UBS Global Consumer and Retail Virtual Conference

Company Participants

- Brett Biggs, EVP & CFO
- Michael Lasser, Analyst

Presentation

Michael Lasser {BIO 7266130 <GO>}

I'm Michael Lasser, the Hardline, Broadline and Food Retail analyst from UBS. We are extremely excited to have Walmart with us today. While Walmart is the world's largest retailer, it has increasingly become known as one of the most innovative one as well. With us today is Brett Biggs, who's Executive Vice President and Chief Financial Officer. He's been CFO of Walmart since 2016, and with Walmart since 2000. He started when he was four years old. That's why he's able to maintain his youth.

We're also joined by Kary Brunner; and Dan Binder. Dan leads the IR effort, and they're on the line. So thank you so much, Brett. We really appreciate the time you're spending with us today. Where I want to start is, you've recently expressed how excited you are about all the opportunities in front of Walmart. You could -- it was very palpable a few weeks ago when you were in front of the investment community, and you were smiling big and bright. So it was very clear that Walmart has a ton of potential in front of it. The obvious question is, why is it all coming to fruition now? What's been the big unlock to make this happen?

Brett Biggs {BIO 17414705 <GO>}

Hi, Michael, good to see you. Sorry, we got a little bit of technical difficulty before. Yes. I mean it's -- I think I said that morning, it's unusual maybe to see a CFO excited, but I really am excited about what we have going. Some of it is -- go back -- you were there five years ago when we said, hey. We've got to go invest in price, we've got to invest in e-commerce, we've got to invest in wages and it's those things that are paying off. So the ability to go invest when we did and certainly, while last year, it was challenging and really difficult for so many people and so many companies, it accelerated how the customer is shopping. Some of the things we're already seeing prior to the pandemic accelerated some of those things.

And so the strategy that we had coming into the pandemic has now accelerated. We think the strategy is right and now is the time to continue to roll forward some of these things. But the great thing for us is all the things that we've talked about, whether it's advertising or marketplace or fulfillment services or financial services or what we're doing in pickup and delivery, it was already started. These aren't new businesses.

And so I can see now the acceleration of the things that we've been preparing for and it's exciting to see all that coming together, but it gives us so many different ways to serve the customer and to make -- to grow top line and bottom line than I think we've ever had as a company.

Questions And Answers

A - Michael Lasser {BIO 7266130 <GO>}

And presumably, part of this, Brett, is that there's been a pretty dramatic cultural change at Walmart under the current leadership team over the last few years, where maybe in the past, Walmart had been slow to change and adapt. And for an organization of its size, it was hard to do. There's now been a competency that's instilled across the organization where it needs to innovate, it needs to move fast and it needs to change. Is that fair, and that's been a key enabler for putting the company in the point it's at today?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. I think companies all go through evolutionary periods and any company of scale gets to a point to where the things that have made it successful can actually be the things that hold it back. The supercenter for us was so successful and you could continue -- and there's still -- supercenter is a great part of what we do, but it wasn't the only thing that we needed to do.

And one of my favorite books is the Innovator's Dilemma by Clayton Christensen. When you read that book, you read about companies that didn't evolve and what happens over time. It's been so fun over the last 5, 7, eight years, to watch this company evolve. The DNA of the company is still exactly what it was, integrity and servicing customers and trying to be the best of what we do. None of that has changed, but how we go to market had to change. To watch Doug lead that for this company, a guy that's been with the company 30 years, has been really remarkable. But that's why I see so much in the future for Walmart.

A - Michael Lasser {BIO 7266130 <GO>}

And let's focus on these words that the finance team is using, exciting, fun. This is a whole new part of Brett Biggs' lexicon. He's used to saying, no, no, no. This is quite a change. Another --

A - Brett Biggs {BIO 17414705 <GO>}

Yes. I think even as a CFO, you learn and you evolve. It's -- there were things that we needed to try and you know not all of it's going to work. That's part of trying and part of evolving as a company. And as a CFO, even -- you've always got to be the one that, if there's a discipline to be had, the CFO has got to be a leader in that, but you've got to be able to take calculated risks and it's caused me to evolve as well.

A - Michael Lasser {BIO 7266130 <GO>}

For sure. Coming back to this meeting that you had a few weeks ago. The headline -- or one of the many headlines was the longer-term algorithm that Walmart put in place, which was 4% top line growth. That's what was the key feature of it. How do you build to get to the 4% top line growth? Historically, at least, over the last few years, it's been more like 2% to 3%. So getting to 4% would be a bit of a new algorithm. And how does it break down between the U.S. and the international markets?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. So obviously this year, with the businesses that we've, at least, divested materially, so the U.K., Japan, Argentina, that's about a $35-plus billion hit to start. So that figures into the algorithm for this year. That's why we said it was kind of a year or so away.

But as you look at the capacity that we're building and the general merchandise business that's getting traction and the ecosystem that we're building, which should allow us to get more of a customer's wallet and over time, to continue to bring new customers in Walmart plus other things that we're doing, to put the amount the of capital that we're talking about putting in over the next few years, there needs to be benefit to the shareholders for that. We think that's going to come in the form of top line. So certainly, that's a big number from a U.S. perspective.

But the international business has changed as well. So the markets that we're in are much higher-growth markets than we've been. So the algorithm, even inside of the international business, the mix changes, and so that helps as well. But of course the U.S. business is by far still the biggest business that we have. We needed to get a good growth there.

A - Michael Lasser {BIO 7266130 <GO>}

So internationally, levered to higher markets, the capital and expense that Walmart's putting into place, you'll have Ativa [ph] return and so combination of those 2 factors is what -- is where you build to 4%. Is it -- it's not any like new business that we haven't heard about that will come to fruition to drive this 4%?

A - Brett Biggs {BIO 17414705 <GO>}

Well there will be. But we have all the things in place that we believe we need to grow top line in that way today. And as we talk about all these businesses, and it's different than, Michael, when we were talking 10 years ago, and it was pretty much about the supercenters and Sam's Club in a few big countries. Now it's different ways to make top line as well as bottom line.

And there'll be some things that will work better than we think there'll be some things that won't work quite as well as we think and there'll be new things that come up. But seeing what I see today and what Doug sees today we think that's a level of growth that we certainly should get to at some point.

A - Michael Lasser {BIO 7266130 <GO>}

Got it. And at some point, that's the operative word. I think if there was anything that was -- any questions that came up out of the meeting from a few weeks ago, it's when should the market expect to see this algorithm come to fruition? That was left somewhat open ended. Why was that the case?

A - Brett Biggs {BIO 17414705 <GO>}

Yes, so we -- the biggest challenge we have right now is, how is this current year going to shape up. So this last year, for instance, we had a big stimulus with things that certainly were tailwinds for us. We don't know how that's going to play out in this current year. We may get a stimulus plan here. We may get -- we could get another one. So it's hard to predict exactly. And as you know, even with our guidance for this year, we were a little less specific maybe than we have been in the past. So it depends some on this year as well, Michael, on kind of how the acceleration happens, and how it comps against the year prior to that. It's -- we've got to get a better read on this year.

A - Michael Lasser {BIO 7266130 <GO>}

So the message here is, look, it's not because of anything that we're mindful of with our strategy. Our strategy is good, it's going to work. It's just -- this is -- go ahead.

A - Brett Biggs {BIO 17414705 <GO>}

And -- yes, we need to continue to build out the capacity as well. So a lot of the capital that we're putting in really is about building out e-commerce, pickup, delivery, capacity. We had a great problem in that a week's demand accelerated at least a couple of years. So we want to get ahead of that demand, we want to make sure we're catching up with that demand. It's just -- it's all of those things together, but what we wanted to lay out for investors a few weeks ago is that as we make these investments and as investors give us capital to make these investments, this is what we're expecting of ourselves.

A - Michael Lasser {BIO 7266130 <GO>}

Perfect. You alluded to this in your previous -- in the answer to the previous question, but does the getting the 4%, does that require Walmart to capture more share of wallet with its existing customers? Or capture more customers who really haven't been big Walmart customers in the past? And what's the unlock to be able to do that latter part? And as part of this, what's more realistic?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. I think it's going to be some combination of both. It -- again it goes back to this optionality. It doesn't necessarily have to be one or the other. It's going to be a combination of both of those. And as we continue to add services for 3P sellers, which gets more SKUs into our system, as we do more things around financial services, health care, it gets more customers into our ecosystem, and we want to be top of mind with those customers. We are -- for a lot of customers, we are top of mind. But we -- there's definitely room for us to be top of mind for more and more customers.

A - Michael Lasser {BIO 7266130 <GO>}

Okay --

A - Brett Biggs {BIO 17414705 <GO>}

Existing customers and new customers.

A - Michael Lasser {BIO 7266130 <GO>}

Got it. You've also put the foundation in over the last few years to have these big drivers of profitability for Walmart that are allowing you to grow top line 4% and then profits in excess of 4%. These are areas like advertising, third party marketplace, financial services, local fulfillment, membership, health care. How would you rank all of those opportunities on the size of their contribution -- potential contribution to Walmart's profitability over the next few years?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. I think the good thing is we don't -- you won't like this answer, but we don't --

A - Michael Lasser {BIO 7266130 <GO>}

No, no. I can tell where it's going. Come on, Brett.

A - Brett Biggs {BIO 17414705 <GO>}

We don't need to rank them. It's -- I see -- I just -- I see possibilities, and I can see big businesses with all of these things. They won't -- again they won't all come to fruition the way we think. There'll be some that will be home runs more than we even think they're going to be.

So the idea is to give them all the oxygen and the capital that they need to grow. I think you've also seen, though, when we find things that aren't working, we're much more disciplined about stopping those, delaying that in a way that can allow something else to grow. You've seen what we've done internationally. So I like the discipline around that.

But I can look at all these businesses right now, and I can lay out a really bullish case for all of these businesses. And at this point, I really don't -- I don't want to choose. When you combine that with our ability to continue to be disciplined on expenses, and you'll remember, Michael, five years ago when we said, hey, we need to invest. So we're going to pay for part of it by being more disciplined on expenses, and we've done that.

But there's also these businesses and how we're growing, whether it's marketplace or general merchandise, that can drive gross margin in a way that probably feels different than it did a few years ago. That also gives us opportunity for gross margin to maybe look different than we -- better than we would have thought potentially three years ago.

A - Michael Lasser {BIO 7266130 <GO>}

And so the potential from all these opportunities exists and is large. Would the answer be any different if I asked, if you had to rank them by the speed to which they could pay off, which is a more realizable soonest -- presumably --

A - Brett Biggs {BIO 17414705 <GO>}

Right. Yes.

A - Michael Lasser {BIO 7266130 <GO>}

Go ahead.

A - Brett Biggs {BIO 17414705 <GO>}

Yes. Some of them will take less capital. So to some, you think about things like third party marketplace, we're growing that business like crazy right now. But as we get more capacity online, it unlocks a lot of things. Well it takes a little while to get all the capacity on that you would like to have. So things like advertising can be quicker because we're already in the business. We have great relationships with suppliers, with platforms. So something like that just naturally can grow more quickly.

A - Michael Lasser {BIO 7266130 <GO>}

Got it. It's realistic for us to see -- expect those to have a tangible payoff in the next 12 to 18 months?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. Well I believe you'll see growth in all of these businesses. Financial services, we just started a JV -- a new JV with Ribbit. So there'll be -- we'll accelerate some of that as well.

A - Michael Lasser {BIO 7266130 <GO>}

Got it. On the e-com business, so we got -- before we move over to that, we got a question on the health business, which is how much can the health care business contribute over time? What have been some of the learnings from the health care centers? And how quickly can you scale that up?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. I think there's a lot of different ways in which they can go. As you know, we just brought on a new leader of our health care business, Cheryl Pegus. I've spent some time with her, and she's great, and I'm excited about what we're going to do there. I mean we've done some things around testing, we've done some things around these new clinics. The new clinics are really exciting and because it's the way people want to do health care for patients. I don't need to make an appointment five days in advance. It's going to be a good price for doctors actually get to treat patients instead of dealing with a lot of paperwork and -- so for -- it's a win-win, and it's how do you make that cost-effective and some of that's just scaling, as you would imagine.

Then how -- with the pandemic, how will people consume health care going forward. It's going to look different. I think digital has accelerated in health care. That's not likely to change. That's probably going to continue to accelerate and there's -- with the digital innovation that we have in different parts of our business, that's certainly a place that we can play.

So I think what we might do in health care could look a little different than we would have thought three years ago again just because the world's changed to some degree but no less exciting, and we know that the customer gives us latitude here to provide services for them.

A - Michael Lasser {BIO 7266130 <GO>}

Okay. I want to switch gears to the e-com business in a little bit more depth. The lines have certainly blurred between Walmart stores and its online business. How has that impacted the profitability of Walmart's e-commerce segment? This had been considerable -- in considerable focus for the last few years. You've outlined drivers that have helped to improve the profitability of the e-commerce segment. Where does that stand today?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. I mean it was really a couple of years ago, we started seeing the signs that we thought we would as far as reducing losses in e-commerce. It was coming from different places. Top line, as you know, helps with a lot of things. You're able to leverage fixed costs differently. But as also, as we get more volume through fulfillment centers, the variable cost fulfillment goes down. And as we were able to bring more brands online and develop brands, getting the mix between general merchandise and more consumable type products helped as well, so our contribution margins continued to get better, and that got even much better again last year.

So the direction, again when we bought Jet and when we got more involved into e-commerce, the direction where we thought the business model would go, we -- we're seeing that the last two years. So I'm -- I feel good about that. But it's become so ingrained in the business, and it's even more so now with the way that John has structured the merchant organization, that I certainly know and Doug knows, the team knows, here's what the profitability is by channel but it's more about the profitability in total. And how do we drive the right customer experience, and we have a sense of where we think they're going to buy from.

And it's up to the management team to make sure that, that is an outcome that's good for shareholders. So we -- again I do know -- we do know what the various aspects are, but the total is what we are completely focused on.

A - Michael Lasser {BIO 7266130 <GO>}

And that makes total sense, and I would imagine it would be a similar answer from a lot of organizations. But as a piece of this, how much more investment is needed in the e-com business? There was a lot of investment done over the last few years, for example. You brought together 2 disparate apps. I think there's still more integration that's needed to be done with the apps.

A - Brett Biggs {BIO 17414705 <GO>}

Yes. We've done a lot of that. But it's even a tough question now. It's like, how do you define the e-com business. Is that e-com, where everything's bought online is e-com, then you got e-com that's delivered to your house?

A - Michael Lasser {BIO 7266130 <GO>}

Brett, I'm the one asking questions here. So let's -- let's -- come on.

A - Brett Biggs {BIO 17414705 <GO>}

I mean but it is -- it's right. I mean is it e-com delivered to your house? Is it e-com you're picking up in the stores? Is it e-com you're picking up outside the stores? Is it being delivered to you? It's -- the lines are blurring, and they're blurring for the customer as well. They don't even think about how it's getting to them necessarily. It's just I need this, I want it at x time, get it to me. It really is blurring.

I mean I'm not -- really not trying to duck your question, it is really blurring, and that's to the benefit of Walmart because we can do this and we can invest in it, and we can still have a great top line and bottom line at the same time. It plays right into our strengths.

A - Michael Lasser {BIO 7266130 <GO>}

It would be helpful to hear what the big buckets of investment in this area might be -- for example, the app is a good -- an area that probably needs a little bit more investment. Are there others?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. We're going to continue to do -- put every dollar we need to in the app to make it easier. We went in, we got into the one app now, but there's things we can do to make using Walmart Pay easier. So all of that's evolving. And bringing in Suresh, our CIO or CTO from a couple of years ago, he's been a great unlock for the company. A lot of the capital over the next few years is going to go into capacity, but not just capacity on the e-commerce side. Automation, which, to some degree, there's advantages to being a second mover in a space like this in that you can continue to have the most up-to-date innovation on how to move product within a warehouse, but also how to get it to customers.

And so I think there will be some -- versus some of our competitors in a bit of a second mover advantage and some of the technology that we'll be able to put in.

Supply chain is the largest part of capital, certainly next year and probably for the next couple of years.

A - Michael Lasser {BIO 7266130 <GO>}

And as part of this conversation on omnichannel, I want to layer in a question on Walmart+. At your Analyst Day you noted that Walmart is initially focused on improving the Net Promoter Score for Walmart+ before focusing on really growing the membership. What signpost should -- would you like to see on that front before you get the ultimate signal that it's really time to shift in the membership acquisition in the high gear for membership acquisition?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. Walmart+ is something we considered for a while, and it's great. It's what we need to do. We'll continue to grow it. We started out with a fairly modest number of services and benefits, and we want to get this done in a way that we know the customer experience is good. We're watching, as you can imagine, NPS scores and how customers are reacting, the questions they're asking, the challenges, if they're having those.

And similar to probably pickup and delivery, you'll remember, Michael, let's say eight years ago, is when we started really testing pick up, delivery in Denver and we were seeing signs that the customer really liked this. We -- in that case, we rolled it out. We got to the point where we said, you know what, we can make this pretty good, and we rolled it out really quickly. Now it's a major part of our business.

I could see Walmart+ doing something similarly where we -- there's not a signpost that we're saying, if we hit this metric, we're going. It's -- we want to be more flexible than that, but we're seeing good signs of how customers are interacting with it. We've had a membership forever with Sam's Club. So we have some knowledge of what we're doing. But it's not one guidepost. There's a number of things that we're looking for. But I think this will be a really important tool for us going forward. I have no doubt.

A - Michael Lasser {BIO 7266130 <GO>}

And have there been any consistent themes in the early responses from customers that's allowed Walmart do business with some folks that might not have been able to in the past? Or is this more putting a bear hug around your most active customers already?

A - Brett Biggs {BIO 17414705 <GO>}

No, it's some of both. I mean same as what we saw pickup and delivery, some of both. Customers like it. Like everything, they want more services and you want to -- and we'll have that certainly over time. And competitively, I probably won't give you a lot more insight into that.

A - Michael Lasser {BIO 7266130 <GO>}

Sure. No problem. I understood. I didn't expect it. Yes. On the fulfillment and last mile, how does Walmart think about balancing third-party delivery through providers like Spark -- or through Instacart and then your own Spark platform. Is that something that Walmart needs to fully control over time? And within the Spark network, is there an opportunity to expand to other retailers and what shipped [ph] is doing?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. I think there's still a lot of room for this to play out and see how the market evolves. There's no way -- there's no one way that it has to work out for us to be successful, which is exactly what you want. I mean we use third-party providers, as you mentioned. We use our own Spark network. We've tested with associates in the past. I think any combination of those could work for us, long term. We're continuing to build out the Spark network. I like where we're at because it's good for the customer, and we still have great optionality. I'm kind of pleased where we're at.

A - Michael Lasser {BIO 7266130 <GO>}

And does the capacity of the Spark platform exist to meet Walmart aspirations within e-commerce? Is there enough there to be able to do it? And do you have enough control on --

A - Brett Biggs {BIO 17414705 <GO>}

Yes, yes, it could be. There's nothing really that would limit it necessarily. It's like any other delivery platform, you've got to get enough folks to come work for you and the infrastructure to go do it. But there's nothing inherently that would limit our capacity on that.

A - Michael Lasser {BIO 7266130 <GO>}

Okay. There's so much goodness on the profitability side, all these different strategies we talked about. If these strategies produce sizable leverage, and these are above and beyond some of the cost management measures that you had alluded to before and had been proven out over the last several years, what's the thought process between how you flow these gains to shareholders versus never really letting it flow to the bottom line because the expectation is you're going to reinvest the outperformance back into the business?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. I think you'll have to look at it over a period of time. There's -- I mean as we've said before, there's going to be -- there could be your investment here, you're less investment here, but we want you to look at it over a period of time. When you -- and it's one of the reasons why we wanted to say what we said at the investor meeting, which is -- when we talked about the sales growth, that operating income would grow faster than sales. We think that's important for investors to understand that we are going to continue to invest in the business, but we want good returns for those investors as well.

Now obviously we're not going to invest in the business, if we think there aren't good long-term returns for investors. So it should work to their benefit both ways. But we also know that they want to see progress, and we want to see progress on bottom lines. So I think we can do -- we've been able to do both, really. We've been able to grow profitability and continue to have great returns for shareholders. We had our 48th straight dividend increase, and we continue to buy back shares. So I like the position we're in and we'll continue to -- I think we'll continue to be very shareholder-friendly.

A - Michael Lasser {BIO 7266130 <GO>}

And speaking of investment, in many product categories, Walmart's price gaps over the last year expanded. Walmart stayed very true and loyal to its everyday low price strategy. Others may have dropped some of the promotions they ran in the past, which allowed Walmart's price gaps to increase. So how are you thinking about making price investment this year? So I'll start with that and then I have a follow-up.

A - Brett Biggs {BIO 17414705 <GO>}

Yes, price is always going to be an important part of what we do. Again I've talked a lot about five years ago. But in that case, we said, look, we need to step on the pedal a little bit on price investment, and we did, particularly in food and consumables. So price is always going to be a big part of what we do, and we want to keep those price gaps where they need to be for us to serve customers in the right way. But we watch them very carefully. It's not just how do we do versus Kroger, how do we do versus Target. It's geographically, it's product-based. It's much more surgical than it used to be. I think over the last few years, we've invested a lot in price, and we've got ourselves, as we expect we would, in a really good position.

A - Michael Lasser {BIO 7266130 <GO>}

Where do you see the largest opportunities to either pull back or push further? Are the gaps where they need to be? On this topic, there's been a lot of well documented inflationary pressures across many categories. How is Walmart thinking about price inflation across the board this year?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. I mean we're watching input costs like everybody else is, and that ebbs and flows. But again it's very product-based. It's not something where you hear someone say inflation is going to be x, and oh, I need to take prices up by x. It's much more strategic than that. We work with suppliers to -- if we're getting cost inflation in a product, how do we potentially change the product? How do we make it less expensive? How do we -- can you do that and still keep the quality of the product? So it's all these conversations that happen and it's supplier by supplier and it's product by product. But our goal is to keep prices as low as we can for customers. That's what we've always done, and we've managed to, I think do that better than anyone has.

A - Michael Lasser {BIO 7266130 <GO>}

Got it. We got a question from the audience asking, could you outline Walmart's strategy in the fintech area. There's been a couple of high-profile hires recently in the markets looking for a little bit more detail on what the strategy is.

A - Brett Biggs {BIO 17414705 <GO>}

Yes. I'm excited about it. It's something where we -- we've had a pretty big financial services business for a while. I'd call it more of an analog financial services business, but it's important. It's cards, it's money transfers, it's other things that customers want. But I think this gives us this joint venture and it gives us an opportunity to do some things that are maybe a little different, maybe a little more sophisticated, more digital, for sure, and having the skill sets that we'll bring into that, along with the resources that we have and the customer base that we have already. It's not like we have to go out and have really expensive customer acquisition costs. We've got the customers today that are already familiar with our brands. So when you put all that together, I think there's a number of things that -- where we could really make an impact on that industry.

A - Michael Lasser {BIO 7266130 <GO>}

Is this a payments play? Is this a banking play? I won't -- obviously Walmart's got a lot of expertise in all those areas. Could you contextualize how investors should think about the biggest opportunity within fintech?

A - Brett Biggs {BIO 17414705 <GO>}

I keep thinking about what customers need in their lives to make their lives simpler. There's a lot of different places in which a fintech business can play in that. Do you help people get access to services, make it easier for them to get access to services? Certainly, what we do with Walmart Pay and how people make payments is something that we've already been a big player in. We're a big player in India and Mexico and other places as well in that space. So it's how do you make customers' lives easier, more efficient, less expensive on the financial services side. If it fits one of those things, then I think it's something we could be interested in.

A - Michael Lasser {BIO 7266130 <GO>}

And I want to pivot the conversation to international a little bit. Is the -- I'll transition it this way. Is -- are you seeing anything international, whether it's in India, China, any other market from a financial services perspective that's motivating the Walmart U.S. business to get further in this area? You're seeing more innovation internationally and so staying ahead of the curve makes a lot of sense?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. I mean there's a lot of innovation in the U.S. Obviously the first couple of times I went over to India and saw what PhonePe was doing -- Flipkart with PhonePe on payment -- and again not just payments, but services that make customers' lives easier. It really clicked for me, the types of -- me and others, the types of things that we could do in the U.S. and they're very -- PhonePe, Flipkart, they're very sharp, very thoughtful, very innovative in that space. So there are things that we've seen in other places that really catch your attention. But there's -- again the U.S. has been, I think in the last five years, has been incredible as far as innovation in this space.

A - Michael Lasser {BIO 7266130 <GO>}

Yes. And how soon should the market expect Walmart to monetize its valuable international assets like Flipkart, like PhonePe? And what will having this capital allow these businesses to do that they otherwise wouldn't have been able to do?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. I mean we've put -- we're going to put the capital into Flipkart and PhonePe to the extent that we need to and we have to continue to let them grow. But we've said we're certainly thoughtful about IPOs and markets like that and timing depends on a number of things, but we're still optimistic about the ability to do that. Obviously you reward associates differently when you do something like that and you have a public company. So still very much on our radar screen.

A - Michael Lasser {BIO 7266130 <GO>}

Stay tuned, I guess. All right. I want to pivot to Sam's. Kath and the team have done a really remarkable job. With that being said, over the course of the pandemic, warehouse club sales across the board have really taken off in the U.S. Do you -- do the sales lift change your long-term thinking about the number of Sam's Clubs in the U.S.? There were some Sam's Club closures in the last few years, maybe those stores weren't well positioned. So could you get back to growing that business? And are there other opportunities for Sam's to grow in these areas that Walmart U.S. is adding like fintech and health care and advertising, et cetera?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. There's -- Sam's going to grow, it's -- and we're going to continue to want it to grow. I think growth in the future just looks different than it did in the past and not just the Sam's Club. Really, across the world. Sam's has great growth in the last year. I mean the comps -- 15-plus comps if you pull out fuel and tobacco, just a great year. I love what the team's doing. They're -- they can help us in a number of ways.

One is they've become, over the past several years, kind of a tech incubator. So we're able to try things at Sam's and around membership, which could obviously be helpful with things like Walmart+. So we're going to continue to grow that brand. It's in a great part of the retail channel. It's in a great retail channel.

The idea of building a lot more stores or clubs in the U.S. is probably not top of mind for us right now. It's not to say that we wouldn't grow more clubs but what we can do with existing clubs, I think is pretty exciting. You mentioned the things around the other services that Walmart is trying. When you put all that together, the ability to sweat the assets, so to speak, is probably bigger than it has been in a long time at Sam's. So I don't think we have to grow boxes to grow Sam's. That's really a good place to be in. But they serve a really unique place in our portfolio.

A - Michael Lasser {BIO 7266130 <GO>}

And on the subject of Sam's Club, it's generated significant membership growth, 6x the number of members in 2020 than has been added in the last few years. There's also been significant improvement in the renewals. What -- is this just a function of the environment? Or have there been actions that Sam's put in place to lead to these outcomes? And is this sustainable?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. Certainly, the environment -- you can't rule out the environment at all in the last year. It's impacted everything. But when you look at -- they're making membership -- even transacting to get a membership is much easier than it used to be. Checking out at Sam's Club is much easier than it used to be. Scan & Go, I use, you don't even need to go through a checkout lane. So they've made it much, much easier for the member.

The membership club business typically comes down to just great items. I think our merchandising continues to improve at Sam's. Private label, Member's Mark has been -- the progression on that in the last five years has been palpable. So it's a lot of different things that they're doing that I think continues to make Sam's just a really valuable property.

A - Michael Lasser {BIO 7266130 <GO>}

We're coming up to the end of our conversation. I'll finish with a topic that's near and dear to the CFO's heart, which is capital allocation. The company ended last year with a very sizable cash balance. So how fast should the market expect that Walmart will deploy that cash in repurchasing its own shares? It's clear that there's more cash on the balance sheet than is necessary. What's the thought process on longer-term capital allocation in the approach to reverse the shares [ph]?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. Obviously it's a great position to be in as a company. The message I wanted investors to hear a few weeks ago is that we're going to invest some of that capital back into the business over the next few years, and -- but we also approved another $20 billion share repurchase plan. So we're going to invest capital back in the business, which should long-term, benefit shareholders, but we want shareholders to be benefited in the short-term as well, short to mid-term dividends and share repurchase.

So again the environment is still certainly more uncertain than it was two years ago or even a year ago. So having a little bit of extra cash, I think is a prudent thing to do at this point and allows us to be flexible in things that we need to do. But as a company, I don't anticipate holding the amount of excess cash that we are today over any period of time.

A - Michael Lasser {BIO 7266130 <GO>}

Especially when the opportunity presents itself after the stock pulls back a little bit, I imagine.

A - Brett Biggs {BIO 17414705 <GO>}

That has caught my attention.

A - Michael Lasser {BIO 7266130 <GO>}

Okay. Well it was good to talk to you. Thank you, so much for your time. We wish you and the team so much continued success. We look forward to seeing you.

A - Brett Biggs {BIO 17414705 <GO>}

Thanks. Appreciate it.

A - Michael Lasser {BIO 7266130 <GO>}

All right. Thank you, to the entire Walmart team.

A - Brett Biggs {BIO 17414705 <GO>}

Thank you, everybody.