

## Raymond James Institutional Investors Conference

### Company Participants

- Budd Bugatch, Analyst
- Steve Bratspies, Mart Stores, Inc.

### Other Participants

- Unidentified Participant, Analyst, Unknown

### Presentation

#### **Budd Bugatch** {BIO 1504748 <GO>}

Good afternoon, I'm Budd Bugatch with Raymond James. It's my privilege and pleasure to welcome you this afternoon to the Walmart presentation at our 37th Annual Institutional Investors Conference. I trust everybody had a good lunch.

With us today from Walmart we are very pleased to have Brett Biggs, Chief Financial Officer of the Company. And giving the presentation today we have Steve Bratspies who was recently named the Chief Merchandising Officer of the Company. Without any further ado, Steve, the floor is yours.

#### **Steve Bratspies** {BIO 18295554 <GO>}

Thanks, Budd. Good afternoon, everybody.

As Budd mentioned I've been Chief Merchandising Officer just a short period of time, almost five months now in the Company. But I've been with Walmart for about a decade. So I've been a lot of different things at the Company, marketing and merchandising. And now have the honor to lead a great merchandising team at Walmart US that I'm very proud of.

We got a great, strong leadership team, a really good plan that we're very focused on delivering. And what I want to spend a little bit of time with you today is give you a top line of what that plan is and what we're focused on but more importantly I want to go into merchandising. I want dive down and talk to about what I'm focused on, what my team is focused on to help deliver the US plan.

To start I always have to put the forward-looking statements disclaimer up. You guys all know this, you know it better than I do but Budd put it up there just so we're all covered. Any questions you can see it at our website as we go forward.

So let me talk to you about growth and I want to start by taking a quick step back, a quick look back at the release that we just made. We just made our Q4 release a couple of weeks ago. And comp sales in the US were positive for the sixth consecutive quarter at 60 basis points driven by the fifth consecutive quarter of positive traffic growth in the stores.

Neighborhood markets delivered nearly a 7 comp during that time. And as you know we've been investing heavily in our business, heavily in our people, in the talent and technology. And it's really starting to pay off for us as we can see improving customer experience scores across the US business.

Global e-commerce sales were at 8% for the Fourth Quarter and 12% for the year last year on a constant currency basis. We expanded our online grocery business to 22 markets and we will do about another 20 markets this year as we continue to invest in that business and continue to find the intersection of physical and digital.

We're getting great responses from our customers on this with satisfaction scores already in the mid-90s. So we feel good about where we're going on that.

So lots of progress that we feel good about but we know we have a lot of work to do. And we're very focused on delivering in the future for our customers and for our shareholders.

And for us to do that it really all begins with our customer. I want to spend a little bit of time talking about the customer today, a little bit of a deeper dive understanding and some of the things that we're learning as we go forward.

The customer today is changing dramatically. Who they are, what they want, how they shop, where they shop, when they shop, lots of different changes that are going all at one time. 79 million of them are millennials and what's great is they are moving into prime spending years.

They started a little slower in household formation, they are moving faster and they are in that time right now. 48% of them are multicultural versus 28% from the boomers which is a dramatic shift and a dramatic change in the business. They are the most value-driven generation that we've seen in my lifetime, slightly ahead of Gen X. But they are very, very focused on value which aligns well for Walmart.

And they also have the strongest affinity for Walmart of any of the generations. 66% of millennials have shopped at a Walmart store in the past month. And they are more likely than the total population to shop Walmart stores.

So it's a very important customer to us and one that aligns very well with our business. Busy customers, they are demanding new level of convenience, new expectations. Really what they want is they want to see more shopping experience.

They want to shop Walmart. They don't care if it's online, they don't care if it's mobile, they don't care if it's in the store. They want it to be a seamless shopping experience for them and that's what we're working on delivering.

And we're seeing some good results. We continue to capture more than our fair share of millennial customer spending, especially those millennials that have kids already. We increased our market share with millennial moms by 450 basis points over the last two years.

And a lot of people ask why are we doing that? What's working? Fundamentally it's because we have the products that they want.

They like our grocery, they like our baby assortment which is obviously very important to them at the stage of life that they are in right now. Convenient locations, they definitely subscribe to the one-stop shopping. Again you're talking young families, household formations, one-stop shopping is a huge convenience to them. And ultimately our low-price model and budget approach to shopping works very well for them as they are very value conscious.

Our best shoppers are the ones who shop with us not only in stores but they shop online. And if you think about that intersection of physical and digital that we talk a lot about as a Company plays out in how customers spend. They spend more, they shop more frequently when they shop all channels.

So just some numbers for you. Walmart store-only customer spends on average about \$1,400 a year and online customer only spends a couple hundred dollars. The customer who shops both, online and in the store, spends about \$2,500 with us on average in a year.

So that customer in the middle of the intersection of those two circles is incredibly valuable for us. And as they continue to build that behavior we're going to continue to take advantage of it.

So let me take a minute and give you a high-level Walmart US strategy. And this is nothing new, you've heard this from us before, Greg Foran, my boss, has talked about this. But I thought it would be just to set the context quickly for what we're trying to do.

And ultimately that's to deliver a seamless shopping experience at scale. We think we're well-positioned to do that in a way that no one else has been able to do that so far. And there's four key planks to enable us to do that.

Number one, winning with stores. It's all about what we're doing to provide an excellent experience for our customers who are there. We made a lot of investments in that area and people and the technology that make our stores fundamentally run better.

The second is delivering value. Low price has always been our key differentiator in the market and we're going to continue. As we invest to grow we're going to continue to invest in price and we're not going to compromise on any quality or any products as we do that. So price and quality investments are going to be very important to us going forward.

The third one, which is near and dear to my heart, being great merchants. We've got to run great stores and we've got to have great product in that stores. And as merchants we have to think through how the product flows into the store, how it flows to the shelf all the way out through the register making that a seamless as possible for our stores so they can operate better. It's about great products, executing great programs in our stores, seasonal programs and bringing to life great brands.

And finally it's about providing convenience. We really believe that we're uniquely positioned with the footprint that we have on a physical basis to add the digital to that and provide a seamless shopping experience for merchandise across all channels as we go forward. So that's the US strategy.

Let me talk to you about merchandising. Let me talk to you about what I'm focused on, what my team is focused on every single day to make our business better. And it's three things: it's customer advocacy, it's continuing to improve our cost position and it's service to our stores.

Let me touch on each one of these for a minute. Customer advocacy, it's pretty self-explanatory but it really just means being obsessed with customers. It's putting the customer at the center of every single thing that we do and creating experience for them that is valuable, fun, exciting and basically worth their time. That's what we have to do and we have to keep focusing on them all the time.

Our cost position, you know this Company is built on the promise and the purpose of save money, live better. It always has been and it always will be.

It's what we're known for and it's what we stand for. And we're going to consistently guard that position in the marketplace and make investments over time to make sure that we provide the absolute best value for our customers.

And to do that we have to run a strong EDLC model. We have to continue to take costs out of our business to be able to invest in price as we go forward.

And finally service to our stores. If you're a merchant at Walmart you serve two bosses. You serve the customer number one and number two you serve the stores.

Your job is to help the stores run more efficient. How do they improve their efficiencies once again so we can take cost out. So we can continue to invest in our business. We have a lot of aggressive plans around order fill rates, greater efficiency

at the shelf, improved speed and creating a lot more customized programs at the local level to drive our business.

What I want to talk to you mostly today is about the first one which is customer advocacy and what do we do to drive loyalty to create a better customer experience and ultimately to earn the trust of our customers so that they continue to come back time and time again. So the first piece of customer advocacy where we need to start is about fresh business.

Why do we start with fresh? Because when you walk into a Walmart store what is the first thing you see? You see fresh.

It sets the tone for the experience of your entire shopping trip with Walmart. It's a huge priority for us because it's a big traffic driver and it's very important to our customers. And we know when we get fresh right the entire box benefits from that business as we go forward.

We've got really comprehensive plans we call it all the way from farm to fork. So what do I mean by that? We're looking at how we source product, where we source it from globally, how we change seasons more effectively all the way to fork.

It's not just about having fresh product in our store, it needs to be fresh when you take it home. When you experience it two or three days later out of your refrigerator it needs to still be fresh product. How do we extend that over time and that's ultimately our focus.

People often ask what's different, what am I going to see in your stores? When you go into our stores this year I think you're going to see a couple of things. One, you're going to see better assortment, improved quality, better presentation of product.

The wet wall in our produce area is different. It's been flipped. We're going to lead off with fresh bulk vegetables that set a fresher tone right on actionality.

We've expanded space for cut fruit which is a huge growth business for us. We've changed our assortment mix between bagged and bulk product, all to make sure the assortment is better for the customer.

The shopping experience is going to be different. We're rolling out a project that we call fresh angle rollout. And what that is is when you walk into a produce department we're reorienting all the fixturing in there and lowering the profile.

So you're going to be able to come in, you're going to have more space, you're going to have more sightlines, able to see the wet wall, see the deli, easier to shop, it's going to change dramatically the look and feel of our produce department. We have it in 180 stores right now, it will be in about 3,300 by the end of the year. So a pretty big rollout for us.

And also much better in-store execution. We've made a lot of investment in wages, as you all know about, adding department managers back. We're also adding in what we call a fresh operations manager at the market level to have an expert in every single market to teach, train and build capabilities in the stores on an ongoing basis.

And ultimately as I talked about earlier, better freshness. Freshness is the key. It's how you actually judge the product and we've taken a full day at inventory out of our supply chain over the last year to make sure that we continue to provide that fresher experience.

So we're optimistic about our growth in this area and we are already seeing some great results. 52-week produce market share up 44 basis points. Organic market share up 80 basis points in the last 52 weeks.

So the customer is responding to what we're doing. We expect these investments to pay off in the short term and long term and we're pretty confident about what we're doing. And the customer perception improvement that we're seeing across the department is the best measure to tell us that we're working on the right things.

The second area, how do we build relationships and trust with customer is private brands. And we've always had a big private brand business across Walmart. And it's across the entire business: GM, soft lines, food, consumables.

But customers are asking more and more for more private brand. It's a key loyalty driver and those customers who participate in private brands they make more trips and they spend more. And when they come and they make those incremental trips 50% of what they spend is on branded product.

So we know what they're doing as it is building a more engaged relationship and it's a deeper penetration of how they shop Walmart and why they shop Walmart. The penetration of brand, private brands is increasing both in SKU count and in new items. So the density of that in our stores is going to continue to increase.

We believe winning with private brands comes down to three things: it's price, innovation and quality. And we're spending a lot of effort to invest in product development, sourcing, technology, new talent to be able to build this business.

For those of you who visit us in Bentonville every once in a while I encourage you to come see us. We're building a best-in-class product development and sensory lab right in Bentonville, right at our home office that we'll have open in just a couple of months which will give us a whole new level of capability for us to build as we go forward.

One of the questions I get asked all the time when I talk about private brands is well you have always said you're a house of brands. So what does that mean, how do you

think about that? And what I would you is we always have been a house of brands and we always will be a house of brands. National brands are incredibly important to us number one because our customers want them, number two it's a fundamental part of the EDLP program.

We show price value by customers comparing national brands to one another. So none of that is changing as we do this but it's going to be a balance of both as we go forward.

The next business that really is growing and becoming a more and more important part of our business is our health and wellness area. Everybody knows that healthcare always ranks among the top concern of the entire population let alone just our customers and as boomers age more and more this is going to become a bigger and bigger issue for society. That's why we're continuing to invest and expand our portfolio here to serve customers better and for us it's all about access and affordability in this area.

Today we operate 4,500 pharmacies, 2,900 vision centers, all demonstrating strong growth across the business. We're working really hard how do we engage these customers even further and this is an area where health and wellness it's all about trust. When you look at a customer I have to trust you in my health and wellness business and the best measure I have to show trust is our immunizations business has doubled in the last year.

So to me there's nothing that says trust more than I'm going to let you stick a needle in me in the middle of a store. So we feel pretty good about that as a good leading indicator that customers trust us more and more as we go forward.

Just to give you one example of something that we're doing in this business area, it's called the America's Biggest Health Fair. And we did it the first time in October where in a four-day period we delivered 50,000 immunizations, 280,000 health screenings and we distributed almost 200 million healthy product samples.

And we look at those numbers and we say wow, that's great, the scale of our ability to do this. But what's really powerful about this is when you take it down to an individual customer. And we got dozens and dozens of stories coming out of this health fair and just one that I will share with you.

There was a woman in one of our stores in Atlanta who came in and had a blood pressure screening. And the store immediately called 911. They took this woman to the hospital.

Her blood pressure was 255 over 160. And she was about to have a stroke or a heart attack. And the doctors and her family contacted the store afterwards and said she was going to have a major medical event within a few hours if she had not been in a Walmart store at this health fair and gotten her blood pressure checked.

So it's just one example. Again the numbers are big but we like to take it all the way down to an individual customer. Some pretty powerful stuff that we can do for our customers to help them on the live better part of our promise.

Convenience. How do we improve customer experience? How do we think about shopping in the future and how do we change our business as we go forward?

Nearly 90% of the US population lives within 10 miles of a Walmart store. So we have access basically to the entire US population just based on our current layout in our stores. So we're going to continue to provide more access and more convenience to those customers in three key ways.

The first is with pick up. And we're really making some good meaningful progress here. Customers keep telling us how much they like this.

This is when a customer goes online, orders an item and they come to the store and they pick it up for free, often within the same day. It's been a real priority for us over the last year. The business spiked dramatically during the holiday time.

Lots of huge volume. That volume has continued on. Customers are excited about it. It provides instant easier access to the great assortment that we have in a store without them having to go do a lot of the work.

The second piece is online grocery. I mentioned it earlier but customers love the ability to shop online, order their groceries and come to a store, never even get out of their car. Open their trunk we'll put the groceries in their trunk for them and move right on.

These customers represent a larger basket and many of them are new incremental customers to Walmart. And as I said earlier, customer satisfaction is in the 90s of this business. Customers really like it. We've expanded it to over 20 markets already and we'll do another 20 markets as we roll out this year to continue to build this business.

And the final piece is the Walmart app and it's one of the top three apps in retail. We've got tens of millions of customers who use it. And it's all about continuing to add new tools, new capabilities to the app.

It's pretty helpful today you want to go shop a Supercenter to find the product and the aisle locator where you want that product. But recently we added to it when we introduced Walmart Pay which is an example of how this app gives customers a seamless experience between digital and physical. It just takes the digital world and brings it to the store and makes the store that much more convenient, that much simpler.



It's a really, really cool application. It's unbelievably simple and we'll be rolling that out to the rest of the country through the first half of this year.

I really believe in this area going back to that 90% or within 10 miles we can do what nobody else can really do effectively big in scale and that's marry e-commerce with a physical location. And that's what we're really focused on rolling out over the next couple of years.

Everything I just said is always powered and anchored in what you know from us which is we're going to be running an EDLP business and we're going to power it by EDLC. We're going to deliver that consistent, stable pricing that builds trust with our customers. That's why they come back to us because they trust the price that they're getting from us every single day.

To do that and do that really well you have to continue to improve our low-cost position. We're doing a lot of work to drive cost out of our system across the entire franchise.

A few things we're doing specifically that we focus on is taking most of the co-op marketing out of our business and encouraging our supplier partners to put that into the cost of goods, reducing the number of tabs that we have in the marketplace. We had over 100 a few years ago. We will be down under 20 yes we go forward. We're working to get to more consistent terms and allowances to take cost out of the business operating with our suppliers and looking at every single aspect of our business from sourcing to logistics to technology to how do we continue to improve our cost position so ultimately we can deliver on our EDLP promise to our customers and not compromise on the quality.

So as a merchant I couldn't stand here today and not talk to you about some items because we know -- Budd, we talked about it earlier, we're an item-driven business, we always have been and we're always going to continue to be. So I want to share just a couple of items with you that are examples of great EDLPs that you can find in our store right now.

So last year -- I'm grabbing some products -- last year we sold a \$1.68 cami in our store, sold millions of items and it's this program called Shocking Value that we have in apparel business. We're following that up this year with a \$2.87 No Boundary T-shirt. When we're all done I'd encourage you to come up, feel the quality on this, touch this product.

This is an incredible quality product for \$2.87. You're going to see massed out tables in our stores, great arrangement of colors, really, really looks good.

We'll also going to have a lot of fun this summer with a product called bubble wands. We're going to sell a six pack of bubble wands for \$3.88. You say okay, that sounds good.

We're going to sell 6 million of them. Last year this product was \$4.97 and we sold 1 million of them. This year we're going to sell 6 million at \$3.88.

And how are we going to do that? One, roll back of the price because you are going to see mass displays right in front of the customer. It's a great item that we'll have a lot of fun with.

And the last one is a great seasonal item which is Peeps. As we head into Easter time I'm sure you have all had Peeps and I'm sure you all love the taste of Peeps.

Well we're going to sell them at \$1 this year and which will be a 20%, 25% value to anyone in the market. And we also have what we call Mystery Peeps. There are three mystery flavors this year. So I'd encourage you to go try them.

They are only at Walmart. And they will reveal them the week of Easter.

But just examples of fun, exciting items at great prices to make a difference in our business. So as we work on building a fresh business, as we work on building a global e-commerce business the one thing we're never going to forget and we're never going to walk away from as Walmart is great item merchandising at EDLP pricing because that's what drives our business and that's what our customers love when they come to see us.

So let me just wrap up my time with you and just kind of leave you with a couple of thoughts. One, I think we've got a really clearly defined strategy in the US. It's about winning with stores, it's about delivering value, being great merchants and then providing convenience to our customers.

My role, my team's role, merchandising's focus is about executing that strategy. And what are we focused on? We're going to be focused on the customer.

We're going to put the customer at the center of everything that we do. We're very focused on improving our cost position so we can invest in price over time and make sure that we serve stores as effectively as we possibly can.

I think we're on the right path. Traffic, comps, satisfaction with the customer all improving. We're working on the right things and we're encouraged about our progress so far.

So thank you for your time. And I guess, Budd, we'll do some questions.

**Budd Bugatch** {BIO 1504748 <GO>}

Yes. We have some time for questions. Let's take some questions.

## Questions And Answers

### Q - Unidentified Participant

As you continue to grow the health and wellness franchise and look to strengthen your cost position there are examples in the market of it deals directly between for instance pharma companies and pharmacies like the Walgreens Valeant deal. As you evaluate your relationships with the wholesalers like an AmerisourceBergen or McKesson can you just talk about how you view those relationships versus going directly to the large pharma companies given your scale?

### A - Steve Bratspies {BIO 18295554 <GO>}

Yes. Thanks for the question. I would say very important relationships to us and there has been a lot of change in the marketplace over the last couple of years, different mergers, different programs going on. We're always looking at options to figure out what's the best way to run our business.

It's a business that we're going to continue to invest in. It's incredibly important to us and to our customers. So we're going to always evaluate what the best way for us to do that but those relationships that brought us this far in this business are very important to us and we'll continue to build upon.

### A - Budd Bugatch {BIO 1504748 <GO>}

Questions? I'll ask one.

Several years ago at this conference Bill Simon made a really good case about the outsized market share that Walmart had of the weekly shop and part of the impetus of the Neighborhood Market and Walmart Express test was to develop a better market share of the midweek shop. Can you give is kind of an update of where we are in that process and what the current thinking is of the leadership?

### A - Steve Bratspies {BIO 18295554 <GO>}

Sure, thanks, Budd. Yes. Worth looking at, when you run a business the size that we run we need to participate in every shopping trip that exists out there. And one of the reasons we continue to lean into and invest in the Neighborhood Markets franchise is it serves that need really, really well.

It's our convenience format which customers like to do the smaller shopping trip to as they go forward. We will build 85 to 95 more of them this year than we have going forward. So we're good to continue to invest. We're working, all the programs that I talked about today apply to Neighborhood Markets as well.

Improving our fresh business there, making it more convenient. We continue to lean into pickup in those stores to make them more productive as we go forward. But that midweek shopping trip continues to be a big part of how customers are shopping

and changing their behavior and we're using the Neighborhood Markets particularly to go after that.

**A - Budd Bugatch** {BIO 1504748 <GO>}

And you have been you've been redoing the Neighborhood Markets to get that. How does that feel, where are you now in that innovation?

You've made a couple of new Neighborhood Markets near the home office that have had some different items. Where are we on that?

**A - Steve Bratspies** {BIO 18295554 <GO>}

Yes. We had. There's a couple of different protos that we're working on in our local area near our office. A couple of things.

We're changing the fresh layout in those stores, lowering profiles, creating more shopping space, adding to the assortment there in fresh, building out our deli business and adding more capabilities. We have things like new pizza programs and things like that in those businesses. Making those stores more convenient by splitting the aisles.

A lot of times you go into Walmart one of the complaints customers have the long runs. So in Neighborhood Markets in the new protos they are split files which creates more opportunity for us.

We're expanding the baby department in Neighborhood Markets in stores that it makes sense, all to serve the customer better over time. So just a few examples of things that we're working on.

**Q - Unidentified Participant**

Some time ago I read a story that you are closing down shops in let's say rural areas because the population was not big enough. Do you plan to address that issue with let's say drop-off stations or something like that to give them at least a chance to buy something?

**A - Steve Bratspies** {BIO 18295554 <GO>}

So let me just start with closing stores. We did close about 150 stores at the end of last year which was really part of a very large, comprehensive global portfolio review as to where we are in terms of what are the best assets that we have, how do we optimize them and where do we want to invest and where do we not want to invest?

The total closures of that business was less than 1% of our total square footage on a global basis. So not a tremendous amount. But all of those stores in the US were our Express stores and many of those were located in some rural areas.

That Express store pilot that we ran, I think it was 105 stores I think is the exact number, basically we decided that it didn't fit the model of operating that we wanted to have in the future. Many of those locations we actually wished we had built a Neighborhood Market in, quite frankly. So as we've gotten more encouraged with our Neighborhood Market results we don't think or we know that the Express business doesn't fit into a model as we go forward.

In terms of reaching more rural areas, that's a real estate kind of analysis play that we'll always do. We're always looking for new markets. We're going to continue to build stores.

We're just not going to build Express stores in those markets. If we build them we are going to build a Supercenter or we're going to build a Neighborhood Market.

### **Q - Unidentified Participant**

So the Company's unilateral decision to raise wages which has increased your US cost structure by \$2.7 billion, doesn't that really inhibit your ability to invest in price and thus drive any kind of comp going forward?

### **A - Steve Bratspies {BIO 18295554 <GO>}**

So the \$2.7 billion is an investment that we made for a couple of different reasons. One, we need to invest in our associates in our stores which has always been a strong plank for Walmart in the US and around the globe. So we wanted to invest in them.

Part of that investment was also adding labor to the stores. So adding department managers, adding technology, adding capabilities to serve customers much better in our stores. So \$2.7 billion, that's not a small number. We made a big investment which obviously you saw what it did to how we positioned ourselves from an earnings perspective. But what we think that is going to do is position us for the long term to grow our comp sales business as we continue to invest and make the experience in our stores better.

For price I talked about what we're trying to do on cost, continue to take cost out of the system. This year we're going to start to invest in price again as a business and you're going to see a multibillion-dollar investment over the next couple of years. The approach that we basically took was. And I think Doug or Greg have used this phrase before, you can't invite people over to your house for dinner before you clean up the house and that's what we needed to do.

And we didn't think spending a lot of money on price before we improved the performance of our stores, before we improved the experience would be a prudent investment. Now that we're getting to the point we feel better about how our stores are being run, how they are being operated, the customer experience in there we're ready to start spending money against price.

Our fast, clean and friendly scores, which is how we ultimately measure the metrics of our operators right now, we put a very high bar in place for them last year. 76% of the stores reached that bar and then we flipped the calendar and we raised the bar again and they are working back up to climbing that ladder to have better fast scores, better cleanliness scores and more convenient stores for customers.

Once we have that we're good to continue to invest in price.

**A - Budd Bugatch** {BIO 1504748 <GO>}

Just piggybacking on your last comment, one of the big issues has been the back rooms, cleaning up the back rooms, taking inventory out of that. I think that's been a big push of Greg's because he believes if the back rooms are really well organized then the shrink goes down.

Shrink was an issue that I think hit us at one of the quarters last year. Where are we in that process? Are all the back rooms clean like you want them?

**A - Steve Bratspies** {BIO 18295554 <GO>}

No. They are not all clean the way I want them but we're making good progress. And there's a lot -- there's a couple of different things happening there. One, a clean back room is two things: it's how you flow product into the store and then ultimately what are the back room processes you run and the floor processes you run to get it out.

So a lot of changes going on in flow. But what I talk about is in the store, we have a new process that we call CAP or rolling out top stock which as you can see is the top shelves above where we can put product. Our buyers, some of them I have here with me today, are working on pack and a half compliance in our stores so more product fits on the shelf.

So our back rooms are I would say significantly better and I've been in some back rooms that are almost completely clean at this point. But not every back room across the franchise is that way. We're making meaningful progress but more work to do but I'm encouraged.

Ultimately when we run a clean back room what it really means is we're better in stock and are in-stock is better and when our in-stock is better we sell more, comps improve. So we're very focused ultimately on in-stock for the customers and we run a tight, efficient backroom process, it allows us to stay in stock on the floor.

**A - Budd Bugatch** {BIO 1504748 <GO>}

Thank you very much. We will continue at the breakout.

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