

Jefferies Global Consumer Conference

Company Participants

- Brett Biggs, EVP and CFO
- Dan Binder, Analyst

Other Participants

- Unidentified Participant, Analyst, Unknown

Presentation

Dan Binder {BIO 1749900 <GO>}

Okay, one more before lunch. We will probably have some were folks trickle in. For those that don't know me, I am Dan Binder; I cover broad line and hard line research for Jefferies. Pleased you could join us and we are pleased to have Brett Biggs, Executive Vice President and Chief Financial Officer for Walmart International.

We will have a presentation that runs, what, about 15 minutes, 20 minutes? Then we will open it up to your good questions. With that, I'll hand it over to you, Brett.

Brett Biggs {BIO 17414705 <GO>}

Thanks. Good morning. I'll also introduce Bill Tofflemire, who is our CFO of Canada who is here with us today and so any challenging questions on Canada, we will put those over to Bill.

Good to be with you here this morning, Dan. We always enjoy your team having us here. There is certainly tougher challenges in Nantucket in the summer time, even with a little rain today, it is still an enjoyable place to be and a great conference for us. We appreciate everyone's interest in the Company and have had some good sessions this morning and appreciate all your questions and all your interest. Certainly, I enjoy talking about Walmart.

I have been with the Company 14 years and given what we are doing around the world, whether it is with our physical, with our digital and particularly with the integration of physical and digital, I am as excited as I have ever been and as enthusiastic as I have ever been about the opportunities at Walmart. I have been in this role about four months and in traveling around most of our markets in the last four months have had the opportunity to visit with our management teams, to visit with associates and see firsthand those opportunities and what we can do in serving our customers around the world.

I will go next to our obligatory forward-looking statement. I won't read this to you, as you would imagine. And if you have any questions, I refer you to our Walmart investor relations site.

So as we get started this morning, we actually have a fairly straightforward strategic focus and it is really about being in good businesses and running them well and while that sounds fairly simple and fairly straightforward, it is what guides our work and it really allows us then to spend time talking about our portfolio, our positioning within that portfolio and certainly performance, which is something you would have a great interest in as well as us.

From a portfolio standpoint, we're in a really good mix of markets today and we have markets that if you look at the forecast of global growth, it would represent a lot of the growth going forward from a global basis. If you think about the mix of markets that we have today, we have -- we are very strong in some developed, albeit slower growing markets. And then we also have opportunities in markets that are growing more quickly such as in India, Brazil, China and Africa. But markets that can be a little more challenging.

But when you look at the mixture of that markets, we believe that gives us a great opportunity going forward to grow the business and particularly when you look at the opportunities both in developed and emerging markets, to marry the physical and the digital, it is very exciting, certainly for Walmart.

From a positioning standpoint, being a multi-format retailer we believe is very advantageous for us and we have 15 main formats that we have around the world and when you look at formats that are growing very quickly like warehouse clubs or mom-and-pop stores or the convenience section, we have formats that fit that and we can use that around the world. We have a very strong positioning, obviously, in larger stores, supercenters, hypermarkets, that continue to be good for us in markets and continue to offer that one-stop shopping convenience as we continue to progress.

So we are in a very good place we believe from a format perspective.

Clearly e-commerce is going to be big for us and we'll continue to accelerate the growth in that and I will talk about that more specifically here in a few minutes.

From a performance standpoint, you have heard Doug and Charles and others talk about balancing certainly our short-term performance expectations with our longer-term performance expectations. We will continue to invest where it makes sense to serve our customer but we are aware of what we need to do both short-term and long-term from a performance standpoint.

One of the things that will be critical for us in any case in every market is continuing to be the low-cost operator. It is very important for us around the world and will continue to be important no matter how e-commerce develops, being the low-cost

operator is critically important. So while we have some markets and some challenges from an economic perspective in various markets, we are very, very excited about the opportunities that we have going forward.

International -- and this won't be new to many people -- International has been a significant growth engine for Walmart and if you look back even over the last 10 years, almost tripling in volume and now almost the 6500 stores, 26 countries. We have talked about multiple formats and to put this into context, Walmart International would be the 11th largest revenue company in the Fortune 500 today. We serve over 100 million customers a week and the scale benefits us in many ways and where we are starting or continuing to see the benefits is really around how we leverage our expertise around the world, whether that is formats or how we look at e-commerce.

You see learnings going from the US to our markets; you see learnings going from our markets into the US and we will talk about some of those examples as we go forward today. We expect to continue to be a growth engine for the Company. But we will also certainly look to balance that growth and the returns that we know that we need to get going forward.

I will spend just a quick second on Q1. It was a fairly solid Q1 for us, growing operating income faster than sales. Still as we talked about, a fairly challenging retail environment. And while we always hope for more, we feel like it was a good start to the year and as you travel around, you feel some momentum in markets and associates are excited about what we're doing. And so, pretty good start to the year, certainly accelerating our e-commerce business and feel good as we go into the Second Quarter.

If you listened to Doug McMillon's shareholder speech a few weeks ago or if you happened to be at our shareholders' meeting, he talked about a framework of now, new and always. And it was a discussion around what we do today and excelling at what we do today for our customers. And that is what we do now and that is most of our business as you think about our core business.

But it is also serving customers in new and exciting ways and you have seen some of what we are doing around the world. But that is the new and so how do you stay focused -- but the need to stay focused on the now but also have focus on the new and then the always part of Walmart which going back to the days of Sam Walton and what we do in taking care of our associates, taking care of our customers, the culture of the Company, the things that will always be part of Walmart's DNA and being able to combine that in taking the power of those three things and making us better as a Company.

And if you look at the key priorities that we have laid out for International. And we have talked about a number of these over the last few quarters, there is elements of the new, the now and always in each one of these and we will talk about that a bit.

So we will focus today -- we have eight here on the list, we will focus on five and we will hit a bit on each one. But we will focus on comp sales first, which is very, very important, obviously. We will talk a bit about Brazil, a little bit about Mexico, talk about some of what we are doing from an e-commerce perspective. And then talk about trust, which is a very big part of what we do.

So a presentation probably wouldn't go very far without talking about comp sales if you are with Walmart. And while I would love to talk about all of the different things we are doing in various markets, the little clock in front of me will keep us focused on one market today, which is the UK. It is a market that is a very competitive market for us and one that certainly is very important.

Driving comps is what drives our business. It is really what is the grease to the productivity loop and what we do. From a UK perspective, they have been talking about recently about how they redefine value retailing in the UK and that is a broad proposition and in fact, as part of that, they've pledged GBP1.25 billion of investment in pricing quality to the market over the next five years and they are on track to do that.

As you talk about driving comps, you are going to tend to start with price leadership, which is again a part of what Walmart does. What the UK is focused on is continuing to cement their leadership from a price perspective and when you see here the price lock and where we have taken prices down now on over 90 lines of products that are selling 16 million units a week and keeping those prices down, we are now starting the third year of that price lock campaign. It has been very, very successful with our customers.

You have heard many time about the Asda Price Guarantee and what is interesting -- this is a good point of leverage for the Company -- is part of what you are hearing about is Savings Catcher in the US. Some of the elements of that came from the Asda Price Guarantee and so you see those learnings coming into the US.

For the 17th year in a row, Grocer Magazine has rated Asda as the lowest priced supermarket so it is a very key component of what they do and what we do as a Company in driving comp sales. Asda has also been known for their merchandising and one of those lines has certainly been the George brand, which has been successful in many countries around the world. We have used that as a leverage point.

Just in the last few months, they have introduced a home line under the George brand. I was actually able to see it in the UK a couple of months ago. It has been very successful with double-digit growth rates in some of the categories where we have introduced that line. And so they have taken something that worked from an apparel standpoint and are now leading with it from a home standpoint.

Asda has always for Walmart been really on the leading edge from a service and innovation standpoint and we will talk in a minute about what they are doing from an

e-commerce standpoint, which is really, really impressive. But even things that you think about, like hybrid checkouts, is something that they have introduced very heavily in the last year. We have over 300 locations with hybrid checkouts, which gives us a different way to serve that customer and allows us to be more responsive to when the customer needs that and gives us the flexibility to do that.

Rapid Scan -- so one of the first automated, fully automated checkout units. And we saw a test of that in the store just north of Leeds a few months ago and they are going to be looking at another one of those this year. They are very, very innovative and what they are doing and realizing that driving comp sales, there are many elements to that and they are focused on the key elements of driving comp sales.

We have talked a lot about Brazil in the last few quarters. We've gotten quite a few questions this morning as well and I will start with the leadership and talent because it all starts with that. What you see there is a few of the members of our new team and many of the senior members in Brazil are fairly new to the team and they bring with them great multinational background as well as great backgrounds in Brazil, which is very important. If you've spent time in Brazil or done business in Brazil, it is a unique market and having people that understand that market is very, very important.

I have spent a lot of time with this team, very engaged. I love the positive leadership that they are showing. And they are getting great focus, really back to the basics of the business. So when you look at the right side of the slide and you look at the turnaround plan they are starting again where you think they would start, which is on comp sales and driving comp sales and some of that is through broadened assortment. So they have taken a more analytical approach to how they look at assortment in the stores and making sure that we have the right assortment and what the customer wants. But also a more consistent, simplified message around pricing, which is something we probably have not done as well in Brazil in the past and they are doing a very good job of that.

We are starting to speed up our integration of stores in Brazil. We now have over 60 stores in the south of Brazil where we put in our Wal-Mart Store systems and so our associates love it. They are getting more visibility to their inventory and how to serve that customer better. They enjoy all the equipment and tools that they have to do that and so we are seeing good response from our associates and from our customers as we do that. And that process will continue in the coming months.

Then as you know we have rationalized some of our position in Brazil. We have recently announced some closing of some stores. We have taken a step back a bit from a growth perspective and really given this time to focus and giving this team time to focus in on what they need to do to improve the business.

So overall, I would say we are cautiously optimistic about what is going on in Brazil. It remains a fairly challenging environment but we feel good about that team that we have in place to lead us there.

Mexico is a market that has been a star for Walmart for many, many years, from a talent perspective, from a performance standpoint. When you look at a Company with over 2000 stores, multi-format, great way to serve customers at all income levels, Walmex is still a star for Walmart and continues to have very good performance. But like in all of our markets, we always look at how do we make ourselves better, how do you continue to reinvent yourself with the customer? And with Mexico, it starts with the customer and we have, for an example, we've announced over 5000 price cuts recently in Superama, in our supermarket format there.

And so they are very focused on price. But they are also focused on how they merchandise for the customer and there is some places even from an assortment standpoint where we have centralized a little more to give the formats opportunity to focus more on their differentiation within the market and how they serve that customer. So centralizing some things, differentiating in some ways and always taking a look at how we keep those formats differentiated to give that customer the experience that they want in each type of format that we have.

The self-service business, which is the biggest part of our business, continues to perform very well. In fact, it outperformed the rest of the market by 60 basis points in Q1 according to ANTAD and if you pull Sam's out of the number, outperformed by even more than that. So the self-service business continues to perform well.

Sam's Club has been a challenge and we have been open about that. With Sam's Club, it is really getting back to differentiating for that member and making sure you are giving that member what they want in Sam's Club. We are going back, we are looking at assortment and how we can keep that assortment differentiated. You probably saw that Todd Harbaugh, who was the COO of Sam's in the US, is now leading the business for Sam's in Mexico. Todd was my boss when I was in operations at Sam's Club so I can promise you he is a very focused individual, understand the Sam's business very well; I think will do a great job for us in Mexico and very excited about the opportunity.

From an e-commerce perspective, we continue to grow our Superama grocery delivery program and we continue to add more general merchandise categories to our online site. We have added six this year in fact and now have 18 categories of general merchandise online.

So we continue to be very optimistic about Mexico and continue to work on making our proposition better there like we do in every other market.

We continue to accelerate e-commerce globally and it's done in a lot of different ways. You can see here the different ways that customers shop and the ways we want to allow them to shop. But also you see that they do it -- whether it is laptop, mobile, phone, there is many ways for them to shop. But then how they pick it up and we want to be there however they want to shop, where they want to shop. And that is important as we continue to grow globally.

We will talk just for a minute about some of the things -- we have talked a bit about Asda. But Asda again has really been the leader for this, not only in International but really for the Company. In Asda, our e-commerce sales grew by 19% in the First Quarter and our grocery home shopping had a market share of just over 19% also which is a record for us in the First Quarter.

Click and collect continues to grow. By the end of the year we anticipate having over 600 sites and as it's been very innovative in having things that are first to the market so you may have read about the tests that we are running with the Transport of London. And having pickup sites outside of tube stations. We have six tube stations now where you can pick up your groceries as you get off the tube stop and take it home with you. We have locker locations where we have ambient, chilled, frozen capabilities where customers can pick up goods 24 hours a day and these are all things that have been introduced by Asda. Many of the things they are doing at Asda you see now in grocery home shopping in different parts of the world, including the US, the tests that we have in Denver and the Bay area. So good learnings from them.

Good Q1 results as well. In Brazil and at Yihaodian, our site traffic at Yihaodian grew in triple digits. Our SKU count is now up to about 3 million SKUs, which is almost double last year. In Brazil, very similar; sales growth of more than twice the overall e-commerce market. And what we are seeing in both markets is more and more and very fast growth in mobile and how customers are accessing the site. Mobile continues to be a growing part of the business worldwide.

One of the great examples of integrating physical and digital is in China. And we have a -- there is an apartment building in China -- I will call it apartment complex, 40 buildings, 80,000 people live in this apartment complex and through an app that we have with Yihaodian, we have now given people access in that apartment complex to our brand where in a place like China, a store that is two miles away can be a long way away given drive times and time for people to walk or bike to a store. And so now we're giving people that did not have access to our brand before access through what we are doing.

Yihaodian is a great example of how we are integrating this. But how we continue to take the assets of the world's biggest retailer and combining it with what we are doing from a digital perspective.

I talked about trust a minute ago and it really is a differentiator for us. As a global Company, we know the responsibility we have, whether that is compliance or it's social issues, environmental issues and it is not just about who we are; it is something our associates really rally behind. Our associates believe in our mission and this is a great part of our mission that our associates enjoy.

Our commitment to renewable energy is one that has gotten a lot of press recently. Even the President being in one of our stores in California talking about our commitment to solar energy. And it has been something that Walmart has done for over a decade. But we continue to add more and more to this. And we are doing this

around the world as well. We know it is great for the environment; it is also good for our business, which helps us save our customers money and gets back to our mission.

In Mexico, for instance, we just broke ground on four large-scale renewable energy projects that will be completed sometime in the next year. With that and with some other things we have already done around wind energy in Mexico, we will be able to supply 60% of the energy demands for about 1200 of our stores within the next year. So it is not just in the US we are doing this, this is a global initiative.

Our associates love getting behind our communities and you know the work and the dollars that Walmart puts into our communities from a philanthropic standpoint. But whether it is earthquakes in China, whether it is wildfires in Chile, our associates and our Company are always one of the first ones there to take care of these communities and again it is something that our associates get behind and they believe in from a mission standpoint.

I have had opportunities to visit with associates in nine of our markets over the last four months and it is always one of the most energizing things I do in my job is getting with associates and you see their dedication to the Company and you see their energy. And our engagement, while we always want it to be better, we always want everything to be better, we want our engagement to be better. It is very strong around the world. And it has a lot to do with the mission of saving people money so they can live better and our associates getting behind that.

I'll finish quickly with just a few key takeaways and I know we have gone through this fairly quickly. We are very focused on these key priorities that we laid out earlier in ensuring that we stay focused. International is a big business and they are opportunities to not stay focused on a few key priorities. And we certainly will do that.

We are aware of the need to drive near-term performances whereas long-term performance we have talked about we will continue to invest as a Company, particularly around serving the customer in e-commerce. But we will keep a good balance with that.

We continue to build our management strength and I think you have seen with recent moves, whether it is in Asia, Africa, or even in the US, we continue to be able to recruit very, very good people, retain those people and develop people. So I feel very good about our management depth and strength.

And the trust that we talked about, it is just not something we talk about; it is part of our fabric, it is part of our DNA. It is important to our associates, important to our communities. And we will continue to do that.

So again, I appreciate your interest in our Company and, Dan, look forward to taking any questions.

Dan Binder {BIO 1749900 <GO>}

Sure, if we have any questions from the audience, please raise your hand. Sir?

Questions And Answers

Q - Unidentified Participant

Do you see any (inaudible)?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. The question is around hard discount in the UK and how we are reacting to that. ALDI has been very successful in the UK. ALDI has been very successful in a lot of markets and they had a very interesting model that appeals to certainly a certain segment of customers. I think what we talked about earlier with Asda around ensuring that they continue to not only be the price leader in the market. But also the things that we can do around convenience for the customer, the things that we can do from a merchandising standpoint. It is about continuing to differentiate your model.

Hard discount model again has a purpose and a great following in a certain segment but there are things that we can do in our markets not just the UK that we believe will continue to differentiate us. I think this element of integrating the physical assets and the digital assets is really another thing that we can do that will be a differentiator with customers longer-term.

A - Dan Binder {BIO 1749900 <GO>}

Any other questions? I will throw one out. You talked about -- earlier in your presentation -- International being a growth engine to the Company. But also understanding it needs to be balanced between growth and returns. If we look back over the last several quarters, there has been arguably mixed experience in the International market performance. While you don't break out International returns, I think many of us sort of concluded that they have probably been coming down. So when you talk about that balance of growth and returns, what is on your mind? How do you think that happens?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. So the question -- and for the webcast -- the question is around how we think about the balance of growth and returns. And this is really a total Company question as well as International. But I will address it more from an International perspective.

I think, Dan, it gets back to the comments I made earlier about the portfolio that we have and the ability -- whether that is different formats, different countries -- the ability -- and now with integrating digital and physical, the ability to take those assets and be thoughtful about where we grow, how we grow, when we grow. As you can imagine and we talked about part of our strategic framework and what we do from what I call the center of International is always having that discussion. We do want to

grow. We want to grow with our customers. We want to grow market share. We think the evolving world of digital gives us another way to grow with that customer.

But I think that portfolio gives us an opportunity that may be some of our competitors or other retailers or even just other companies don't have the ability to do. But it is something that we stay focused on.

A - Dan Binder {BIO 1749900 <GO>}

You had mentioned taking a step back on growth in Brazil. Was that primarily just the store closings, or the unit expansion is --?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. So we've -- obviously, we closed a few stores in Brazil and our growth over the past year or so has been a bit slower there again as we are focusing in on really narrowing down some things that we are doing, making things a little simpler, making our message simpler to consumers. But Brazil is a market that -- again I think long-term you look at a market like Brazil that has -- I think anybody would argue over-indexed opportunities to grow and because in a market like that you do have opportunities in the current formal retail market but also as informal moves to formal and this global phenomenon of lower income moving into lower middle income, lower moving into middle income, I think continues to give the formal retail sector opportunities to grow, not just in Brazil but other emerging markets.

A - Dan Binder {BIO 1749900 <GO>}

Would you expect the growth rate in Brazil to stay depressed for a while, or is it a year or two or --?

A - Brett Biggs {BIO 17414705 <GO>}

I think today we are just giving that team time to focus on what they are doing. I think longer-term, again, there are opportunities to grow in Brazil.

A - Dan Binder {BIO 1749900 <GO>}

John?

Q - Unidentified Participant

Keeping on the topic of Brazil, has the customer (inaudible) observed what Every Day Low Prices is. And in this intense high low environment, have you been able to educate the customers in terms of (inaudible) adopt that? Where are you in that process?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. So the question is around EDLP and specifically in Brazil and how the customer is adapting to that. Our model is EDLP globally. Now before you really get down the path of EDLP, Every Day Low

Price, I make sure everybody understands our acronyms -- need to ensure we are EDLC, which is every day low cost. And that is a focus in every market and it will be incredibly important going forward.

There are markets where the customer adapts a little differently. So I am not sure Brazil is necessarily different than some of our other markets. And they evolve in different ways, whether that is how the suppliers work with that and how we continue to educate the customers. There are some markets where it is a little bit of a longer process in educating that customers. But in markets where we have been EDLP and we have stayed with EDLP, we see over time the customer understands that proposition and they understand and get -- and you get the trust from that customer and in different markets, it takes different periods of time.

Q - Unidentified Participant

So is that a way of saying that we are still in the earlier innings in Brazil, or --?

A - Brett Biggs {BIO 17414705 <GO>}

I get the innings question a lot about whether that is leverage or where we are in certain things -- a lot of baseball fans, I guess, with analysts. I don't think there is an inning we can say we are in. Again, it is getting back -- it is getting focused on ensuring first we are doing what the customer needs and that may be brick-and-mortar, that may be online. That is likely the integration of both of those.

So I can't give you an inning of where we are at in Brazil. But it is an evolving process. But we are making good progress.

A - Dan Binder {BIO 1749900 <GO>}

Perhaps one more question, keeping our guest.

A - Brett Biggs {BIO 17414705 <GO>}

Yes, sure. I may let our guest answer.

A - Dan Binder {BIO 1749900 <GO>}

I am curious, as one of your main competitors went into Canada, they struggled. Just kind of wonder if you can give us any color on, obviously, they opened stores. So there is going to be some impact just by the nature of opening up doors. But how have you handled that, what the impact looks like, how you have tried to protect share and if you're seen any recent improvement in the landscape?

A - Brett Biggs {BIO 17414705 <GO>}

Canada was a fairly competitive market prior to Target coming in. I certainly won't comment on Target. Target is a great company; they are smart. And so like with every competitor, we are very focused on what they do. But really focused on running our own play, which we have been in Canada. And so you have seen the conversion of discount stores into supercenters which is something that would have evolved any

way, similar to what you saw in the US. But that gives us opportunity again to differentiate ourselves from some retailers that one-stop shopping experience in Canada.

We have had a long history of serving the Canadian citizens. We have been there 20 years and I think that gives us an opportunity to serve in a different way than some of our competitors knowing that customer, maybe better than some of our competitors. Canada is a market that is growing fairly slowly. It is a developed market for us. But again -- I know I keep coming back to this -- this ability now to intersect what we are doing from a physical standpoint and a digital standpoint, I believe gives us some opportunities to continue to grow in places like Canada, which has been a fantastic market for us for a long, long time.

A - Dan Binder {BIO 1749900 <GO>}

Can you discuss any comp impact to the overall Canadian business when Target opened up?

A - Brett Biggs {BIO 17414705 <GO>}

No. It's -- anytime you get a new competitor in the market, you get an initial -- your customers are -- you have an initial reaction. We would always like our comps to be higher in markets. But it's -- it was a competitive market before they came in and we did pretty well. And I still think longer-term we will be fine in Canada.

A - Dan Binder {BIO 1749900 <GO>}

Great, well thanks for the presentation.

A - Brett Biggs {BIO 17414705 <GO>}

All right. Thank you. Appreciate it.

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