations of future taxable income, carryforward periods and other relevant quantitative and qualitative factors. The recoverability of the deferred tax assets is evaluated by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. This evaluation relies heavily on estimates.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Tax Act") was enacted and contains significant changes to U.S. income tax law. Effective beginning January 2018, the Tax Act reduced the U.S. statutory tax rate from 35% to 21% and created new taxes on foreign-sourced earnings and related-party payments. As discussed in

[Note 9](#) to our Consolidated Financial Statements, we completed our accounting for the tax effects of the Tax Act in fiscal 2019. As further guidance is issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, any resulting changes to our estimates will be treated in accordance with the relevant accounting guidance.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

In addition to the risks inherent in our operations, we are exposed to certain market risks, including changes in interest rates, currency exchange rates and the fair value of our equity investment in JD.com.

The analysis presented below for each of our market risk sensitive instruments is based on a hypothetical scenario used to calibrate potential risk and does not represent our view of future market changes. The effect of a change in a particular assumption is calculated without adjusting any other assumption. In reality, however, a change in one factor could cause a change in another, which may magnify or negate other sensitivities.

Interest Rate Risk

We are exposed to changes in interest rates as a result of our short-term borrowings and long-term debt. We hedge a portion of our interest rate risk by managing the mix of fixed and variable rate debt and by entering into interest rate swaps. For fiscal 2019, the net fair value of our interest rate swaps increased \$13 million primarily due to fluctuations in market interest rates.

The table below provides information about our financial instruments that are sensitive to changes in interest rates. For long-term debt, the table represents the principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps, the table represents the contractual cash flows and weighted-average interest rates by the contractual maturity date, unless otherwise noted. The notional amounts are used to calculate contractual cash flows to be exchanged under the contracts. The weighted-average variable rates are based upon prevailing market rates as of January 31, 2019.

	Expected Maturity Date							
(Amounts in millions)	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Thereafter	Total	
Liabilities								
Short-term borrowings:								
Variable rate	\$ 5,225	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,225	
Weighted-average interest rate	2.7 %	— %	— %	— %	— %	— %	2.7 %	
Long-term debt ⁽¹⁾ :								
Fixed rate	\$ 1,576	\$ 4,597	\$ 2,330	\$ 2,844	\$ 4,595	\$ 27,654	\$ 43,596	
Weighted-average interest rate	2.5 %	2.9 %	3.7 %	1.7 %	3.2 %	4.5 %	3.9 %	
Variable rate	\$ 300	\$ 750	\$ 750	\$ —	\$ —	\$ —	\$ 1,800	
Weighted-average interest rate	2.8 %	2.9 %	3.1 %	— %	— %	— %	2.9 %	
Interest rate derivatives								
Interest rate swaps:								
Fixed to variable	\$ —	\$ 750	\$ —	\$ —	\$ 1,750	\$ 1,500	\$ 4,000	
Weighted-average pay rate	— %	4.1 %	— %	— %	3.2 %	3.8 %	3.6 %	
Weighted-average receive rate	— %	3.3 %	— %	— %	2.6 %	3.3 %	3.0 %	

(1) The long-term debt amounts in the table exclude the Company's derivatives classified as fair value hedges.

As of January 31, 2019, our variable rate borrowings, including the effect of our commercial paper and interest rate swaps, represented 22% of our total short-term and long-term debt. Based on January 31, 2019 debt levels, a 100 basis point change in prevailing market rates would cause our annual interest costs to change by approximately \$110 million.

Foreign Currency Risk

We are exposed to fluctuations in currency exchange rates as a result of our net investments and operations in countries other than the U.S, as well our foreign-currency-denominated long-term debt. For fiscal 2019, movements in currency exchange rates and the related impact on the translation of the balance sheets of the Company's subsidiaries in the UK, Chile, and Canada were the primary cause of the \$2.1 billion loss in the currency translation and other category of accumulated other comprehensive loss.

We hedge a portion of our foreign currency risk by entering into currency swaps. The aggregate fair value of these swaps was in an asset position of \$62 million and \$413 million as of January 31, 2019 and January 31, 2018, respectively. The change in the fair value of these swaps was due to fluctuations in currency exchange rates, primarily the strengthening of the U.S. dollar relative to other currencies in fiscal 2019. A hypothetical 10% change in the currency exchange rates underlying these swaps from the market rate as of January 31, 2019 would have resulted in a change in the value of the swaps of \$515 million. A hypothetical 10% change in interest rates underlying these swaps from the market rates in effect as of January 31, 2019 would have resulted in a change in the value of the swaps of \$13 million.

In addition to currency swaps, we also hedge a portion of our foreign currency risk by designating foreign-currency-denominated long-term debt as nonderivative hedges of net investments of certain of our foreign operations. We had outstanding long-term debt of £1.7 billion as of January 31, 2019 and January 31, 2018 that was designated as a hedge of our net investment in the United Kingdom. As of January 31, 2019, a hypothetical 10% increase or decrease in the value of the U.S. dollar relative to the British pound would have resulted in a change in the value of the debt of \$201 million. In addition, we had outstanding long-term debt of ¥180 billion as of January 31, 2019 and January 31, 2018 that was designated as a hedge of our net investment in Japan. As of January 31, 2019, a hypothetical 10% change in value of the U.S. dollar relative to the Japanese yen would have resulted in a change in the value of the debt of \$150 million.

In certain countries, we also enter into immaterial foreign currency forward contracts to hedge the purchase and payment of purchase commitments denominated in non-functional currencies.

Investment Risk

We are exposed to changes in the JD.com ("JD") stock price as a result of our equity investment in JD. Since February 1, 2018, when we adopted the new financial instrument accounting standard, the change in fair value recorded within other gains and losses resulted in a loss of \$3.5 billion due to a decrease in the stock price of JD. As of January 31, 2019, the fair value of our equity investment in JD was \$3.6 billion.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**Consolidated Financial Statements of Walmart Inc.
For the Fiscal Year Ended January 31, 2019**

Table of Contents

	Page
Report of Independent Registered Public Accounting Firm	46
Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting	47
Consolidated Statements of Income	48
Consolidated Statements of Comprehensive Income	49
Consolidated Balance Sheets	50
Consolidated Statements of Shareholders' Equity	51
Consolidated Statements of Cash Flows	52
Notes to Consolidated Financial Statements	53

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Walmart Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Walmart Inc. (the Company) as of January 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 28, 2019 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-01

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of measuring certain equity investments to fair value and recognizing the change in fair value in net income effective February 1, 2018, due to the adoption of Accounting Standards Update ("ASU") No. 2016-01, *Financial Instruments-Overall (Topic 825)*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1969.

Rogers, Arkansas
March 28, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Walmart Inc.

Opinion on Internal Control over Financial Reporting

We have audited Walmart Inc.'s internal control over financial reporting as of January 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Walmart Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 31, 2019, based on the COSO criteria.

As indicated in the accompanying Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Flipkart Private Limited ("Flipkart"), except for the recognition of goodwill and intangible assets that were included in management's assessment. Flipkart is included in the 2019 consolidated financial statements of the Company and constituted approximately 2% of the Company's total assets as of January 31, 2019 after excluding goodwill and intangible assets recorded and approximately 1% of the Company's net sales for the year ended January 31, 2019. Accordingly, our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Flipkart, except for the recognition of goodwill and intangible assets.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the accompanying consolidated balance sheets of Walmart Inc. as of January 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2019, and the related notes and our report dated March 28, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Rogers, Arkansas
March 28, 2019

Walmart Inc.
Consolidated Statements of Income

	Fiscal Years Ended January 31,		
	2019	2018	2017
<i>(Amounts in millions, except per share data)</i>			
Revenues:			
Net sales	\$ 510,329	\$ 495,761	\$ 481,317
Membership and other income	4,076	4,582	4,556
Total revenues	514,405	500,343	485,873
Costs and expenses:			
Cost of sales	385,301	373,396	361,256
Operating, selling, general and administrative expenses	107,147	106,510	101,853
Operating income	21,957	20,437	22,764
Interest:			
Debt	1,975	1,978	2,044
Capital lease and financing obligations	371	352	323
Interest income	(217)	(152)	(100)
Interest, net	2,129	2,178	2,267
Loss on extinguishment of debt	—	3,136	—
Other (gains) and losses	8,368	—	—
Income before income taxes	11,460	15,123	20,497
Provision for income taxes	4,281	4,600	6,204
Consolidated net income	7,179	10,523	14,293
Consolidated net income attributable to noncontrolling interest	(509)	(661)	(650)
Consolidated net income attributable to Walmart	<u>\$ 6,670</u>	<u>\$ 9,862</u>	<u>\$ 13,643</u>
Net income per common share:			
Basic net income per common share attributable to Walmart	\$ 2.28	\$ 3.29	\$ 4.40
Diluted net income per common share attributable to Walmart	2.26	3.28	4.38
Weighted-average common shares outstanding:			
Basic	2,929	2,995	3,101
Diluted	2,945	3,010	3,112
Dividends declared per common share	\$ 2.08	\$ 2.04	\$ 2.00

See accompanying notes.

Walmart Inc.
Consolidated Statements of Comprehensive Income

<i>(Amounts in millions)</i>	Fiscal Years Ended January 31,		
	2019	2018	2017
Consolidated net income	\$ 7,179	\$ 10,523	\$ 14,293
Consolidated net income attributable to noncontrolling interest	(509)	(661)	(650)
Consolidated net income attributable to Walmart	6,670	9,862	13,643
Other comprehensive income (loss), net of income taxes			
Currency translation and other	(226)	2,540	(3,027)
Net investment hedges	272	(405)	413
Cash flow hedges	(290)	437	21
Minimum pension liability	131	147	(397)
Unrealized gain on available-for-sale securities	—	1,501	145
Other comprehensive income (loss), net of income taxes	(113)	4,220	(2,845)
Other comprehensive (income) loss attributable to noncontrolling interest	188	(169)	210
Other comprehensive income (loss) attributable to Walmart	75	4,051	(2,635)
Comprehensive income, net of income taxes	7,066	14,743	11,448
Comprehensive (income) loss attributable to noncontrolling interest	(321)	(830)	(440)
Comprehensive income attributable to Walmart	\$ 6,745	\$ 13,913	\$ 11,008

See accompanying notes.

Walmart Inc.
Consolidated Balance Sheets

(Amounts in millions)	As of January 31,	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,722	\$ 6,756
Receivables, net	6,283	5,614
Inventories	44,269	43,783
Prepaid expenses and other	3,623	3,511
Total current assets	61,897	59,664
Property and equipment:		
Property and equipment	185,810	185,154
Less accumulated depreciation	(81,493)	(77,479)
Property and equipment, net	104,317	107,675
Property under capital lease and financing obligations:		
Property under capital lease and financing obligations	12,760	12,703
Less accumulated amortization	(5,682)	(5,560)
Property under capital lease and financing obligations, net	7,078	7,143
Goodwill	31,181	18,242
Other long-term assets	14,822	11,798
Total assets	\$ 219,295	\$ 204,522
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	\$ 5,225	\$ 5,257
Accounts payable	47,060	46,092
Accrued liabilities	22,159	22,122
Accrued income taxes	428	645
Long-term debt due within one year	1,876	3,738
Capital lease and financing obligations due within one year	729	667
Total current liabilities	77,477	78,521
Long-term debt	43,520	30,045
Long-term capital lease and financing obligations	6,683	6,780
Deferred income taxes and other	11,981	8,354
Commitments and contingencies		
Equity:		
Common stock	288	295
Capital in excess of par value	2,965	2,648
Retained earnings	80,785	85,107
Accumulated other comprehensive loss	(11,542)	(10,181)
Total Walmart shareholders' equity	72,496	77,869
Noncontrolling interest	7,138	2,953

Total equity	79,634	80,822
Total liabilities and equity	\$ 219,295	\$ 204,522

See accompanying notes.

Walmart Inc.
Consolidated Statements of Shareholders' Equity

	Common Stock		Capital in	Retained	Accumulated	Total		
			Excess of	Earnings	Other	Shareholders'	Noncontrolling	Total
(Amounts in millions)	Shares	Amount	Par Value		Comprehensive	Equity	Interest	Equity
					Income			
					(Loss)			
Balances as of February 1, 2016	3,162	\$ 317	\$ 1,805	\$ 90,021	\$ (11,597)	\$ 80,546	\$ 3,065	\$ 83,611
Consolidated net income	—	—	—	13,643	—	13,643	650	14,293
Other comprehensive income (loss), net of income taxes	—	—	—	—	(2,635)	(2,635)	(210)	(2,845)
Cash dividends declared (\$2.00 per share)	—	—	—	(6,216)	—	(6,216)	—	(6,216)
Purchase of Company stock	(120)	(12)	(174)	(8,090)	—	(8,276)	—	(8,276)
Cash dividend declared to noncontrolling interest	—	—	—	—	—	—	(519)	(519)
Other	6	—	740	(4)	—	736	(249)	487
Balances as of January 31, 2017	3,048	305	2,371	89,354	(14,232)	77,798	2,737	80,535
Consolidated net income	—	—	—	9,862	—	9,862	661	10,523
Other comprehensive income (loss), net of income taxes	—	—	—	—	4,051	4,051	169	4,220
Cash dividends declared (\$2.04 per share)	—	—	—	(6,124)	—	(6,124)	—	(6,124)
Purchase of Company stock	(103)	(10)	(219)	(7,975)	—	(8,204)	—	(8,204)
Cash dividend declared to noncontrolling interest	—	—	—	—	—	—	(687)	(687)
Other	7	—	496	(10)	—	486	73	559
Balances as of January 31, 2018	2,952	295	2,648	85,107	(10,181)	77,869	2,953	80,822
Adoption of new accounting standards on February 1, 2018, net of income taxes		—	—	2,361	(1,436)	925	(1)	924
Consolidated net income	—	—	—	6,670	—	6,670	509	7,179
Other comprehensive income (loss), net of income taxes	—	—	—	—	75	75	(188)	(113)
Cash dividends declared (\$2.08 per share)	—	—	—	(6,102)	—	(6,102)	—	(6,102)
Purchase of Company stock	(80)	(8)	(245)	(7,234)	—	(7,487)	—	(7,487)
Cash dividend declared to noncontrolling interest	—	—	—	—	—	—	(488)	(488)
Noncontrolling interest of acquired entity	—	—	—	—	—	—	4,345	4,345
Other	6	1	562	(17)	—	546	8	554
Balances as of January 31, 2019	2,878	\$ 288	\$ 2,965	\$ 80,785	\$ (11,542)	\$ 72,496	\$ 7,138	\$ 79,634

See accompanying notes.

Walmart Inc.
Consolidated Statements of Cash Flows

(Amounts in millions)	Fiscal Years Ended January 31,		
	2019	2018	2017
Cash flows from operating activities:			
Consolidated net income	\$ 7,179	\$ 10,523	\$ 14,293
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation and amortization	10,678	10,529	10,080
Unrealized (gains) and losses	3,516	—	—
(Gains) and losses for disposal of business operations	4,850	—	—
Deferred income taxes	(499)	(304)	761
Loss on extinguishment of debt	—	3,136	—
Other operating activities	1,734	1,210	206
Changes in certain assets and liabilities, net of effects of acquisitions:			
Receivables, net	(368)	(1,074)	(402)
Inventories	(1,311)	(140)	1,021
Accounts payable	1,831	4,086	3,942
Accrued liabilities	183	928	1,280
Accrued income taxes	(40)	(557)	492
Net cash provided by operating activities	27,753	28,337	31,673
Cash flows from investing activities:			
Payments for property and equipment	(10,344)	(10,051)	(10,619)
Proceeds from the disposal of property and equipment	519	378	456
Proceeds from the disposal of certain operations	876	1,046	662
Purchase of available for sale securities	—	—	(1,901)
Payments for business acquisitions, net of cash acquired	(14,656)	(375)	(2,463)
Other investing activities	(431)	(77)	(31)
Net cash used in investing activities	(24,036)	(9,079)	(13,896)
Cash flows from financing activities:			
Net change in short-term borrowings	(53)	4,148	(1,673)
Proceeds from issuance of long-term debt	15,872	7,476	137
Repayments of long-term debt	(3,784)	(13,061)	(2,055)
Premiums paid to extinguish debt	—	(3,059)	—
Dividends paid	(6,102)	(6,124)	(6,216)
Purchase of Company stock	(7,410)	(8,296)	(8,298)
Dividends paid to noncontrolling interest	(431)	(690)	(479)
Purchase of noncontrolling interest	—	(8)	(90)
Other financing activities	(629)	(261)	(398)
Net cash used in financing activities	(2,537)	(19,875)	(19,072)
Effect of exchange rates on cash, cash equivalents and restricted cash	(438)	487	(452)
Net increase (decrease) in cash, cash equivalents and restricted cash	742	(130)	(1,747)
Cash, cash equivalents and restricted cash at beginning of year	7,014	7,144	8,891
Cash, cash equivalents and restricted cash at end of period	\$ 7,756	\$ 7,014	\$ 7,144

Supplemental disclosure of cash flow information:			
Income taxes paid	3,982	6,179	4,507
Interest paid	2,348	2,450	2,351

See accompanying notes.

Walmart Inc.
Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

General

Walmart Inc. ("Walmart" or the "Company") helps people around the world save money and live better – anytime and anywhere – by providing the opportunity to shop in retail stores and through eCommerce. Through innovation, the Company is striving to continuously improve a customer-centric experience that seamlessly integrates eCommerce and retail stores in an omni-channel offering that saves time for its customers. Each week, the Company serves over 275 million customers who visit its more than 11,300 stores and numerous eCommerce websites under 58 banners in 27 countries.

The Company's operations comprise three reportable segments: Walmart U.S., Walmart International and Sam's Club.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Walmart and its subsidiaries as of and for the fiscal years ended January 31, 2019 ("fiscal 2019"), January 31, 2018 ("fiscal 2018") and January 31, 2017 ("fiscal 2017"). Intercompany accounts and transactions have been eliminated in consolidation. The Company consolidates variable interest entities where it has been determined that the Company is the primary beneficiary of those entities' operations. Investments for which the Company exercises significant influence but does not have control are accounted for under the equity method. These variable interest entities and equity method investments are immaterial to the Company's Consolidated Financial Statements.

The Company's Consolidated Financial Statements are based on a fiscal year ending on January 31 for the United States ("U.S.") and Canadian operations. The Company consolidates all other operations generally using a one-month lag and based on a calendar year. There were no significant intervening events during the month of January 2019 related to the operations consolidated using a lag that materially affected the Consolidated Financial Statements.

Use of Estimates

The Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles. Those principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Management's estimates and assumptions also affect the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

The Company considers investments with a maturity when purchased of three months or less to be cash equivalents. All credit card, debit card and electronic transfer transactions that process in less than seven days are classified as cash and cash equivalents. The amounts due from banks for these transactions classified as cash and cash equivalents totaled \$1.4 billion and \$1.6 billion as of January 31, 2019 and 2018, respectively.

The Company's cash balances are held in various locations around the world. Substantially all of the Company's \$7.7 billion and \$6.8 billion of cash and cash equivalents as of January 31, 2019 and January 31, 2018 were held outside of the U.S. Cash and cash equivalents held outside of the U.S. are generally utilized to support liquidity needs in the Company's non-U.S. operations.

The Company uses intercompany financing arrangements in an effort to ensure cash can be made available in the country in which it is needed with the minimum cost possible. During fiscal 2019, the Company repatriated to the U.S. \$5.3 billion of cash at a tax cost of approximately \$40 million.

As of January 31, 2019 and 2018, cash and cash equivalents of approximately \$2.8 billion and \$1.4 billion, respectively, may not be freely transferable to the U.S. due to local laws or other restrictions. Of the \$2.8 billion as of January 31, 2019, approximately \$1.2 billion can only be accessed through dividends or intercompany financing arrangements subject to approval of Flipkart Private Limited ("Flipkart") minority shareholders; however, this cash is expected to be utilized to fund the operations of Flipkart.

Restricted Cash

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows—Restricted Cash (Topic 230)*, which requires restricted cash to be included with cash and cash equivalents when reconciling the beginning and ending amounts on the statement of cash flows. The Company adopted this ASU on February 1, 2018. Restricted cash held

outside of cash and cash equivalents was \$34 million as of January 31, 2019, primarily recorded in prepaid expenses and other in the Consolidated Balance Sheets, and \$300 million as of January 31, 2018, primarily recorded in other long-term assets in the Consolidated Balance Sheets.

Receivables

Receivables are stated at their carrying values, net of a reserve for doubtful accounts, and are primarily due from the following: insurance companies resulting from pharmacy sales; banks for customer credit and debit cards and electronic bank transfers that take in excess of seven days to process; governments for income taxes; suppliers for marketing or incentive programs; and real estate transactions.

Inventories

The Company values inventories at the lower of cost or market as determined primarily by the retail inventory method of accounting, using the last-in, first-out ("LIFO") method for Walmart U.S. segment's inventories. The inventory at the Walmart International segment is valued primarily by the retail inventory method of accounting, using the first-in, first-out ("FIFO") method. The retail inventory method of accounting results in inventory being valued at the lower of cost or market, since permanent markdowns are immediately recorded as a reduction of the retail value of inventory. The inventory at the Sam's Club segment is valued using the weighted-average cost LIFO method. As of January 31, 2019 and January 31, 2018, the Company's inventories valued at LIFO approximated those inventories as if they were valued at FIFO.

Assets Held for Sale

Assets held for sale represent components and businesses that meet accounting requirements to be classified as held for sale and are presented as single asset and liability amounts in the Company's financial statements with a valuation allowance, if necessary, to recognize the net carrying amount at the lower of cost or fair value, less costs to sell. The Company reviews all businesses and assets held for sale each reporting period to determine whether the existing carrying amounts are fully recoverable in comparison to estimated fair values. As of January 31, 2019 and January 31, 2018, immaterial amounts for assets and liabilities held for sale were classified in prepaid expenses and other and accrued liabilities, respectively, in the Consolidated Balance Sheets.

Property and Equipment

Property and equipment are initially recorded at cost. Gains or losses on disposition are recognized as earned or incurred. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are expensed as incurred. The following table summarizes the Company's property and equipment balances and includes the estimated useful lives that are generally used to depreciate the assets on a straight-line basis:

(Amounts in millions)	Estimated Useful Lives	As of January 31,	
		2019	2018
Land	N/A	\$ 24,526	\$ 25,298
Buildings and improvements	3-40 years	101,006	101,155
Fixtures and equipment	1-30 years	54,488	52,695
Transportation equipment	3-15 years	2,316	2,387
Construction in progress	N/A	3,474	3,619
Property and equipment		\$ 185,810	\$ 185,154
Accumulated depreciation		(81,493)	(77,479)
Property and equipment, net		\$ 104,317	\$ 107,675

Leasehold improvements are depreciated or amortized over the shorter of the estimated useful life of the asset or the remaining expected lease term. Total depreciation and amortization expense for property and equipment, property under financing obligations, property under capital leases and intangible assets for fiscal 2019, 2018 and 2017 was \$10.7 billion, \$10.5 billion and \$10.1 billion, respectively.

Leases

The Company leases land, buildings, fixtures and equipment and transportation equipment. The Company estimates the expected lease term by assuming the exercise of renewal options where an economic penalty exists that would preclude the abandonment of the lease at the end of the initial non-cancelable term and the exercise of such renewal is at the sole discretion of the Company. The expected lease term is used in the determination of whether a store or club lease is a capital or operating lease and in the calculation of straight-line rent expense. Additionally, the useful life of leasehold improvements is limited by the expected lease term or the economic life of the asset, whichever is shorter. If significant expenditures are made for leasehold improvements late in the expected lease term and renewal

is reasonably assured, the useful life of the leasehold improvement is limited to the end of the renewal period or economic life of the asset, whichever is shorter. Rent abatements and escalations are considered in the calculation of minimum lease payments in the Company's capital lease tests and in determining straight-line rent expense for operating leases.

The Company is often involved in the construction of its leased stores. In certain cases, payments made for certain structural components included in the lessor's construction of the leased assets result in the Company being deemed the owner of the leased assets for accounting purposes. As a result, the payments, regardless of the significance, are automatic indicators of ownership and require the Company to capitalize the lessor's total project cost with a corresponding financing obligation. Upon completion of the lessor's project, the Company performs a sale-leaseback analysis to determine if these assets and the related financing obligation can be derecognized from the Company's Consolidated Balance Sheets. If the Company is deemed to have "continuing involvement," the leased assets and the related financing obligation remain on the Company's Consolidated Balance Sheets and are generally amortized over the lease term. At the end of the lease term, including exercise of any renewal options, the net remaining financing obligation over the net carrying value of the fixed asset will be recognized as a non-cash gain.

Long-Lived Assets

Long-lived assets are initially recorded at cost. Management reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows, which is at the individual store or club level. Undiscounted cash flows expected to be generated by the related assets are estimated over the assets' useful lives based on updated projections. If the evaluation indicates that the carrying amount of the assets may not be recoverable, any potential impairment is measured based upon the fair value of the related asset or asset group as determined by an appropriate market appraisal or other valuation technique.

Goodwill and Other Acquired Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations and is allocated to the appropriate reporting unit when acquired. Other acquired intangible assets are stated at the fair value acquired as determined by a valuation technique commensurate with the intended use of the related asset. Goodwill and indefinite-lived intangible assets are not amortized; rather, they are evaluated for impairment annually and whenever events or changes in circumstances indicate that the value of the asset may be impaired. Definite-lived intangible assets are considered long-lived assets and are amortized on a straight-line basis over the periods that expected economic benefits will be provided.

Goodwill is assigned to the reporting unit which consolidates the acquisition. Components within the same reportable segment are aggregated and deemed a single reporting unit if the components have similar economic characteristics. As of January 31, 2019, the Company's reporting units consisted of Walmart U.S., Walmart International and Sam's Club. Goodwill is evaluated for impairment using either a qualitative or quantitative approach for each of the Company's reporting units. Generally, a qualitative assessment is first performed to determine whether a quantitative goodwill impairment test is necessary. If management determines, after performing an assessment based on the qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, or that a fair value of the reporting unit substantially in excess of the carrying amount cannot be assured, then a quantitative goodwill impairment test would be required. The quantitative test for goodwill impairment is performed by determining the fair value of the related reporting units. Fair value is measured based on the discounted cash flow method and relative market-based approaches. After evaluation, management determined the fair value of each reporting unit is greater than the carrying amount and, accordingly, the Company has not recorded any impairment charges related to goodwill.

The following table reflects goodwill activity, by reportable segment, for fiscal 2019 and 2018:

<i>(Amounts in millions)</i>	Walmart U.S.	Walmart International	Sam's Club	Total
Balances as of February 1, 2017	\$ 2,236	\$ 14,488	\$ 313	\$ 17,037
Changes in currency translation and other	—	996	—	996
Acquisitions	209	—	—	209
Balances as of January 31, 2018	2,445	15,484	313	18,242
Changes in currency translation and other	—	(743)	—	(743)
Acquisitions ⁽¹⁾	107	13,575	—	13,682
Balances as of January 31, 2019	\$ 2,552	\$ 28,316	\$ 313	\$ 31,181

⁽¹⁾ Goodwill recorded in fiscal 2019 for Walmart International relates to Flipkart.

Intangible assets are included in other long-term assets in the Company's Consolidated Balance Sheets. These assets are evaluated for impairment based on their fair values using valuation techniques which are updated annually based

on the most recent variables and assumptions. There were no significant impairment charges related to intangible assets for fiscal 2019, 2018 and 2017.

Fair Value Measurement

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-01, *Financial Instruments—Overall (Topic 825)*, which updated certain aspects of recognition, measurement, presentation and disclosure of financial instruments ("ASU 2016-01"). The Company adopted this ASU on February 1, 2018, which primarily impacted the Company's accounting for its investment in JD.com, Inc. ("JD") and resulted in a positive adjustment to retained earnings of approximately \$2.6 billion, net of tax, based on the market value of the Company's investment in JD as of January 31, 2018. The adoption required prospective changes in fair value of the Company's investment in JD to be recorded in the Consolidated Statement of Income, which the Company classifies in other gains and losses.

The Company records and discloses certain financial and non-financial assets and liabilities at fair value. The fair value of an asset is the price at which the asset could be sold in an orderly transaction between unrelated, knowledgeable and willing parties able to engage in the transaction. The fair value of a liability is the amount that would be paid to transfer the liability to a new obligor in a transaction between such parties, not the amount that would be paid to settle the liability with the creditor.

Self Insurance Reserves

The Company self-insures a number of risks, including, but not limited to, workers' compensation, general liability, auto liability, product liability and certain employee-related healthcare benefits. Standard actuarial procedures and data analysis are used to estimate the liabilities associated with these risks as of the balance sheet date on an undiscounted basis. The recorded liabilities reflect the ultimate cost for claims incurred but not paid and any estimable administrative run-out expenses related to the processing of these outstanding claim payments. On a regular basis, the liabilities are evaluated for appropriateness with claims reserve valuations. To limit exposure to some risks, the Company maintains insurance coverage with varying limits and retentions, including stop-loss insurance coverage for workers' compensation, general liability and auto liability.

Derivatives

The Company uses derivatives for hedging purposes to manage its exposure to changes in interest and currency exchange rates, as well as to maintain an appropriate mix of fixed- and variable-rate debt. Use of derivatives in hedging programs subjects the Company to certain risks, such as market and credit risks. Market risk represents the possibility that the value of the derivatives will change. In a hedging relationship, the change in the value of the derivative is offset to a great extent by the change in the value of the underlying hedged item. Credit risk related to a derivative represents the possibility that the counterparty will not fulfill the terms of the contract. Credit risk is monitored through established approval procedures, including setting concentration limits by counterparty, reviewing credit ratings and requiring collateral from the counterparty when appropriate. The Company only enters into derivatives with counterparties rated "A-" or better by nationally recognized credit rating agencies. Subsequent to entering into derivatives, the Company regularly monitors the credit ratings of its counterparties. The notional, or contractual, amount of the Company's derivatives is used to measure interest to be paid or received and does not represent the Company's exposure due to credit risk.

The contractual terms of the Company's derivatives closely mirror those of the hedged items, providing a high degree of risk reduction and correlation. Contracts that are effective at meeting the risk reduction and correlation criteria are recorded using hedge accounting. If a derivative is recorded using hedge accounting, depending on the nature of the hedge, changes in fair value will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or be recognized in accumulated other comprehensive loss until the hedged item is recognized in earnings. Any hedge ineffectiveness is immediately recognized in earnings. The Company's net investment and cash flow hedges are highly effective and the ineffective portion has not been, and is not expected to be, significant. Derivatives that do not meet the criteria for hedge accounting, or contracts for which the Company has not elected hedge accounting, are recorded at fair value with unrealized gains or losses reported in earnings during the period of the change.

Fair Value Hedges

The Company is a party to receive fixed-rate, pay variable-rate interest rate swaps that the Company uses to hedge the fair value of fixed-rate debt. The notional amounts are used to measure interest to be paid or received and do not represent the Company's exposure due to credit loss. The Company's interest rate swaps that receive fixed-interest rate payments and pay variable-interest rate payments are designated as fair value hedges. As the specific terms and notional amounts of the derivatives match those of the fixed-rate debt being hedged, the derivatives are assumed to be perfectly effective hedges. Changes in the fair values of these derivatives are recorded in earnings, but are offset

by corresponding changes in the fair values of the hedged items, also recorded in earnings, and, accordingly, do not impact the Company's Consolidated Statements of Income. These derivatives will mature on dates ranging from October 2020 to April 2024.

Net Investment Hedges

The Company is a party to cross-currency interest rate swaps that the Company uses to hedge its net investments. The agreements are contracts to exchange fixed-rate payments in one currency for fixed-rate payments in another currency. All changes in the fair value of these derivatives are recorded in accumulated other comprehensive loss, offsetting the currency translation adjustment of the related investment that is also recorded in accumulated other comprehensive loss. These derivatives will mature on dates ranging from July 2020 to February 2030.

The Company has issued foreign-currency-denominated long-term debt as hedges of net investments of certain of its foreign operations. These foreign-currency-denominated long-term debt issuances are designated and qualify as nonderivative hedging instruments. Accordingly, the foreign currency translation of these debt instruments is recorded in accumulated other comprehensive loss, offsetting the foreign currency translation adjustment of the related net investment that is also recorded in accumulated other comprehensive loss.

Cash Flow Hedges

The Company is a party to receive fixed-rate, pay fixed-rate cross-currency interest rate swaps to hedge the currency exposure associated with the forecasted payments of principal and interest of certain non-U.S. denominated debt. The swaps are designated as cash flow hedges of the currency risk related to payments on the non-U.S. denominated debt. The effective portion of changes in the fair value of derivatives designated as cash flow hedges of foreign exchange risk is recorded in accumulated other comprehensive loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The hedged items are recognized foreign currency-denominated liabilities that are re-measured at spot exchange rates each period, and the assessment of effectiveness (and measurement of any ineffectiveness) is based on total changes in the related derivative's cash flows. As a result, the amount reclassified into earnings each period includes an amount that offsets the related transaction gain or loss arising from that re-measurement and the adjustment to earnings for the period's allocable portion of the initial spot-forward difference associated with the hedging instrument. These derivatives will mature on dates ranging from April 2022 to March 2034.

Financial Statement Presentation

Realized derivative gains and losses are recorded in interest, net, in the Company's Consolidated Statements of Income. Although subject to master netting arrangements, the Company does not offset derivative assets and liabilities in its Consolidated Balance Sheets. Derivatives with an unrealized gain are recorded in the Company's Consolidated Balance Sheets as either current or non-current assets, based on maturity date, and derivatives with an unrealized loss are recorded as either current or non-current liabilities, based on maturity date. Refer to [Note 7](#) for the net presentation of the Company's derivatives. Additionally, the Company records cash collateral received as amounts due to the counterparties exclusive of any derivative asset and records cash collateral it posts with counterparties as amounts receivable from those counterparties exclusive of any derivative liability.

Income Taxes

Income taxes are accounted for under the balance sheet method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences"). Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date.

Deferred tax assets are evaluated for future realization and reduced by a valuation allowance to the extent that a portion is not more likely than not to be realized. Many factors are considered when assessing whether it is more likely than not that the deferred tax assets will be realized, including recent cumulative earnings, expectations of future taxable income, carryforward periods, and other relevant quantitative and qualitative factors. The recoverability of the deferred tax assets is evaluated by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely heavily on estimates.

The Tax Cuts and Jobs Act contains a provision which subjects a US parent of a foreign subsidiary to current US tax on its global intangible low-taxed income ("GILTI"). The GILTI income is eligible for a deduction, which lowers the effective tax rate to 10.5% for calendar years 2018 through 2025 and 13.125% after 2025. The Company will report the tax impact of GILTI as a period cost when incurred. Accordingly, the Company is not providing deferred taxes for basis differences expected to reverse as GILTI.

In determining the provision for income taxes, an annual effective income tax rate is used based on annual income, permanent differences between book and tax income, and statutory income tax rates. Discrete events such as audit settlements or changes in tax laws are recognized in the period in which they occur.

The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company records interest and penalties related to unrecognized tax benefits in interest expense and operating, selling, general and administrative expenses, respectively, in the Company's Consolidated Statements of Income. Refer to [Note 9](#) for additional income tax disclosures.

In February 2018, the FASB issued ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* ("ASU 2018-02"). This ASU provides that the stranded tax effects from the Tax Cuts and Jobs Act of 2017 ("Tax Act") in accumulated other comprehensive loss may be reclassified to retained earnings. The Company adopted this ASU on February 1, 2018, which resulted in an immaterial negative adjustment to retained earnings.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The Company adopted this ASU on February 1, 2018, using the modified retrospective approach and applied this ASU only to contracts not completed as of February 1, 2018. The accounting policies and other disclosures are below as well as the disclosure of disaggregated revenues in [Note 15](#). The impact of adopting this ASU was not material to the Consolidated Financial Statements.

Net Sales

The Company recognizes sales revenue, net of sales taxes and estimated sales returns, at the time it sells merchandise to the customer. eCommerce sales include shipping revenue and are recorded upon delivery to the customer. Additionally, estimated sales returns are calculated based on expected returns.

Membership Fee Revenue

The Company recognizes membership fee revenue both in the U.S. and internationally over the term of the membership, which is typically 12 months. Membership fee revenue was \$1.4 billion for each of fiscal 2019, 2018 and 2017, respectively. Membership fee revenue is included in membership and other income in the Company's Consolidated Statements of Income. Deferred membership fee is included in accrued liabilities in the Company's Consolidated Balance Sheets.

Gift Cards

Customer purchases of gift cards are not recognized as sales until the card is redeemed and the customer purchases merchandise using the gift card. Gift cards in the U.S. and some countries do not carry an expiration date; therefore, customers and members can redeem their gift cards for merchandise and services indefinitely. Gift cards in some countries where the Company does business have expiration dates. While gift cards are generally redeemed within 12 months, a certain number of gift cards, both with and without expiration dates, will not be fully redeemed. Management estimates unredeemed balances and recognizes revenue for these amounts in membership and other income in the Company's Consolidated Statements of Income over the expected redemption period. Management periodically reviews and updates its estimates.

Financial and Other Services

The Company recognizes revenue from service transactions at the time the service is performed. Generally, revenue from services is classified as a component of net sales in the Company's Condensed Consolidated Statements of Income.

Contract Balances

Contract balances as a result of transactions with customers primarily consist of receivables included in receivables, net, and deferred gift card revenue included in accrued liabilities in the Company's Condensed Consolidated Balance Sheets. The following table provides the Company's receivables and deferred gift card revenue from transactions with customers:

<i>(Amounts in millions)</i>	<u>As of January 31, 2019</u>
Assets:	
Receivables from transactions with customers, net	\$ 2,538

Liabilities:

Deferred gift card revenue	\$	1,932
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Cost of Sales

Cost of sales includes actual product cost, the cost of transportation to the Company's distribution facilities, stores and clubs from suppliers, the cost of transportation from the Company's distribution facilities to the stores, clubs and customers and the cost of warehousing for the Sam's Club segment and import distribution centers. Cost of sales is reduced by supplier payments that are not a reimbursement of specific, incremental and identifiable costs.

Payments from Suppliers

The Company receives consideration from suppliers for various programs, primarily volume incentives, warehouse allowances and reimbursements for specific programs such as markdowns, margin protection, advertising and supplier-specific fixtures. Payments from suppliers are accounted for as a reduction of cost of sales, except in certain limited situations when the payment is a reimbursement of specific, incremental and identifiable costs, and are recognized in the Company's Consolidated Statements of Income when the related inventory is sold.

Operating, Selling, General and Administrative Expenses

Operating, selling, general and administrative expenses include all operating costs of the Company, except cost of sales, as described above. As a result, the majority of the cost of warehousing and occupancy for the Walmart U.S. and Walmart International segments' distribution facilities is included in operating, selling, general and administrative expenses. Because the Company only includes a portion of the cost of its Walmart U.S. and Walmart International segments' distribution facilities in cost of sales, its gross profit and gross profit as a percentage of net sales may not be comparable to those of other retailers that may include all costs related to their distribution facilities in cost of sales and in the calculation of gross profit.

Advertising Costs

Advertising costs are expensed as incurred, consist primarily of print, television and digital advertisements and are recorded in operating, selling, general and administrative expenses in the Company's Consolidated Statements of Income. In certain limited situations, reimbursements from suppliers that are for specific, incremental and identifiable advertising costs are recognized as a reduction of advertising costs in operating, selling, general and administrative expenses. Advertising costs were \$3.5 billion, \$3.1 billion and \$2.9 billion for fiscal 2019, 2018 and 2017, respectively.

Currency Translation

The assets and liabilities of all international subsidiaries are translated from the respective local currency to the U.S. dollar using exchange rates at the balance sheet date. Related translation adjustments are recorded as a component of accumulated other comprehensive loss. The Company's Consolidated Statements of Income of all international subsidiaries are translated from the respective local currencies to the U.S. dollar using average exchange rates for the period covered by the income statements.

Recent Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lease assets and liabilities to be recorded on the balance sheet. Certain qualitative and quantitative disclosures are also required. The Company will adopt this ASU and related amendments as of the beginning of the first quarter of the year ending January 31, 2020 ("fiscal 2020") and will be electing certain practical expedients permitted under the transition guidance, including to retain the historical lease classification as well as relief from reviewing expired or existing contracts to determine if they contain leases. The Company will be exempting leases with an initial term of twelve months or less from balance sheet recognition and, for most classes of assets, the Company will be combining non-lease components with lease components. Management has implemented and continues to implement new lease systems in connection with the adoption.

The adoption of this ASU and related amendments will result in total assets and liabilities increasing approximately \$15 billion, which is primarily due to recognizing approximately \$17.5 billion of operating lease assets and liabilities, partially offset by derecognizing approximately \$3 billion of assets and liabilities related to financial obligations connected with the construction of leased stores. Several other line items in the Company's Consolidated Balance Sheet will also be impacted by immaterial amounts. The Company's Consolidated Statements of Income and Consolidated Statements of Cash Flows will not be materially impacted. Finally, management expects the first quarter fiscal 2020 disclosure of future operating commitments to significantly increase compared to the aggregate

minimum rentals disclosed in [Note 11](#), primarily because the new standard requires reasonably assured renewals be included.

Financial Instruments

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which modifies the measurement of expected credit losses of certain financial instruments. The Company will adopt this ASU on February 1, 2020. Management is currently evaluating this ASU to determine its impact to the Company's consolidated financial statements.

Note 2. Net Income Per Common Share

Basic net income per common share attributable to Walmart is based on the weighted-average common shares outstanding during the relevant period. Diluted net income per common share attributable to Walmart is based on the weighted-average common shares outstanding during the relevant period adjusted for the dilutive effect of share-based awards. The Company did not have significant share-based awards outstanding that were antidilutive and not included in the calculation of diluted net income per common share attributable to Walmart for fiscal 2019, 2018 and 2017.

The following table provides a reconciliation of the numerators and denominators used to determine basic and diluted net income per common share attributable to Walmart:

	Fiscal Years Ended January 31,		
	2019	2018	2017
<i>(Amounts in millions, except per share data)</i>			
Numerator			
Consolidated net income	\$ 7,179	\$ 10,523	\$ 14,293
Consolidated net income attributable to noncontrolling interest	(509)	(661)	(650)
Consolidated net income attributable to Walmart	<u>\$ 6,670</u>	<u>\$ 9,862</u>	<u>\$ 13,643</u>
Denominator			
Weighted-average common shares outstanding, basic	2,929	2,995	3,101
Dilutive impact of stock options and other share-based awards	16	15	11
Weighted-average common shares outstanding, diluted	<u>2,945</u>	<u>3,010</u>	<u>3,112</u>
Net income per common share attributable to Walmart			
Basic	\$ 2.28	\$ 3.29	\$ 4.40
Diluted	2.26	3.28	4.38

Note 3. Shareholders' Equity

The total authorized shares of \$0.10 par value common stock is 11.0 billion, of which 2.9 billion and 3.0 billion were issued and outstanding as of January 31, 2019 and 2018, respectively.

Share-Based Compensation

The Company has awarded share-based compensation to associates and nonemployee directors of the Company. The compensation expense recognized for all stock incentive plans, including expense associated with plans of the Company's consolidated subsidiaries granted in the subsidiaries' respective stock, was \$773 million, \$626 million and \$596 million for fiscal 2019, 2018 and 2017, respectively. Share-based compensation expense is generally included in operating, selling, general and administrative expenses in the Company's Consolidated Statements of Income. The total income tax benefit recognized for share-based compensation was \$181 million, \$150 million and \$212 million for fiscal 2019, 2018 and 2017, respectively. The following table summarizes the Company's share-based compensation expense by award type for all plans:

	Fiscal Years Ended January 31,		
	2019	2018	2017
<i>(Amounts in millions)</i>			
Restricted stock and performance share units	\$ 293	\$ 234	\$ 237
Restricted stock units	456	368	332
Other	24	24	27
Share-based compensation expense	<u>\$ 773</u>	<u>\$ 626</u>	<u>\$ 596</u>

The Walmart Inc. Stock Incentive Plan of 2015 (the "Plan"), as amended and restated effective February 23, 2016, as amended further as of February 1, 2017, and as renamed on February 1, 2018, was established to grant stock options, restricted (non-vested) stock, performance share units and other equity compensation awards for which 260 million shares of Walmart common stock issued or to be issued under the Plan have been registered under the Securities Act of 1933, as amended. The Company believes that such awards serve to align the interests of its associates with those of its shareholders.

The Plan's award types are summarized as follows:

- **Restricted Stock and Performance Share Units.** Restricted stock awards are for shares that vest based on the passage of time and include restrictions related to employment. Performance share units vest based on the passage of time and achievement of performance criteria and may range from 0% to 150% of the original award amount. Vesting periods for these awards are generally between one and three years. Restricted stock and performance share units may be settled or deferred in stock and are accounted for as equity in the Company's Consolidated Balance Sheets. The fair value of restricted stock awards is determined on the date of grant and is expensed ratably over the vesting period. The fair value of performance share units is determined on the date of grant using the Company's stock price discounted for the expected dividend yield through the vesting period and is recognized over the vesting period. The weighted-average discount for the dividend yield used to determine the fair value of performance share units in fiscal 2019, 2018 and 2017 was 6.2%, 7.2% and 8.3%, respectively.
- **Restricted Stock Units.** Restricted stock units provide rights to Company stock after a specified service period; generally 50% vest three years from the grant date and the remaining 50% vest five years from the grant date. The fair value of each restricted stock unit is determined on the date of grant using the stock price discounted for the expected dividend yield through the vesting period and is recognized ratably over the vesting period. The expected dividend yield is based on the anticipated dividends over the vesting period. The weighted-average discount for the dividend yield used to determine the fair value of restricted stock units granted in fiscal 2019, 2018 and 2017 was 7.2%, 9.0% and 9.0%, respectively.

In addition to the Plan, the Company's United Kingdom subsidiary has stock option plans for certain colleagues which generally vest over three years. The stock option share-based compensation expense is included in the Other line in the table above.

Flipkart also maintains a stock option plan primarily for the benefit of employees and nonemployee directors under which options to acquire Flipkart common shares may be issued. The grants have no exercise price and no compensation expense was recognized during fiscal 2019 due to a liquidity event performance condition that was not deemed probable of occurrence.

The following table shows the activity for restricted stock and performance share units and restricted stock units during fiscal 2019:

(Shares in thousands)	Restricted Stock and Performance Share Units ⁽¹⁾		Restricted Stock Units	
	Shares	Weighted-Average Grant-Date Fair Value Per Share	Shares	Weighted-Average Grant-Date Fair Value Per Share
Outstanding as of February 1, 2018	8,558	\$ 70.47	24,153	\$ 66.69
Granted	3,600	84.94	7,946	80.94
Vested/exercised	(2,448)	74.67	(5,524)	69.52
Forfeited	(911)	68.24	(2,620)	69.74
Outstanding as of January 31, 2019	8,799	\$ 75.39	23,955	\$ 70.47

(1) Assumes payout rate at 100% for Performance Share Units.

The following table includes additional information related to restricted stock and performance share units and restricted stock units:

(Amounts in millions, except years)	Fiscal Years Ended January 31,		
	2019	2018	2017
Fair value of restricted stock and performance share units vested	\$ 183	\$ 181	\$ 149
Fair value of restricted stock units vested	386	344	261
Unrecognized compensation cost for restricted stock and performance share units	362	291	211
Unrecognized compensation cost for restricted stock units	1,002	972	986
Weighted average remaining period to expense for restricted stock and performance share units (years)	1.1	1.2	1.3
Weighted average remaining period to expense for restricted stock units (years)	1.6	1.8	1.9

Share Repurchase Program

From time to time, the Company repurchases shares of its common stock under share repurchase programs authorized by the Company's Board of Directors. All repurchases made during fiscal year 2019 were made under the current \$20.0 billion share repurchase program approved in October 2017, which has no expiration date or other restrictions limiting the period over which the Company can make share repurchases. As of January 31, 2019, authorization for \$11.3 billion of share repurchases remained under the share repurchase program. Any repurchased shares are constructively retired and returned to an unissued status.

The Company regularly reviews share repurchase activity and considers several factors in determining when to execute share repurchases, including, among other things, current cash needs, capacity for leverage, cost of borrowings, results of operations and the market price of the Company's common stock. The following table provides, on a settlement date basis, the number of shares repurchased, average price paid per share and total amount paid for share repurchases for fiscal 2019, 2018 and 2017:

	Fiscal Years Ended January 31,		
	2019	2018	2017
<i>(Amounts in millions, except per share data)</i>			
Total number of shares repurchased	79.5	104.9	119.9
Average price paid per share	\$ 93.18	\$ 79.11	\$ 69.18
Total cash paid for share repurchases	\$ 7,410	\$ 8,296	\$ 8,298

Note 4. Accumulated Other Comprehensive Loss

The following table provides the changes in the composition of total accumulated other comprehensive loss for fiscal 2019, 2018 and 2017:

<i>(Amounts in millions and net of income taxes)</i>	Currency Translation and Other	Net Investment Hedges	Unrealized Gain on Available-for- Sale Securities	Cash Flow Hedges	Minimum Pension Liability	Total
Balances as of February 1, 2016	\$ (11,690)	\$ 1,022	\$ —	\$ (336)	\$ (593)	\$ (11,597)
Other comprehensive income (loss) before reclassifications, net	(2,817)	413	145	(22)	(389)	(2,670)
Amounts reclassified from accumulated other comprehensive loss, net	—	—	—	43	(8)	35
Balances as of January 31, 2017	(14,507)	1,435	145	(315)	(990)	(14,232)
Other comprehensive income (loss) before reclassifications, net	2,345	(405)	1,501	436	83	3,960
Amounts reclassified from accumulated other comprehensive loss, net	26	—	—	1	64	91
Balances as of January 31, 2018	(12,136)	1,030	1,646	122	(843)	(10,181)
Adoption of new accounting standards on February 1, 2018 ⁽¹⁾	89	93	(1,646)	28	—	(1,436)
Other comprehensive income (loss) before reclassifications, net	(2,093)	272	—	(339)	93	(2,067)
Reclassifications to income, net ⁽²⁾	2,055	—	—	49	38	2,142
Balances as of January 31, 2019	<u>\$ (12,085)</u>	<u>\$ 1,395</u>	<u>\$ —</u>	<u>\$ (140)</u>	<u>\$ (712)</u>	<u>\$ (11,542)</u>

(1) Primarily relates to the adoption of ASU 2016-01 and ASU 2018-02.

(2) Includes a cumulative foreign currency translation loss of \$2.0 billion, for which there was no related income taxes, upon sale of the majority stake in Walmart Brazil (see [Note 13](#)).

The income tax impact for each of the amounts shown in the table above is immaterial. Amounts reclassified from accumulated other comprehensive loss for derivatives are recorded in interest, net, in the Company's Consolidated Statements of Income, and the amounts for the minimum pension liability, as well as the cumulative translation resulting from the disposition of a business, are recorded in other gains and losses in the Company's Consolidated Statements of Income.

Note 5. Accrued Liabilities

The Company's accrued liabilities consist of the following as of January 31, 2019 and 2018:

<i>(Amounts in millions)</i>	January 31,	
	2019	2018
Accrued wages and benefits ⁽¹⁾	\$ 6,504	\$ 6,998
Self-insurance ⁽²⁾	3,979	3,737
Accrued non-income taxes ⁽³⁾	2,979	3,073
Deferred gift card revenue	1,932	2,017
Other ⁽⁴⁾	6,765	6,297
Total accrued liabilities	<u>\$ 22,159</u>	<u>\$ 22,122</u>

(1) Accrued wages and benefits include accrued wages, salaries, vacation, bonuses and other incentive plans.

(2) Self-insurance consists of insurance-related liabilities, such as workers' compensation, general liability, auto liability, product liability and certain employee-related healthcare benefits.

(3) Accrued non-income taxes include accrued payroll, value added, sales and miscellaneous other taxes.

(4) Other accrued liabilities consist of various items such as maintenance, utilities, advertising, interest and legal contingencies.

Note 6. Short-term Borrowings and Long-term Debt

Short-term borrowings consist of commercial paper and lines of credit. Short-term borrowings as of January 31, 2019 and 2018 were \$5.2 billion and \$5.3 billion, respectively, with weighted-average interest rates of 2.7% and 1.5%, respectively.

The Company has various committed lines of credit in the U.S., committed with 22 financial institutions, totaling \$15.0 billion and \$12.5 billion as of January 31, 2019 and 2018, respectively. These committed lines of credit are summarized in the following table:

(Amounts in millions)	January 31, 2019			January 31, 2018		
	Available	Drawn	Undrawn	Available	Drawn	Undrawn
Five-year credit facility ⁽¹⁾	\$ 5,000	\$ —	\$ 5,000	\$ 5,000	\$ —	\$ 5,000
364-day revolving credit facility ⁽¹⁾	10,000	—	10,000	7,500	—	7,500
Total	\$ 15,000	\$ —	\$ 15,000	\$ 12,500	\$ —	\$ 12,500

- (1) In May 2018, the Company renewed and extended its existing five-year credit facility and its existing 364-day revolving credit facility, both of which are used to support its commercial paper program.

The committed lines of credit in the table above mature at various times between May 2019 and May 2023, carry interest rates generally ranging between LIBOR plus 10 basis points and LIBOR plus 75 basis points, and incur commitment fees ranging between 1.5 and 4.0 basis points. In conjunction with the committed lines of credit listed in the table above, the Company has agreed to observe certain covenants, the most restrictive of which relates to the maximum amount of secured debt. Additionally, the Company also maintains other committed lines of credit outside of the U.S., with available amounts of approximately \$3.0 billion and \$4.0 billion as of January 31, 2019 and 2018, respectively, of which approximately \$0.2 billion and no amount was drawn as of January 31, 2019 and 2018, respectively.

Apart from the committed lines of credit, the Company has syndicated and fronted letters of credit available totaling \$1.8 billion as of January 31, 2019 and 2018, of which \$1.6 billion and \$1.5 billion was drawn as of January 31, 2019 and 2018, respectively. The Company also has trade letters of credit, without stated limits, of which \$0.4 billion was drawn as of January 31, 2019 and 2018.

The Company's long-term debt, which includes the fair value instruments further discussed in [Note 8](#), consists of the following as of January 31, 2019 and 2018:

		January 31, 2019		January 31, 2018	
(Amounts in millions)	Maturity Dates By Fiscal Year	Amount	Average Rate ⁽¹⁾	Amount	Average Rate ⁽¹⁾
Unsecured debt					
Fixed	2020 - 2049	\$ 35,816	3.9%	\$ 24,540	3.9%
Variable	2020 - 2022	1,800	2.9%	800	4.1%
Total U.S. dollar denominated		37,616		25,340	
Fixed	2023 - 2030	2,870	3.3%	3,101	3.3%
Variable		—		—	
Total Euro denominated		2,870		3,101	
Fixed	2031 - 2039	3,524	5.4%	3,801	5.4%
Variable		—		—	
Total Sterling denominated		3,524		3,801	
Fixed	2021 - 2028	1,651	0.4%	1,655	0.4%
Variable		—		—	
Total Yen denominated		1,651		1,655	
Total unsecured debt		45,661		33,897	
Total other ⁽²⁾		(265)		(114)	
Total debt		45,396		33,783	
Less amounts due within one year		(1,876)		(3,738)	
Long-term debt		\$ 43,520		\$ 30,045	

- (1) The average rate represents the weighted-average stated rate for each corresponding debt category, based on year-end balances and year-end interest rates. Interest costs are also impacted by certain derivatives described in [Note 8](#).
- (2) Includes deferred loan costs, discounts, fair value hedges, foreign-held debt and secured debt. As of January 31, 2019 and 2018 the Company had secured debt in the amount of \$8 million and \$10 million, respectively, which was collateralized by property that had an aggregate carrying amount of \$82 million and \$101 million, respectively.

As of January 31, 2018, the Company had \$500 million in debt with embedded put options. These bonds matured in June 2018, and were fully repaid. The issuance of money market puttable reset securities in the amount of \$500 million is structured to be remarketed in connection with the annual reset of the interest rate. If, for any reason, the remarketing of the notes does not occur at the time of any interest rate reset, the holders of the notes must sell and the Company must repurchase the notes at par.

Accordingly as of January 31, 2018, this issuance was classified as long-term debt due within one year in the Company's Consolidated Balance Sheets.

Annual maturities of long-term debt during the next five years and thereafter are as follows:

(Amounts in millions)

Fiscal Year	Annual Maturities
2020	\$ 1,876
2021	5,347
2022	3,080
2023	2,844
2024	4,595
Thereafter	27,654
Total	\$ 45,396

Debt Issuances

Information on long-term debt issued during fiscal 2019 to fund a portion of the purchase price for the Flipkart acquisition discussed in [Note 13](#) and for general corporate purposes, is as follows:

(Amounts in millions)

Issue Date	Principal Amount	Maturity Date	Fixed vs. Floating	Interest Rate	Net Proceeds
June 27, 2018	750 USD	June 23, 2020	Floating	Floating	\$ 748
June 27, 2018	1,250 USD	June 23, 2020	Fixed	2.850%	1,247
June 27, 2018	750 USD	June 23, 2021	Floating	Floating	748
June 27, 2018	1,750 USD	June 23, 2021	Fixed	3.125%	1,745
June 27, 2018	2,750 USD	June 26, 2023	Fixed	3.400%	2,740
June 27, 2018	1,500 USD	June 26, 2025	Fixed	3.550%	1,490
June 27, 2018	2,750 USD	June 26, 2028	Fixed	3.700%	2,725
June 27, 2018	1,500 USD	June 28, 2038	Fixed	3.950%	1,473
June 27, 2018	3,000 USD	June 29, 2048	Fixed	4.050%	2,935
Various	21 USD	Various	Various	Various	21
Total					\$ 15,872

The June 2018 issuances are senior, unsecured notes which rank equally with all other senior, unsecured debt obligations of the Company, and are not convertible or exchangeable. These issuances do not contain any financial covenants and do not restrict the Company's ability to pay dividends or repurchase company stock.

During fiscal 2018, significant long-term debt issuances were as follows:

(Amounts in millions)

Issue Date	Principal Amount	Maturity Date	Fixed vs. Floating	Interest Rate	Net Proceeds
July 18, 2017	70,000 JPY	July 15, 2022	Fixed	0.183%	\$ 619
July 18, 2017	40,000 JPY	July 18, 2024	Fixed	0.298%	354
July 18, 2017	60,000 JPY	July 16, 2027	Fixed	0.520%	530
October 20, 2017	300 USD	October 9, 2019	Floating	Floating	299
October 20, 2017	1,200 USD	October 9, 2019	Fixed	1.750%	1,198
October 20, 2017	1,250 USD	December 15, 2020	Fixed	1.900%	1,245
October 20, 2017	1,250 USD	December 15, 2022	Fixed	2.350%	1,245
October 20, 2017	1,000 USD	December 15, 2024	Fixed	2.650%	996
October 20, 2017	1,000 USD	December 15, 2047	Fixed	3.625%	990
Total					\$ 7,476

As described in [Note 8](#), the prior year issuances of foreign-currency-denominated long-term debt are designated as a hedge of the Company's net investment in Japan.

Repayments and Extinguishments

The following table provides details of debt repayments during fiscal 2019:

(Amounts in millions)

Maturity Date	Principal Amount	Fixed vs. Floating	Interest Rate	Repayment
February 15, 2018	1,250 USD	Fixed	5.800%	\$ 1,250
April 11, 2018	1,250 USD	Fixed	1.125%	1,250
June 1, 2018	500 USD	Floating	Floating	500
December 15, 2018	724 USD	Fixed	1.950%	724
Various ⁽¹⁾	60 USD	Various	Various	60
Total				\$ 3,784

(1) Includes repayments of smaller long-term debt as it matured in several non-U.S. operations.

During fiscal 2018, the following long-term debt matured and was repaid:

(Amounts in millions)

Maturity Date	Principal Amount	Fixed vs. Floating	Interest Rate	Repayment ⁽²⁾
April 5, 2017	1,000 USD	Fixed	5.375%	\$ 1,000
April 21, 2017	500 USD	Fixed	1.000%	500
Various ⁽¹⁾	289 USD	Various	Various	289
Total repayment of matured debt				1,789
December 15, 2018	1,000 USD	Fixed	1.950%	\$ 276
February 1, 2019	500 USD	Fixed	4.125%	136
July 8, 2020	1,500 USD	Fixed	3.625%	661
October 25, 2020	1,750 USD	Fixed	3.250%	553
April 15, 2021	1,000 USD	Fixed	4.250%	491
October 16, 2023	250 USD	Fixed	6.750%	98
April 5, 2027	750 USD	Fixed	5.875%	267
February 15, 2030	500 USD	Fixed	7.550%	412
September 4, 2035	2,500 USD	Fixed	5.250%	532
September 28, 2035	1,000 GBP	Fixed	5.250%	260
August 17, 2037	3,000 USD	Fixed	6.500%	1,700
April 15, 2038	2,000 USD	Fixed	6.200%	1,081
January 19, 2039	1,000 GBP	Fixed	4.875%	851
April 2, 2040	1,250 USD	Fixed	5.625%	499
July 9, 2040	750 USD	Fixed	4.875%	372
October 25, 2040	1,250 USD	Fixed	5.000%	731
April 15, 2041	2,000 USD	Fixed	5.625%	1,082
April 11, 2043	1,000 USD	Fixed	4.000%	291
October 2, 2043	750 USD	Fixed	4.750%	481
April 22, 2044	1,000 USD	Fixed	4.300%	498
Total repayment of extinguished debt				11,272
Total				\$ 13,061

(1) Includes repayments of smaller long-term debt as it matured in several non-U.S. operations.

(2) Represents portion of the principal amount repaid during fiscal 2018.

In fiscal 2018, in connection with extinguishing debt, the Company paid premiums of approximately \$3.1 billion which resulted in a loss on extinguishment of debt of approximately \$3.1 billion.

Note 7. Fair Value Measurements

Assets and liabilities recorded at fair value are measured using the fair value hierarchy, which prioritizes the inputs used in measuring fair value. The levels of the fair value hierarchy are:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3: unobservable inputs for which little or no market data exists, therefore requiring the Company to develop its own assumptions.

The Company measures the fair value of equity investments (primarily its investment in JD) on a recurring basis and records them in other long-term assets in the accompanying Consolidated Balance Sheets. Measurement details about the Company's two portions of the investment in JD are as follows:

- The purchased portion of the investment in JD measured using Level 1 inputs, which prior to fiscal 2019 was classified as available-for-sale with changes in fair value recognized through other comprehensive income; and
- The portion of the investment in JD received in exchange for selling certain assets related to Yihaodian, the Company's former eCommerce operation in China, measured using Level 2 inputs. Fair value is determined primarily using quoted prices in active markets for similar assets. Prior to fiscal 2019, the investment was carried at cost.

Information for the cost basis, carrying value and fair value of the Company's investment in JD is as follows:

<i>(Amounts in millions)</i>	Cost Basis	Carrying Value as of January 31, 2018	Fair Value as of February 1, 2018	Fair Value as of January 31, 2019
Investment in JD measured using Level 1 inputs	\$ 1,901	\$ 3,547	\$ 3,547 ⁽¹⁾	\$ 1,791
Investment in JD measured using Level 2 inputs	1,490	1,490	3,559 ⁽²⁾	1,792
Total	\$ 3,391	\$ 5,037	\$ 7,106	\$ 3,583 ⁽³⁾

(1) Fair value was already recognized on the balance sheet. Upon adoption of the new financial instrument standard on February 1, 2018, the excess of fair value over cost was reclassified from accumulated other comprehensive loss to retained earnings.

(2) Upon adoption of the new financial instrument standard on February 1, 2018, the excess of fair value over cost was recognized by increasing the carrying value of the asset and retained earnings.

(3) The decreases in fair value from February 1, 2018 to January 31, 2019 of \$3.5 billion was recognized in net income and included in other gains and losses in the Company's Consolidated Statements of Income.

The Company also has derivatives. Derivative fair values are the estimated amounts the Company would receive or pay upon termination of the related derivative agreements as of the reporting dates. The fair values have been measured using the income approach and Level 2 inputs, which include the relevant interest rate and foreign currency forward curves. As of January 31, 2019 and January 31, 2018, the notional amounts and fair values of these derivatives were as follows:

<i>(Amounts in millions)</i>	January 31, 2019		January 31, 2018	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Receive fixed-rate, pay variable-rate interest rate swaps designated as fair value hedges	\$ 4,000	\$ (78)	\$ 4,000	\$ (91)
Receive fixed-rate, pay fixed-rate cross-currency swaps designated as net investment hedges	2,250	334	2,250	208
Receive fixed-rate, pay fixed-rate cross-currency swaps designated as cash flow hedges	4,173	(272)	4,523	205
Total	\$ 10,423	\$ (16)	\$ 10,773	\$ 322

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company's assets and liabilities are also subject to nonrecurring fair value measurements. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges.

As discussed in [Note 13](#), the Company sold the majority stake in Walmart Brazil during fiscal 2019. The assets of the disposal group totaled \$3.3 billion and were comprised of \$1.0 billion in current assets, \$1.6 billion in property and equipment and property under capital lease and financing obligations, net, and \$0.7 billion of other long-term assets. When measured as held for sale, these assets were fully impaired as the carrying value of the disposal group exceeded the fair value, less costs to sell and contributed to a pre-tax net loss of \$4.8 billion in the Walmart International segment, which was recorded in other gains and losses in the Company's Consolidated Statement of Income. Other impairment charges to assets measured at fair value on a nonrecurring basis during fiscal 2019 were immaterial.

For the fiscal year ended January 31, 2018, the Company recorded impairment charges related to assets measured at fair value on a non-recurring basis of approximately \$1.4 billion primarily related to the following:

- in the Sam's Club segment as discussed in [Note 14](#), \$0.6 billion for restructuring charges for closures of underperforming clubs; the impaired assets consisted primarily of buildings and related store fixtures, and leased assets of its retail operations;
- in the Walmart International segment as discussed in [Note 14](#), \$0.2 billion for restructuring charges for the wind-down of the Brazil first-party eCommerce business; the impaired assets consisted primarily of fixtures and equipment; and
- immaterial discontinued real estate projects in the Walmart U.S. and Sam's Club segments and decisions to exit certain international properties in the Walmart International segment.

These impairment charges were classified in operating, selling, general and administrative expenses in the Company's Consolidated Statements of Income. The fair value was determined based on comparable market values of similar properties or on a rental income approach, using Level 2 inputs. Impairment charges not related to restructuring or decisions to exit properties for fiscal 2018 were not material.

Other Fair Value Disclosures

The Company records cash and cash equivalents, restricted cash and short-term borrowings at cost. The carrying values of these instruments approximate their fair value due to their short-term maturities.

The Company's long-term debt is also recorded at cost. The fair value is estimated using Level 2 inputs based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. The carrying value and fair value of the Company's long-term debt as of January 31, 2019 and 2018, are as follows:

(Amounts in millions)	January 31, 2019		January 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including amounts due within one year	\$ 45,396	\$ 49,570	\$ 33,783	\$ 38,766

Note 8. Derivatives

In connection with various derivative agreements, including master netting arrangements, the Company held cash collateral from counterparties of \$220 million and \$279 million as of January 31, 2019 and January 31, 2018, respectively. Furthermore, as part of the master netting arrangements with each of these counterparties, the Company is also required to post collateral with a counterparty if the Company's net derivative liability position exceeds \$150 million with such counterparties. The Company did not have any cash collateral posted with counterparties as of January 31, 2019 and January 31, 2018, respectively.

As of January 31, 2019 and January 31, 2018, the Company had ¥180 billion of outstanding long-term debt designated as a hedge of its net investment in Japan, as well as outstanding long-term debt of £1.7 billion as of January 31, 2019 and January 31, 2018 that was designated as a hedge of its net investment in the United Kingdom. These nonderivative net investment hedges will mature on dates ranging from July 2020 to January 2039.

The Company's derivatives, as well as its nonderivative debt instruments designated and qualifying as net investment hedges, were classified as follows as of January 31, 2019 and 2018 in the Company's Consolidated Balance Sheets:

(Amounts in millions)	January 31, 2019			January 31, 2018		
	Fair Value Hedges	Net Investment Hedges	Cash Flow Hedges	Fair Value Hedges	Net Investment Hedges	Cash Flow Hedges
Derivatives						
Derivative assets:						
Other long-term assets	\$ —	\$ 334	\$ 78	\$ —	\$ 208	\$ 300
Derivative liabilities:						
Deferred income taxes and other	78	—	350	91	—	95
Nonderivative hedging instruments						
Long-term debt	—	3,863	—	—	4,041	—

Amounts related to the Company's derivatives expected to be reclassified from accumulated other comprehensive loss to net income during the next 12 months are not significant.

Note 9. Taxes

The components of income before income taxes are as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2019	2018	2017
U.S.	15,875	10,722	15,680
Non-U.S.	(4,415)	4,401	4,817
Total income before income taxes	11,460	15,123	20,497

A summary of the provision for income taxes is as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2019	2018	2017
Current:			
U.S. federal	\$ 2,763	\$ 2,998	\$ 3,454
U.S. state and local	493	405	495
International	1,495	1,377	1,510
Total current tax provision	4,751	4,780	5,459
Deferred:			
U.S. federal	(361)	(22)	1,054
U.S. state and local	(16)	(12)	51
International	(93)	(146)	(360)
Total deferred tax expense (benefit)	(470)	(180)	745
Total provision for income taxes	\$ 4,281	\$ 4,600	\$ 6,204

In December 2017, the Tax Act was enacted and significantly changed U.S. income tax law. Beginning January 2018, the Tax Act reduced the U.S. statutory tax rate and created new taxes focused on foreign-sourced earnings and related-party payments, including the creation of the base erosion anti-abuse tax and a new tax on global intangible low-taxed income ("GILTI"). In addition, the Company was subject to a one-time transition tax in fiscal 2018 on accumulated foreign subsidiary earnings not previously subject to U.S. income tax.

The SEC staff issued Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act* ("SAB 118"), which allowed companies to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, the Company made reasonable estimates of the effects and recorded provisional amounts in its financial statements as of January 31, 2018, in accordance with SAB 118. The Company elected to apply the measurement period provisions of this guidance to certain income tax effects of the Tax Act when it became effective. The provisional measurement period ended in the fourth quarter of fiscal 2019. While management believes the Company's accounting for Tax Reform is complete, it is based on prevailing regulations and currently available information, and any additional guidance issued by the IRS could impact the aforementioned amounts in future periods. The net tax benefit recognized in fiscal 2018 related to the Tax Act was \$207 million, and in fiscal 2019, the Company recorded \$442 million of additional tax expense related to the Tax Act, included as a component of provision for income taxes .

One-time Transition Tax

The Tax Act required the Company to pay U.S. income taxes on accumulated foreign subsidiary earnings not previously subject to U.S. income tax at a rate of 15.5% to the extent of foreign cash and certain other net current assets, as defined by the Tax Act, and 8.0% on the remaining earnings. In fiscal 2018, the Company recorded a provisional amount of \$1.9 billion of additional income tax expense for its one-time transitional tax liability. The Company finalized the calculations of the Transition Tax liability and increased the provisional amount by \$413 million, with the increase included as a component of provision for income taxes in fiscal 2019.

Deferred Tax Effects

The Tax Act reduced the U.S. statutory tax rate from 35.0% to 21.0%, beginning January 2018. Accordingly, the Company re-measured its deferred taxes as of January 31, 2018, to reflect the reduced rate that will apply in future periods when these deferred taxes are settled or realized. In fiscal 2018, the Company recognized a deferred tax benefit of \$2.1 billion to reflect the reduced U.S. tax rate and other effects of the Tax Act. In fiscal 2018, the Company made no provisional adjustment with respect to the GILTI provision of the Tax Act. Upon finalizing the provisional accounting for the remeasurement of U.S. deferred tax assets and liabilities in fiscal 2019, the Company recorded an additional tax benefit of \$75 million, which is included as a component of provision for income taxes.

Effective Income Tax Rate Reconciliation

In the past, the Company's effective income tax rate was typically lower than the U.S. statutory tax rate primarily because of benefits from lower-taxed global operations, including the use of global funding structures and certain U.S. tax credits as further discussed in the "Cash and Cash Equivalents" section of [Note 1](#). However, beginning January 2018, the US statutory rate of 21.0% generally falls below statutory rates in international jurisdictions. A reconciliation of the significant differences between the U.S. statutory tax rate and the effective income tax rate on pretax income from continuing operations is as follows:

	Fiscal Years Ended January 31,		
	2019	2018	2017
U.S. statutory tax rate	21.0 %	33.8 %	35.0 %
U.S. state income taxes, net of federal income tax benefit	3.3 %	1.8 %	1.7 %
Impact of the Tax Act:			
One-time transition tax	3.6 %	12.3 %	— %
Deferred tax effects	(0.7) _%	(14.1) _%	— %
Income taxed outside the U.S.	(3.5) _%	(6.3) _%	(4.5) _%
Disposition of Walmart Brazil	6.7 %	— %	— %
Valuation allowance	6.4 %	2.1 %	— %
Net impact of repatriated international earnings	0.8 %	(0.1) _%	(1.0) _%
Federal tax credits	(1.2) _%	(0.9) _%	(0.6) _%
Other, net	1.0 %	1.8 %	(0.3) _%
Effective income tax rate	37.4 %	30.4 %	30.3 %

Deferred Taxes

The significant components of the Company's deferred tax account balances are as follows:

(Amounts in millions)	January 31,	
	2019	2018
Deferred tax assets:		
Loss and tax credit carryforwards	\$ 2,964	\$ 1,989
Accrued liabilities	2,135	2,482
Share-based compensation	245	217
Other	1,131	1,251
Total deferred tax assets	6,475	5,939
Valuation allowances	(2,448)	(1,843)
Deferred tax assets, net of valuation allowances	4,027	4,096
Deferred tax liabilities:		
Property and equipment	4,175	3,954
Acquired intangibles	2,099	401
Inventory	1,354	1,153
Other	899	540
Total deferred tax liabilities	8,527	6,048
Net deferred tax liabilities	\$ 4,500	\$ 1,952

The deferred taxes noted above are classified as follows in the Company's Consolidated Balance Sheets:

(Amounts in millions)	January 31,	
	2019	2018
Balance Sheet classification		

Assets:

Other long-term assets	\$	1,796	\$	1,879
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Liabilities:

Deferred income taxes and other		6,296		3,831
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Net deferred tax liabilities	\$	4,500	\$	1,952
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Unremitted Earnings

Prior to the Tax Act, the Company asserted that all unremitted earnings of its foreign subsidiaries were considered indefinitely reinvested. As a result of the Tax Act, the Company reported and paid U.S. tax on the majority of its previously unremitted foreign earnings. During fiscal 2019, the Company repatriated to the U.S. \$5.3 billion of cash relating to fiscal 2019 and prior earnings at a tax cost of approximately \$40 million. As of January 31, 2019, the Company has not recorded approximately \$3 billion of deferred tax liabilities associated with remaining unremitted foreign earnings considered indefinitely reinvested, for which U.S. and foreign income and withholding taxes would be due upon repatriation.

Net Operating Losses, Tax Credit Carryforwards and Valuation Allowances

As of January 31, 2019, the Company had net operating loss and capital loss carryforwards totaling \$12.2 billion. Of these carryforwards, \$8.0 billion will expire, if not utilized, in various years through 2039. The remaining carryforwards have no expiration. As of January 31, 2019, the Company's transition tax calculation fully utilized all foreign tax credit carryforwards.

The recoverability of these future tax deductions and credits is evaluated by assessing the adequacy of future expected taxable income from all sources, including taxable income in prior carryback years, reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. To the extent the Company does not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established. To the extent that a valuation allowance has been established and it is subsequently determined that it is more likely than not that the deferred tax assets will be recovered, the valuation allowance will be released.

The Company had valuation allowances of \$2.4 billion and \$1.8 billion as of January 31, 2019 and 2018, respectively, on deferred tax assets associated primarily with net operating loss carryforwards for which management has determined it is more likely than not that the deferred tax assets will not be realized. Net activity in the valuation allowance during fiscal 2019 related to the acquisition of Flipkart and disposal of Walmart Brazil, changes in judgment regarding the future realization of deferred tax assets, releases arising from the use of deferred tax assets and decreases due to operating loss expirations and fluctuations in currency exchange rates. Management believes that it is more likely than not that the remaining deferred tax assets will be fully realized.

Uncertain Tax Positions

The benefits of uncertain tax positions are recorded in the Company's Consolidated Financial Statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities.

As of January 31, 2019 and 2018, the amount of unrecognized tax benefits related to continuing operations was \$1.3 billion and \$1.0 billion, respectively. The amount of unrecognized tax benefits that would affect the Company's effective income tax rate was \$1.1 billion and \$690 million as of January 31, 2019 and 2018, respectively.

A reconciliation of unrecognized tax benefits from continuing operations is as follows:

	Fiscal Years Ended January 31,		
	2019	2018	2017
(Amounts in millions)			
Unrecognized tax benefits, beginning of year	\$ 1,010	\$ 1,050	\$ 607
Increases related to prior year tax positions	620	130	388
Decreases related to prior year tax positions	(107)	(254)	(32)
Increases related to current year tax positions	203	122	145
Settlements during the period	(390)	(23)	(46)
Lapse in statutes of limitations	(31)	(15)	(12)
Unrecognized tax benefits, end of year	<u>\$ 1,305</u>	<u>\$ 1,010</u>	<u>\$ 1,050</u>

Interest expense and penalties related to these positions were immaterial for fiscal 2019, 2018 and 2017. During the next twelve months, it is reasonably possible that tax audit resolutions could reduce unrecognized tax benefits by an immaterial amount, either because the tax positions are sustained on audit or because the Company agrees to their disallowance. The Company is focused on resolving tax audits as expeditiously as possible. As a result of these efforts, unrecognized tax benefits could potentially be reduced beyond the provided range during the next twelve months. The Company does not expect any change to have a material impact to its Consolidated Financial Statements.

The Company remains subject to income tax examinations for its U.S. federal income taxes generally for fiscal 2014 through 2019. The Company also remains subject to income tax examinations for international income taxes for fiscal 2012 through 2019, and for U.S. state and local income taxes generally for the fiscal years ended 2013 through 2019.

Other Taxes

The Company is subject to tax examinations for value added, sales-based, payroll and other non-income taxes. A number of these examinations are ongoing in various jurisdictions. In certain cases, the Company has received assessments from the respective taxing authorities in connection with these examinations. Unless otherwise indicated, the possible losses or range of possible losses associated with these matters are individually immaterial, but a group of related matters, if decided adversely to the Company, could result in a liability material to the Company's Consolidated Financial Statements.

Note 10. Contingencies

Legal Proceedings

The Company is involved in a number of legal proceedings. The Company has made accruals with respect to these matters, where appropriate, which are reflected in the Company's Consolidated Financial Statements. For some matters, a liability is not probable or the amount cannot be reasonably estimated and therefore an accrual has not been made. However, where a liability is reasonably possible and may be material, such matters have been disclosed. The Company may enter into discussions regarding settlement of these matters, and may enter into settlement agreements, if it believes settlement is in the best interest of the Company and its shareholders.

Unless stated otherwise, the matters discussed below, if decided adversely to or settled by the Company, individually or in the aggregate, may result in a liability material to the Company's financial condition or results of operations.

ASDA Equal Value Claims

ASDA Stores, Ltd. ("Asda"), a wholly-owned subsidiary of the Company, is a defendant in nearly 30,000 "equal value" claims that are proceeding before an Employment Tribunal in Manchester (the "Employment Tribunal") in the United Kingdom ("UK") on behalf of current and former Asda store employees, and further claims may be asserted in the future. The claimants allege that the work performed by female employees in Asda's retail stores is of equal value in terms of, among other things, the demands of their jobs compared to that of male employees working in Asda's warehouse and distribution facilities, and that the disparity in pay between these different job positions is not objectively justified. As a result, claimants are requesting differential back pay based on higher wage rates in the warehouse and distribution facilities and higher wage rates on a prospective basis.

On March 23, 2015, Asda asked the Employment Tribunal to stay all proceedings and to "strike out" substantially all of the claims because the claimants had not adhered to the Tribunal's procedural rule for including multiple claimants on the same claim form. On July 23, 2015, the Employment Tribunal denied Asda's requests. Following additional proceedings, on June 20, 2017, the Employment Appeal Tribunal ruled in favor of Asda on the "strike out" issue and remitted the matter to the Employment Tribunal to determine whether the improperly filed claims should be struck out. On July 12, 2017, claimants sought permission from the Court of Appeals to appeal this ruling, which was granted on October 3, 2017. A hearing before the Court of Appeals on the "strike out" issue was held on October 23, 2018. On January 17, 2019, the Court of Appeals declined to strike out any claims relying on the Employment Tribunal's finding that claimants had not deliberately disregarded the Tribunal's procedural rule.

As to the initial phase of the Equal Value claims, on October 14, 2016, following a preliminary hearing, the Employment Tribunal ruled that claimants could compare their positions in Asda's retail stores with those of employees in Asda's warehouse and distribution facilities. On August 31, 2017, the Employment Appeal Tribunal affirmed the Employment Tribunal's ruling and also granted permission for Asda to appeal substantially all of its findings. Asda sought permission to appeal the remainder of the Employment Appeal Tribunal's findings to the Court of Appeals. A hearing before the Court of Appeals on the comparability findings was held on October 10, 2018 and the Court of Appeals upheld the Employment Tribunal's findings.

Claimants are now proceeding in the next phase of their claims. That phase will determine whether the work performed by the claimants is of equal value to the work performed by employees in Asda's warehouse and distribution facilities.

At present, the Company cannot predict the number of such claims that may be filed, and cannot reasonably estimate any loss or range of loss that may arise from these proceedings. The Company believes it has substantial factual and legal defenses to these claims, and intends to defend the claims vigorously.

National Prescription Opiate Litigation and Related Matters

In December 2017, the United States Judicial Panel on Multidistrict Litigation consolidated numerous lawsuits filed against a wide array of defendants by various plaintiffs, including counties, cities, healthcare providers, Native American tribes, individuals, and third-party payors, asserting claims generally concerning the impacts of widespread opioid abuse. The consolidated multidistrict litigation is entitled *In re National Prescription Opiate Litigation (MDL No. 2804)*, and is pending in the U.S. District Court for the Northern District of Ohio. The Company is named as a defendant in some of the cases included in this multidistrict litigation. Similar cases that name the Company have also been filed in state courts by state, local and tribal governments, health care providers and other plaintiffs. Plaintiffs are seeking compensatory and punitive damages, as well as injunctive relief including abatement. The Company cannot predict the number of such claims that may be filed, but believes it has substantial factual and legal defenses to these claims, and intends to defend the claims vigorously. The Company has also been responding to subpoenas, information requests and investigations from governmental entities related to nationwide controlled substance dispensing and distribution practices involving opioids. The Company cannot reasonably estimate any loss or range of loss that may arise from these matters. Accordingly, the Company can provide no assurance as to the scope and outcome of these matters and no assurance as to whether its business, financial position, results of operations or cash flows will not be materially adversely affected.

FCPA Investigation and Related Matters

The Audit Committee (the "Audit Committee") of the Board of Directors of the Company has been conducting an internal investigation into, among other things, alleged violations of the U.S. Foreign Corrupt Practices Act ("FCPA") and other alleged crimes or misconduct in connection with foreign subsidiaries, including Wal-Mart de México, S.A.B. de C.V. ("Walmex"), and whether prior allegations of such violations and/or misconduct were appropriately handled by the Company. The Audit Committee and the Company have engaged outside counsel from a number of law firms and other advisors who are assisting in the on-going investigation of these matters.

The Company has also been conducting a voluntary global review of its policies, practices and internal controls for anti-corruption compliance. The Company is engaged in strengthening its global anti-corruption compliance program through appropriate remedial anti-corruption measures. In November 2011, the Company voluntarily disclosed that investigative activity to the U.S. Department of Justice (the "DOJ") and the Securities and Exchange Commission (the "SEC"). Since the implementation of the global review and the enhanced anti-corruption compliance program, the Audit Committee and the Company have identified or been made aware of additional allegations regarding potential violations of the FCPA. When such allegations have been reported or identified, the Audit Committee and the Company, together with their third party advisors, have conducted inquiries and when warranted based on those inquiries, opened investigations. Inquiries or investigations regarding allegations of potential FCPA violations were commenced in a number of foreign markets where the Company operates or has operated, including, but not limited to, Brazil, China and India.

As previously disclosed, the Company is under investigation by the DOJ and the SEC regarding possible violations of the FCPA. The Company has been cooperating with the agencies and discussions have been ongoing regarding the resolution of these matters. These discussions have progressed to a point that, in fiscal 2018, the Company reasonably estimated a probable loss and recorded an aggregate accrual of \$283 million with respect to these matters (the "Accrual"). As the discussions are continuing, there can be no assurance as to the timing or the terms of the final resolution of these matters.

A number of federal and local government agencies in Mexico also investigated these matters. Walmex cooperated with the Mexican governmental agencies that conducted these investigations.

Furthermore, lawsuits relating to the matters under investigation were filed by several of the Company's shareholders against Walmart, certain current and former directors and former officers and certain of Walmex's former officers. These matters have been resolved or immaterial accruals have been made for proposed settlements.

The Company could be exposed to a variety of negative consequences as a result of the matters noted above. There could be one or more enforcement actions in respect of the matters that are the subject of some or all of the on-going government investigations, and such actions, if brought, may result in judgments, settlements, fines, penalties, injunctions, cease and desist orders, debarment or other relief, criminal convictions and/or penalties and shareholder lawsuits may result in judgments against the Company and its current and former directors and officers named in those proceedings. The Company expects that there will be on-going media and governmental interest, including additional news articles from media publications on these matters, which could impact the perception among certain audiences of the Company's role as a corporate citizen.

In addition, the Company has incurred and expects to continue to incur costs in responding to requests for information or subpoenas seeking documents, testimony and other information in connection with the government investigations, in defending the shareholder lawsuits, and in conducting the review and investigations. These costs will be expensed as incurred. For the fiscal years ended January 31, 2019, 2018 and 2017, the Company incurred the following third-party expenses in connection with the FCPA investigation and related matters:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2019	2018	2017
Ongoing inquiries and investigations	\$ 17	\$ 26	\$ 80
Global compliance program and organizational enhancements	13	14	19
Total	\$ 30	\$ 40	\$ 99

The Company does not presently believe that these matters, including the Accrual (and the payment of the Accrual at some point-in-time in the future), will have a material adverse effect on its business, financial position, results of operations or cash flows, although given the inherent uncertainties in such situations, the Company can provide no assurance that these matters will not be material to its business, financial position, results of operations or cash flows in the future.

Note 11. Commitments

Rentals (including amounts applicable to taxes, insurance, maintenance, other operating expenses and contingent rentals) under operating leases and other short-term rental arrangements were \$3.0 billion, \$2.9 billion and \$2.6 billion in fiscal 2019, 2018 and 2017, respectively.

Aggregate minimum annual rentals as of January 31, 2019, under non-cancelable leases are as follows:

Fiscal Year	(Amounts in millions)	
	Operating Leases ⁽¹⁾	Capital Lease and Financing Obligations
2020	\$ 1,856	\$ 917
2021	1,655	856
2022	1,420	794
2023	1,233	667
2024	1,063	593
Thereafter	6,891	6,069
Total minimum rentals	\$ 14,118	\$ 9,896
Less estimated executory costs		23
Net minimum lease payments		9,873
Financing obligation noncash gains and other		2,278
Less imputed interest		(4,739)
Present value of minimum lease payments		\$ 7,412

- (1) Represents minimum contractual obligation for non-cancelable leases with initial or remaining terms greater than 12 months as of January 31, 2019.

Certain of the Company's leases provide for the payment of contingent rentals based on a percentage of sales. Such contingent rentals were not material for fiscal 2019, 2018 and 2017. Substantially all of the Company's store leases have renewal options, some of which may trigger an escalation in rentals.

Note 12. Retirement-Related Benefits

The Company offers a 401(k) plan for associates in the U.S. under which eligible associates can begin contributing to the plan immediately upon hire. The Company also offers a 401(k) type plan for associates in Puerto Rico under which associates can begin to contribute generally after one year of employment. Under these plans, after one year of employment, the Company matches 100% of participant contributions up to 6% of annual eligible earnings. The matching contributions immediately vest at 100% for each associate. Participants can contribute up to 50% of their pretax earnings, but not more than the statutory limits.

Associates in international countries who are not U.S. citizens are covered by various defined contribution post-employment benefit arrangements. These plans are administered based upon the legislative and tax requirements in the countries in which they are established.

The following table summarizes the contribution expense related to the Company's defined contribution plans for fiscal 2019, 2018 and 2017:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2019	2018	2017
Defined contribution plans:			
U.S.	\$ 1,165	\$ 1,124	\$ 1,064
International	126	126	173
Total contribution expense for defined contribution plans	\$ 1,291	\$ 1,250	\$ 1,237

Additionally, the Company's subsidiaries in the United Kingdom and Japan have sponsored defined benefit pension plans. The plan in the United Kingdom was overfunded by \$326 million and \$97 million as of January 31, 2019 and 2018, respectively. The plan in Japan was underfunded by \$175 million and \$184 million as of January 31, 2019 and 2018, respectively. Overfunded amounts are recorded as assets in the Company's Consolidated Balance Sheets in other assets and deferred charges. Underfunded amounts are recorded as liabilities in the Company's Consolidated Balance Sheets in deferred income taxes and other. Certain other international operations also have defined benefit arrangements that are not significant.

Note 13. Acquisitions, Disposals and Related Items

The following significant transactions impact, or are expected to impact, the operations of the Company's Walmart International segment. Other immaterial transactions have also occurred or been announced.

Walmart Brazil

In August 2018, the Company sold an 80 percent stake of Walmart Brazil to Advent International ("Advent"). Under the terms, Advent agreed to contribute additional capital to the business over a three-year period and Walmart agreed to indemnify Advent for certain matters. Additionally, the Company may receive up to approximately \$250 million in contingent consideration. The disposal group consisted of the following:

- Assets of \$3.3 billion, which were fully impaired as discussed in [Note 7](#) upon meeting the held for sale criteria;
- Liabilities of \$1.3 billion, consisting of \$0.7 billion in accounts payable and accrued liabilities, \$0.1 billion of capital lease and financing obligations, and \$0.5 billion of deferred taxes and other long-term liabilities; and
- Cumulative foreign currency translation loss of \$2.0 billion, which was reclassified from accumulated other comprehensive loss (see [Note 4](#)).

As a result, the Company recorded a pre-tax net loss of \$4.8 billion during during fiscal 2019 in other gains and losses in the Company's Consolidated Statement of Income. In calculating the loss, the fair value of the disposal group was reduced by \$0.8 billion related to an indemnity, for which a liability was recognized upon closing and is recorded in deferred income taxes and other in the Company's Consolidated Balance Sheets. Under the indemnity, the Company will indemnify Advent for certain pre-closing tax and legal contingencies and other matters for up to R\$2.3 billion, adjusted for interest based on the Brazilian interbank deposit rate.

The Company deconsolidated the financial statements of Walmart Brazil during the third quarter of fiscal 2019 and began accounting for its remaining 20 percent ownership interest, determined to have no initial fair value, using the equity method of accounting.

Flipkart

In August 2018, the Company acquired 81 percent of the outstanding shares, or 77 percent of the diluted shares, of Flipkart, an Indian-based eCommerce marketplace, for cash consideration of approximately \$16 billion. The acquisition increases the Company's investment in India, a large, growing economy. The purchase price allocation, which is still preliminary primarily due to certain tax items, is as follows:

- Assets of \$24.1 billion, which comprise primarily of \$2.2 billion in cash and cash equivalents, \$2.8 billion in other current assets, \$5.0 billion in intangible assets and \$13.6 billion in goodwill. Of the intangible assets, \$4.7 billion represents the fair value of trade names, each with an indefinite life, which were estimated using the income approach based on Level 3 unobservable inputs. The remaining \$0.3 billion of

intangible assets primarily relate to acquired technology with a life of 3 years. The goodwill arising from the acquisition consists largely of anticipated synergies and economies of scale primarily related to procurement and logistics and is not expected to be deductible for tax purposes;

- Liabilities of \$3.7 billion, which comprise primarily of \$1.8 billion of current liabilities and \$1.8 billion of deferred income taxes; and
- Noncontrolling interest of \$4.3 billion, for which the fair value was estimated using the income approach based on Level 3 unobservable inputs.

The Company began consolidating the financial statements of Flipkart in the third quarter of fiscal 2019, using a one-month lag. To finance the acquisition, the Company used a combination of cash provided by long-term debt as discussed in [Note 6](#) and cash on hand. The Flipkart results of operations since acquisition and the pro forma financial information are immaterial.

Asda

In April 2018, the Company entered into a definitive agreement and announced the proposed combination of J Sainsbury plc and Asda Group Limited ("Asda Group"), the Company's wholly owned UK retail subsidiary. Under the terms of the combination, the Company would receive approximately 42 percent of the share capital of the combined company. In addition, the Company would receive approximately £3 billion in cash, subject to customary closing adjustments, and retain obligations under the Asda Group defined benefit pension plan. Due to a complex regulatory review process, the outcome of which continues to be uncertain, the held for sale classification criteria for the disposal group was not met as of January 31, 2019. If the transaction closes, the Company would deconsolidate the financial statements of Asda Group and account for the ongoing investment in the combined company using the equity method of accounting.

Suburbia

In April 2017, the Company sold Suburbia, the apparel retail division in Mexico, for \$1.0 billion. As part of the sales agreement, the Company is also leasing certain real estate to the purchaser. The sale resulted in a pre-tax gain of \$0.7 billion, of which \$0.4 billion was recognized in the second quarter of fiscal 2018 in membership and other income, and the remainder was deferred and is being recognized over the lease terms of approximately 20 years.

Yihaodian and JD

In June 2016, the Company sold certain assets relating to Yihaodian, its eCommerce operations in China, including the Yihaodian brand, website and application, to JD in exchange for Class A ordinary shares of JD, valued at \$1.5 billion, representing approximately five percent of JD's outstanding ordinary shares on a fully diluted basis. The sale resulted in the recognition of a \$535 million noncash gain, which was included in membership and other income in the accompanying Consolidated Statements of Income. Subsequently, during fiscal 2017, the Company purchased \$1.9 billion of additional JD shares, representing an incremental ownership percentage of approximately five percent, for a total ownership of approximately ten percent of JD's outstanding ordinary shares.

The following significant transaction primarily impacts the Company's Walmart U.S. segment. Other immaterial transactions have also occurred or been announced.

Jet.com, Inc.

In September 2016, the Company completed the acquisition of jet.com, a U.S.-based eCommerce company. The integration of jet.com into the Walmart U.S. segment is building upon the current eCommerce foundation, allowing for synergies from talent, logistical operations and access to a broader customer base. The total purchase price for the acquisition was \$2.4 billion, net of cash acquired. The allocation of the purchase price includes \$1.7 billion in goodwill and \$0.6 billion in intangible assets. As part of the transaction, the Company is paying additional compensation of approximately \$0.8 billion over a five year period.

Note 14. Restructuring Charges

In fiscal 2018, the Company announced several organizational changes to position the business for more efficient growth going forward. As a result, the Company recorded \$1.2 billion in pre-tax restructuring charges in fiscal 2018 as follows:

	Fiscal Year Ended January 31, 2018		
	Asset Impairment	Severance Costs	Total
(Amounts in millions)			
Walmart International	193	43	236
Sam's Club	596	69	665
Corporate and support	—	300	300
Total	\$ 789	\$ 412	\$ 1,201

The asset impairment charges primarily relate to the real estate of the Sam's Club closures and the wind-down of the Brazil first-party eCommerce business, which were written down to their estimated fair value. Refer to [Note 7](#) for information on the fair value measurement.

The pre-tax restructuring charges of \$1.2 billion are classified in operating, selling, general and administrative expenses in the Company's Consolidated Statement of Income for fiscal 2018. As of January 31, 2018, substantially all of the severance costs were recorded in accrued liabilities in the Company's Consolidated Balance Sheets and were subsequently paid during fiscal 2019.

Note 15. Segments and Disaggregated Revenue

Segments

The Company is engaged in the operation of retail, wholesale and other units, as well as eCommerce websites, located throughout the U.S., Africa, Argentina, Canada, Central America, Chile, China, India, Japan, Mexico and the United Kingdom, as well as Brazil prior to the sale of the majority stake of Walmart Brazil discussed in [Note 13](#). The Company's operations are conducted in three reportable segments: Walmart U.S., Walmart International and Sam's Club. The Company defines its segments as those operations whose results the chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources. The Company sells similar individual products and services in each of its segments. It is impractical to segregate and identify revenues for each of these individual products and services.

The Walmart U.S. segment includes the Company's mass merchant concept in the U.S., as well as eCommerce and omni-channel initiatives. The Walmart International segment consists of the Company's operations outside of the U.S., as well as eCommerce and omni-channel initiatives. The Sam's Club segment includes the warehouse membership clubs in the U.S., as well as samsclub.com and omni-channel initiatives. Corporate and support consists of corporate overhead and other items not allocated to any of the Company's segments.

The Company measures the results of its segments using, among other measures, each segment's net sales and operating income, which includes certain corporate overhead allocations. From time to time, the Company revises the measurement of each segment's operating income, including any corporate overhead allocations, as determined by the information regularly reviewed by its CODM. In fiscal 2019, the Company revised certain of its corporate overhead allocations, including depreciation expense, to the operating segments and, accordingly, revised prior period amounts for comparability. Information for the Company's segments, as well as for Corporate and support, including the reconciliation to income before income taxes, is provided in the following table:

<i>(Amounts in millions)</i>	Walmart U.S.	Walmart International	Sam's Club	Corporate and support	Consolidated
Fiscal Year Ended January 31, 2019					
Net sales	\$ 331,666	\$ 120,824	\$ 57,839	\$ —	\$ 510,329
Operating income (loss)	17,386	4,883	1,520	(1,832)	21,957
Interest, net					(2,129)
Other gains and (losses)					(8,368)
Income before income taxes					\$ 11,460
Total assets	\$ 105,114	\$ 97,066	\$ 12,893	\$ 4,222	\$ 219,295
Depreciation and amortization	6,201	2,590	639	1,248	10,678
Capital expenditures	6,034	2,661	450	1,199	10,344
Fiscal Year Ended January 31, 2018					
Net sales	\$ 318,477	\$ 118,068	\$ 59,216	\$ —	\$ 495,761
Operating income (loss)	16,995	5,229	915	(2,702)	20,437
Interest, net					(2,178)
Loss on extinguishment of debt					(3,136)
Income before income taxes					\$ 15,123
Total assets	\$ 104,347	\$ 81,549	\$ 13,418	\$ 5,208	\$ 204,522
Depreciation and amortization	6,005	2,601	698	1,225	10,529
Capital expenditures	5,680	2,607	626	1,138	10,051
Fiscal Year Ended January 31, 2017					

Net sales	\$	307,833	\$	116,119	\$	57,365	\$	—	\$	481,317
Operating income (loss)		17,012		5,737		1,628		(1,613)		22,764
Interest, net										(2,267)
Income before income taxes									\$	20,497
Total assets	\$	104,262	\$	74,508	\$	14,125	\$	5,930	\$	198,825
Depreciation and amortization		5,598		2,629		712		1,141		10,080
Capital expenditures		6,090		2,697		639		1,193		10,619

Total revenues, consisting of net sales and membership and other income, and long-lived assets, consisting primarily of property and equipment, net, aggregated by the Company's U.S. and non-U.S. operations for fiscal 2019, 2018 and 2017, are as follows:

(Amounts in millions)	Fiscal Years Ended January 31,		
	2019	2018	2017
Revenues			
U.S. operations	\$ 392,265	\$ 380,580	\$ 367,784
Non-U.S. operations	122,140	119,763	118,089
Total revenues	<u>\$ 514,405</u>	<u>\$ 500,343</u>	<u>\$ 485,873</u>
Long-lived assets			
U.S. operations	\$ 81,144	\$ 81,478	\$ 82,746
Non-U.S. operations	30,251	33,340	31,432
Total long-lived assets	<u>\$ 111,395</u>	<u>\$ 114,818</u>	<u>\$ 114,178</u>

No individual country outside of the U.S. had total revenues or long-lived assets that were material to the consolidated totals. Additionally, the Company did not generate material total revenues from any single customer.

Disaggregated Revenues

In the following tables, segment net sales are disaggregated by either merchandise category or market. In addition, net sales related to eCommerce are provided for each segment, which include omni-channel sales, where a customer initiates an order online and the order is fulfilled through a store or club.

(Amounts in millions)	Fiscal Year Ended January 31, 2019
Walmart U.S. net sales by merchandise category	
Grocery	\$ 184,202
General merchandise	108,739
Health and wellness	35,788
Other categories	2,937
Total	<u>\$ 331,666</u>

Of Walmart U.S.'s total net sales, approximately \$15.7 billion related to eCommerce for fiscal 2019.

(Amounts in millions)	Fiscal Year Ended January 31, 2019
Walmart International net sales by market	
Mexico and Central America	\$ 31,790
United Kingdom	30,547
Canada	18,613
China	10,702
Other	\$ 29,172
Total	<u>\$ 120,824</u>

Of International's total net sales, approximately \$6.7 billion related to eCommerce for fiscal 2019.

(Amounts in millions)	Fiscal Year Ended January 31, 2019
Sam's Club net sales by merchandise category	
Grocery and consumables	\$ 33,708
Fuel, tobacco and other categories	12,110
Home and apparel	5,452
Technology, office and entertainment	3,388
Health and wellness	3,181
Total	<u>\$ 57,839</u>

Of Sam's Club's total net sales, approximately \$2.7 billion related to eCommerce for fiscal 2019.

Note 16. Subsequent Event

Dividends Declared

The Board of Directors approved, effective February 19, 2019, the fiscal 2020 annual dividend of \$2.12 per share, an increase over the fiscal 2019 dividend of \$2.08 per share. For fiscal 2020, the annual dividend will be paid in four quarterly installments of \$0.53 per share, according to the following record and payable dates:

Record Date	Payable Date
March 15, 2019	April 1, 2019
May 10, 2019	June 3, 2019
August 9, 2019	September 3, 2019
December 6, 2019	January 2, 2020

Note 17. Quarterly Financial Data (Unaudited)

(Amounts in millions, except per share data)	Fiscal Year Ended January 31, 2019				
	Q1	Q2	Q3	Q4	Total
Total revenues	\$ 122,690	\$ 128,028	\$ 124,894	\$ 138,793	\$ 514,405
Net sales	121,630	127,059	123,897	137,743	510,329
Cost of sales	91,707	95,571	93,116	104,907	385,301
Consolidated net income (loss)	2,276	(727)	1,817	3,813	7,179
Consolidated net income (loss) attributable to Walmart	2,134	(861)	1,710	3,687	6,670
Basic net income (loss) per common share attributable to Walmart	0.72	(0.29)	0.58	1.27	2.28
Diluted net income (loss) per common share attributable to Walmart ⁽¹⁾	0.72	(0.29)	0.58	1.27	2.26

	Fiscal Year Ended January 31, 2018				
	Q1	Q2	Q3	Q4	Total
Total revenues	\$ 117,542	\$ 123,355	\$ 123,179	\$ 136,267	\$ 500,343
Net sales	116,526	121,949	122,136	135,150	495,761
Cost of sales	87,688	91,521	91,547	102,640	373,396
Consolidated net income	3,152	3,104	1,904	2,363	10,523
Consolidated net income attributable to Walmart	3,039	2,899	1,749	2,175	9,862
Basic net income per common share attributable to Walmart	1.00	0.96	0.59	0.74	3.29
Diluted net income per common share attributable to Walmart ⁽¹⁾	1.00	0.96	0.58	0.73	3.28

- (1) The sum of quarterly amounts may not agree to annual amount due to rounding and the impact of a decreasing amount of shares outstanding during the year.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

General

Management is responsible for the preparation, integrity and objectivity of Walmart Inc.'s Consolidated Financial Statements and other financial information contained in this Annual Report on Form 10-K. Those Consolidated Financial Statements were prepared in conformity with accounting principles generally accepted in the United States. In preparing those Consolidated Financial Statements, management is required to make certain estimates and judgments, which are based upon currently available information and management's view of current conditions and circumstances.

The Audit Committee of the Board of Directors oversees our process of reporting financial information and the audit of our Consolidated Financial Statements. The Audit Committee stays informed of the financial condition of Walmart Inc. and regularly reviews management's financial policies and procedures, the independence of our independent auditors, our internal control over financial reporting and the objectivity of our financial reporting. Both the independent auditors and the internal auditors have free access to the Audit Committee and meet with the Audit Committee regularly, both with and without management present.

Acting through our Audit Committee, we have retained Ernst & Young LLP, an independent registered public accounting firm, to audit our Consolidated Financial Statements appearing in this Annual Report on Form 10-K. We have made available to Ernst & Young LLP all of our financial records and related data in connection with their audit of our Consolidated Financial Statements. We have filed with the SEC the required certifications related to our Consolidated Financial Statements as of and for the year ended January 31, 2019. These certifications are attached as exhibits to this Annual Report on Form 10-K. Additionally, we have also provided to the New York Stock Exchange the required annual certification of our Chief Executive Officer regarding our compliance with the New York Stock Exchange's corporate governance listing standards.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information, which is required to be timely disclosed, is accumulated and communicated to management in a timely fashion. In designing and evaluating such controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management is necessarily required to use judgment in evaluating controls and procedures. Also, we have investments in unconsolidated entities. Since we do not control or manage those entities, our controls and procedures with respect to those entities are substantially more limited than those we maintain with respect to our consolidated subsidiaries.

In the ordinary course of business, we review our internal control over financial reporting and make changes to our systems and processes to improve such controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, updating existing systems, automating manual processes, standardizing controls globally, migrating certain processes to our shared services organizations and increasing monitoring controls. During fiscal 2019, we announced an agreement to outsource select accounting transaction-processing activities which is part of an ongoing initiative to enhance our shared service model. These changes have not materially affected, and are not reasonably likely to materially affect, the Company's internal control over financial reporting. However, they allow us to continue to enhance our internal control over financial reporting and ensure that our internal control environment remains effective.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions

regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

Report on Internal Control Over Financial Reporting

Management has responsibility for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the Company's internal control over financial reporting as of January 31, 2019. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control-Integrated Framework (2013). Management concluded that based on its assessment, Walmart's internal control over financial reporting was effective as of January 31, 2019. The Company's internal control over financial reporting as of January 31, 2019, has been audited by Ernst & Young LLP as stated in their report which appears herein.

Under guidelines established by the SEC, companies are allowed to exclude acquisitions from their first assessment of internal control over financial reporting following the date of acquisition. Based on those guidelines, management's assessment of the effectiveness of the Company's internal control over financial reporting excluded Flipkart Private Limited ("Flipkart"), which the Company acquired in fiscal 2019, except for the recognition of goodwill and intangible assets that were included in management's assessment. Flipkart represented approximately 2% of the Company's total assets as of January 31, 2019, after excluding goodwill and intangible assets recorded, and approximately 1% of the Company's net sales for the year ended January 31, 2019. The Company's acquisition of Flipkart is discussed in [Note 13](#) to its Consolidated Financial Statements for fiscal 2019.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting as of January 31, 2019, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Report on Ethical Standards

Our Company was founded on the belief that open communication and the highest ethical standards are necessary to be successful. Our long-standing "Open Door" communication policy helps management be aware of and address issues in a timely and effective manner. Through the open door policy all associates are encouraged to inform management at the appropriate level when they are concerned about any matter pertaining to Walmart.

Walmart has adopted a Statement of Ethics to guide our associates in the continued observance of high ethical standards such as honesty, integrity and compliance with the law in the conduct of Walmart's business. Familiarity and compliance with the Statement of Ethics is required of all associates. The Company also maintains a separate Code of Ethics for our senior financial officers. Walmart also has in place a Related-Party Transaction Policy. This policy applies to Walmart's senior officers and directors and requires material related-party transactions to be reviewed by the Audit Committee. The senior officers and directors are required to report material related-party transactions to Walmart. We maintain a global ethics and compliance office which oversees and administers several reporting mechanisms, including an ethics helpline. The ethics helpline provides a channel for associates to ask questions and make confidential complaints regarding potential violations of our statements of ethics, including violations related to financial or accounting matters. These contacts may be made anonymously.

/s/ C. Douglas McMillon

C. Douglas McMillon
President and Chief Executive Officer

/s/ M. Brett Biggs

M. Brett Biggs
Executive Vice President and Chief Financial Officer

ITEM 9B. OTHER INFORMATION

None.



PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Please see the information concerning our executive officers contained in [Part I, Item 1](#) herein under the caption "[Executive Officers of the Registrant](#)," which is included there in accordance with Instruction 3 to Item 401(b) of the SEC's Regulation S-K.

Information required by this item with respect to the Company's directors, certain family relationships, and compliance by the Company's directors, executive officers and certain beneficial owners of the Company's common stock with Section 16(a) of the Securities Exchange Act of 1934, as amended, is incorporated by reference to such information under the captions entitled "Proposal No. 1 – Election of Directors" and "Stock Ownership – Section 16(a) Beneficial Ownership Reporting Compliance" included in our Proxy Statement relating to our 2019 Annual Meeting of Shareholders (our "Proxy Statement").

No material changes have been made to the procedures by which shareholders of the Company may recommend nominees to our board of directors since those procedures were disclosed in our proxy statement relating to our 2018 Annual Shareholders' Meeting as previously filed with the SEC.

The information regarding our Audit Committee, including our audit committee financial experts and our Codes of Ethics for the CEO and senior financial officers and our Statement of Ethics applicable to all of our associates, including our Chief Executive Officer, Chief Financial Officer and our Controller, who is our principal accounting officer, required by this item is incorporated herein by reference to the information under the captions "Corporate Governance" and "Proposal No. 3: Ratification of Independent Accountants" included in our Proxy Statement. "[Item 1. Business](#)" above contains information relating to the availability of a copy of our Code of Ethics for our CEO and senior financial officers and our Statement of Ethics and the posting of amendments to and any waivers of the Code of Ethics for our CEO and senior financial officers and our Statement of Ethics on our website.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item 11 is incorporated herein by reference to the information under the captions "Corporate Governance – Director Compensation" and "Executive Compensation" included in our Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item 12 is incorporated herein by reference to the information that appears under the caption "Stock Ownership" included in our Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item 13 is incorporated herein by reference to the information under the caption "Corporate Governance – Board Processes and Practices" included in our Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item 14 is incorporated herein by reference to the information under the caption "Proposal No. 3 – Ratification of Independent Accountants" included in our Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- (a) Documents filed as part of this report are as follows:
1. Financial Statements: See the Financial Statements in [Part II, Item 8](#).
 2. Financial Statement Schedules:

Certain schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements, including the notes thereto.
 3. Exhibits:

The required exhibits are included at the end of the Form 10-K or are incorporated herein by reference and are described in the Exhibit Index immediately preceding the first exhibit to this Annual Report on Form 10-K.
- (b) The exhibits furnished with this Annual Report on Form 10-K in accordance with the requirement of Form 10-K of the SEC are listed in the Exhibit Index, which appears immediately following the signature pages to this Annual Report on Form 10-K and which is incorporated in this Item 15(b) by reference to such Exhibit Index.
- (c) Financial Statement Schedules: None.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Walmart Inc.

Date: March 28, 2019

By /s/ C. Douglas McMillon

C. Douglas McMillon

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Date: March 28, 2019

By /s/ C. Douglas McMillon

C. Douglas McMillon

President and Chief Executive Officer and Director

(Principal Executive Officer)

Date: March 28, 2019

By /s/ Gregory B. Penner

Gregory B. Penner

Chairman of the Board and Director

Date: March 28, 2019

By /s/ M. Brett Biggs

M. Brett Biggs

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: March 28, 2019

By /s/ David M. Chojnowski

David M. Chojnowski

Senior Vice President and Controller

(Principal Accounting Officer)

Signature Page to Walmart Inc.

Form 10-K for the Fiscal Year Ended January 31, 2019

Date:	By	_____
		Cesar Conde Director
Date: March 28, 2019	By	/s/ Stephen J. Easterbrook _____ Stephen J. Easterbrook Director
Date: March 28, 2019	By	/s/ Timothy P. Flynn _____ Timothy P. Flynn Director
Date: March 28, 2019	By	/s/ Sarah Friar _____ Sarah Friar Director
Date: March 28, 2019	By	/s/ Carla A. Harris _____ Carla A. Harris Director
Date: March 28, 2019	By	/s/ Thomas W. Horton _____ Thomas W. Horton Director
Date: March 28, 2019	By	/s/ Marissa A. Mayer _____ Marissa A. Mayer Director
Date: March 28, 2019	By	/s/ Steven S Reinemund _____ Steven S Reinemund Director
Date: March 28, 2019	By	/s/ S. Robson Walton _____ S. Robson Walton Director
Date: March 28, 2019	By	/s/ Steuart L. Walton _____ Steuart L. Walton Director

Signature Page to Walmart Inc.
Form 10-K for the Fiscal Year Ended January 31, 2019

Exhibit Index^{(1),(2)}

The following exhibits are filed or furnished as part of this Form 10-K or are incorporated herein by reference.

- 3(a) [Restated Certificate of Incorporation of the Company dated February 1, 2018 is incorporated herein by reference to Exhibit 3.1 to the Report on Form 8-K filed by the Company on February 1, 2018 \(File No. 001-06991\)](#)
- 3(b) [Amended and Restated Bylaws of the Company are incorporated herein by reference to Exhibit 3.2 to the Report on Form 8-K filed by the Company on February 1, 2018 \(File No. 001-06991\)](#)
- 4(a) Indenture dated as of April 1, 1991, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, as successor trustee to The First National Bank of Chicago, Trustee, is incorporated herein by reference to Exhibit 4(a) to Registration Statement on Form S-3 (File Number 33-51344)^(P)
- 4(b) First Supplemental Indenture dated as of September 9, 1992, to the Indenture dated as of April 1, 1991, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, as successor trustee to The First National Bank of Chicago, Trustee, is incorporated herein by reference to Exhibit 4(b) to Registration Statement on Form S-3 (File Number 33-51344)^(P)
- 4(c) [Indenture dated as of December 11, 2002, between the Company and J.P. Morgan Trust Company, National Association, as successor trustee to Bank One Trust Company, NA, is incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-3 \(File Number 333-101847\)](#)
- 4(d) [Indenture dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association is incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-3 \(File Number 333-126512\)](#)
- 4(e) [First Supplemental Indenture, dated December 1, 2006, between the Company and The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, National Association, as Trustee, under the Indenture, dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association, as Trustee, is incorporated herein by reference to Exhibit 4.6 to Post-Effective Amendment No. 1 to Registration Statement on Form S-3 \(File Number 333-130569\)](#)
- 4(f) [Second Supplemental Indenture, dated December 19, 2014, between the Company and The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, National Association, as Trustee, under the Indenture, dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association, as Trustee, is incorporated herein by reference to Exhibit 4.3 to Registration Statement on Form S-3 \(File Number 333-201074\)](#)
- 4(g) [Third Supplemental Indenture, dated June 26, 2018, between the Company and The Bank of New York Trust Company, N.A., as successor-in-interest to J.P. Morgan Trust Company, National Association, as Trustee, under the Indenture, dated as of July 19, 2005, between the Company and J.P. Morgan Trust Company, National Association, as Trustee, is incorporated herein by reference to Exhibit 4\(S\) to Current Report on Form 8-K filed on June 26, 2018.](#)
- 10(a)* [Walmart Inc. Officer Deferred Compensation Plan, as amended effective February 1, 2019^{\(c\)}](#)
- 10(b) [Walmart Inc. Management Incentive Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(b\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018^{\(c\)}](#)
- 10(c) [Walmart Inc. 2016 Associate Stock Purchase Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(c\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018^{\(c\)}](#)
- 10(d) [Walmart Inc. Stock Incentive Plan of 2015, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(d\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018^{\(c\)}](#)
- 10(e)

Walmart Inc. Supplemental Executive Retirement Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10(e) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018^(c)

10(f) Walmart Inc. Director Compensation Deferral Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10(f) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018^(c)

10(g) Form of Post-Termination Agreement and Covenant Not to Compete with attached Schedule of Executive Officers who have executed a Post-Termination Agreement and Covenant Not to Compete is incorporated by reference to Exhibit 10(p) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2011, filed on March 30, 2011^{(1)(c)}

- 10(g).1* [Amended Schedule of Executive Officers who have executed a Post-Termination Agreement and Covenant Not to Compete in the form filed as Exhibit 10\(p\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2011, filed on March 30, 2011^{\(c\)}](#)
- 10(h) [Walmart Deferred Compensation Matching Plan, as amended effective February 1, 2018 is incorporated by reference to Exhibit 10\(h\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018^{\(c\)}](#)
- 10(i) [Form of Wal-Mart Stores, Inc. Stock Incentive Plan of 2010 Performance Unit Award, Notification of Award and Terms and Conditions of Award is incorporated by reference to Exhibit 10\(s\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2014, filed on March 21, 2014^{\(1\)\(c\)}](#)
- 10(j) [Form of Wal-Mart Stores, Inc. Stock Incentive Plan of 2010 Restricted Stock Award, Notification of Award and Terms and Conditions of Award is incorporated by reference to Exhibit 10\(t\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2014, filed on March 21, 2014^{\(1\)\(c\)}](#)
- 10(k) [Form of Wal-Mart Stores, Inc. Stock Incentive Plan of 2015 Global Share-Settled Performance-Based Restricted Stock Unit Notification and Terms and Conditions \(January 2017 annual award - all executive officers\) is incorporated by reference to Exhibit 10\(t\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2017 filed on March 31, 2017^{\(C\)}](#)
- 10(l) [Form of Walmart Inc. Restricted Stock Award Notification of Award and Terms and Conditions of Award \(January 2018 annual award - all executive officers\) is incorporated by reference to Exhibit 10\(l\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018^{\(C\)}](#)
- 10(m) [Form of Walmart Inc. Global Share-Settled Performance-Based Restricted Stock Unit Award Notification of Award and Terms and Conditions of Award \(January 2018 annual award - all executive officers\) is incorporated by reference to Exhibit 10\(m\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2018, filed on March 30, 2018^{\(c\)}](#)
- 10(n) [Share Settled Restricted Stock Unit Notification and Terms and Conditions Awarded to Marc Lore on September 19, 2016, is incorporated by reference to Exhibit 10\(a\) to the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended October 31, 2016, filed on December 1, 2016^{\(C\)}](#)
- 10(o) [Deferred Contingent Merger Consideration Agreement dated August 7, 2016, between the Company and Marc Lore is incorporated herein by reference to Exhibit 10\(v\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2017 filed on March 30, 2017^{\(C\)}](#)
- 10(p) [Amendment to Deferred Contingent Merger Consideration Agreement dated September 12, 2016, between the Company and Marc Lore is incorporated herein by reference to Exhibit 10\(w\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2017 filed on March 30, 2017^{\(C\)}](#)
- 10(q) [Non-Competition, Non-Solicitation and No-Hire Agreement between the Company and Marc Lore dated September 19, 2016 is incorporated herein by reference to Exhibit 10\(x\) to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2017 filed on March 30, 2017^{\(C\)}](#)
- 10(r) [Transition and Retirement Agreement by and among the Company, Wal-Mart Canada Corp., and David Cheesewright dated March 29, 2018 is incorporated by reference to the Current Report on Form 8-K of the Company filed on April 4, 2018^{\(C\)}](#)
- 10(s) [Share Issuance and Acquisition Agreement by and Between Flipkart Private Limited and Walmart Inc. dated as of May 9, 2018. is incorporated herein by reference to Exhibit 10.1. to the Quarterly Report of the Company for the fiscal quarter ended July 31, 2018 filed on September 6, 2018 \(Portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.\)](#)
- 10(t) [Counterpart Form of Share Purchase Agreement by and Among Wal-Mart International Holdings, Inc. the shareholders of Flipkart Private Limited identified on Schedule I thereto, Fortis Advisors LLC and](#)

[Walmart Inc. dated as of May 9, 2018 is incorporated herein by reference to Exhibit 10.2. to the Quarterly Report of the Company for the fiscal quarter ended July 31, 2018 filed on September 6, 2018 \(Portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.\)](#)

- 21* [List of the Company's Significant Subsidiaries](#)
- 23* [Consent of Independent Registered Public Accounting Firm](#)
- 31.1* [Chief Executive Officer Section 302 Certification](#)
- 31.2* [Chief Financial Officer Section 302 Certification](#)
- 32.1** [Chief Executive Officer Section 906 Certification](#)

32.2**	Chief Financial Officer Section 906 Certification
99.1*	State Court Prescription Opiate Litigation Cases
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith as an Exhibit.

** Furnished herewith as an Exhibit.

(C) This Exhibit is a management contract or compensatory plan or arrangement

(P) This Exhibit was originally filed in paper format. Accordingly, a hyperlink has not been provided.

Notes to Exhibit Index:

1. The exhibits listed in this Exhibit Index and incorporated as exhibits to the Annual Report on Form 10-K of Walmart Inc. (the "Company") for the fiscal year ended January 31, 2019 by reference to an Annual Report on Form 10-K, Quarterly Report on Form 10-Q or Current Report on Form 8-K of the Company previously filed with the SEC by the Company are available for review online on the EDGAR system of the SEC at www.sec.gov as exhibits to the Annual Report on Form 10-K, Quarterly Report on Form 10-Q or Current Report on Form 8-K referred to above in the description of the exhibit incorporated by reference. The historical filings of the Company may be reviewed and copied at the Public Reference Room of the SEC at 100 F Street, NE Washington, DC 20549-2521 under Commission File No. 001-6991.
2. The Company and its subsidiaries have in the past issued, and may in the future issue from time to time, long-term debt instruments, but the aggregate principal amount of the debt instruments of any one series of such debt instruments has not exceeded or will not exceed 10% of the assets of the Company at any pertinent time. The Company has previously filed with the SEC its agreement to, and hereby agrees to, file copies of the agreements relating to long-term debt instruments and the instruments representing or evidencing such long-term debt instruments with the SEC upon request. As a result, in accordance with the provisions of paragraph (b)(4)(iii)(A) of Item 601 of Regulation S-K of the SEC, copies of such long-term debt instruments have not been filed as exhibits to the Annual Report on Form 10-K of the Company for the fiscal year ended January 31, 2019. The Company has previously filed the documents and instruments establishing the specific terms of long-term debt instruments offered and sold by the Company pursuant to its effective registration statements filed with the SEC pursuant to the Securities Act of 1933, as amended, as exhibits to the applicable registration statement or as exhibits to a Current Report on Form 8-K filed in connection with the applicable registration statement and the sale and issuance of those long-term debt instruments.