

Deutsche Bank dbAccess Global Consumer Conference

Company Participants

- Brett Biggs, EVP and CFO
- Paul Trussell, Analyst

Other Participants

- Unidentified Participant, Analyst, Unknown

Presentation

Paul Trussell {BIO 20732173 <GO>}

Good afternoon, to all our attendees here at the dbAccess Global Consumer Conference. Good morning to all those listening back in the States on the webcast. My name is Paul Trussell, the US broadlines and apparel retail analyst for Deutsche Bank. I'm very glad to have with us today the management team of Wal-Mart Stores, Inc.

Speaking and presenting this morning will be Executive Vice President and Chief Financial Officer, Brett Biggs. And he's also accompanied here in the crowd by Senior Director of Investor Relations, Pauline Mohler, as well as Vice President of Investor Relations, Steve Schmitt. And with that, Brett.

Brett Biggs {BIO 17414705 <GO>}

Good afternoon. Good morning back to everyone in the US. Paul, thanks for having us here; thank you to Deutsche Bank as well. There are certainly tougher draws to get than Paris in the summertime. But it's been a great conference. We had some good meetings this morning with investors and appreciate all the interest in Walmart.

I'm really looking forward to talking about Walmart. I've been with the Company 16 years, I've seen a lot of change during my time with Walmart. And I'm as excited as I've ever been about the future of the Company. We have a strong leadership team, we're aligned on our plan. And we're encouraged by the momentum that we've seen in many parts of our business.

So this afternoon, given that we haven't presented as much in Europe, I want to spend a little time talking about the history of the Company. Some of you may be more familiar with Walmart than others. But then spend most of our time talking about where we're going as a company.

So our attorneys would be very happy if you could read this slide. It's customary for this type of meeting. And saying that we may be making forward-looking statements today. So please take a moment to review this information behind me. It won't be on the screen too long. Or visit our Investor Relations website where the information is all posted, along with non-GAAP reconciliations.

So Walmart is truly a global company. I want to take little bit and talk about the Company. And its focus and its mission is about saving money so that we can help people live better. With 2.3 million associates, \$482 billion in annual revenue last year, we serve over 260 million customers each week.

And just to ensure familiarity with the Company, we have three primary operating segments, two of which I'll focus on this morning. So Walmart U.S., which is our largest business. And that's primarily our US Supercenters as well as neighborhood markets. And we'll talk a little bit more about that business in a few minutes.

The second segment is Walmart International. And we'll spend a little bit of time on that.

Sam's Club for reporting purposes, this is the third reporting segment. For reporting purposes it's our Walmart U.S. or US Sam's Clubs. We also have Sam's Clubs in Mexico, in China and in Brazil, which are part of Walmart International. Then our e-commerce results would be part of each one of those segments.

So just for context, Walmart U.S. makes up about 60% of our total revenue and about three-quarters of our operating income. The Walmart International segment, if it was a separate stand-alone business, would be the second-largest retailer in the world behind Walmart, Inc. So our brick-and-mortar presence comprises assets of just over 11,500 stores, 63 banners around the world and 28 countries.

Our digital format is comprised of 16 e-commerce websites in 11 different countries, along with our mobile applications. So we are working and we're very focused on the integration of our digital business with our physical business to create the first seamless shopping experience of scale. And I'll talk about that in just a few minutes.

So before we talk a little bit more about the business, I want to take just a step back for a minute and talk about our First Quarter results which we would have reported about a month ago. We're pretty pleased with the results; it was a good quarter for us. As a company, we're executing against our strategic priorities. We're certainly focused on the long-term health of the business. But also in showing short-term improvements which I think we did in the First Quarter.

So on a constant currency basis, sales increased 4%. So that's \$4.6 billion of growth, to just over \$119 billion in the First Quarter. From an EPS standpoint, we had a little bit of pressure because of the investments we've been talking about publicly around wages and training, particularly in the US. So our EPS was down. But we did exceed our expectations and guidance for the First Quarter.

Walmart U.S., as you can see, delivered its seventh consecutive quarter of positive comp sales and also its sixth consecutive quarter of positive comp traffic. From an international perspective, 10 out of 11 of our markets delivered positive comp sales. And from a cash flow perspective, we generated \$6.2 billion of operating cash flow in the First Quarter. A lot of that is because of the operating results, obviously. But also improved working capital management across our business. So overall, we're happy with the start to the year.

So let me take a step back and talk for a minute about the history of Walmart. We really have 50 years of transformation as a company and in serving our customers in different ways. While today we have almost \$0.5 trillion in annual revenue, we had very humble beginnings. Our first store opening in 1962 in rural Arkansas. And we've had tremendous growth, as you've known, since then; primarily started in rural America. But we knew our customers wanted more from us.

So the next part of our evolution was into our membership clubs. So in the early 1980s, we started our membership club business and we opened our first Sam's Club. Today we have over 650 clubs in the US and revenue of about \$57 billion. And I just mentioned we have Sam's Club's also in three other countries.

Then began a real transformation for the Company. And that was with the Supercenter. So our first Supercenter opened in 1988. And was probably the greatest invention in retail history and certainly changed the retail landscape in the United States.

Not shortly after that, we started our international expansion and it started in Mexico just over 25 years ago. We have our team from Walmex here today. They'll be presenting tomorrow. And today our international business is comprised of over 6,200 stores, 27 countries and revenue of just over \$123 billion outside the US.

But as you fast-forward to today. And if you heard Doug McMillon, our CEO, talk a couple of weeks ago at our shareholders meeting, we look at -- we get the opportunity to reinvent retail again. We've done that a lot in our history with Walmart. But we get to deliver that seamless shopping experience of scale for our customers and combining the great physical assets we have with the digital assets that we're developing.

So I would think about Walmart as a company that has always transformed itself. We're going through another transformation today along with our customer. And we're very excited about where it's going to take us.

We talked a lot about growth and change. And our Company has been about both of those throughout its history. Growth used to be just about we'd talk about building stores or growing comp sales. And it looks different today. It's still about comp sales and it's all about building stores. But now it's about mobile e-commerce: it's about world-class fulfillment capabilities: it's about developing new services all with the customer in mind.

And as you look at this slide, I want to talk about a few examples about how we're using new capabilities to make our customers' lives easier. I'll start with Walmart Pay there in the upper left-hand corner. By the end of this month, Walmart pay we would have rolled out to the entire chain.

Now Walmart Pay is our new payment app which allows customers to pay for their merchandise quickly and efficiently with their mobile phone. We've seen nice acceptance of this and we're looking forward to seeing the results as we roll this out to the rest of the Company.

In addition, if you go down to the bottom right, we've added five next-generation fulfillment centers for e-commerce over the last year. This allows us to get closer to our customers, to cut delivery times to them. And you would have seen even with our shipping pass announcement recently that we've taken that from three days down to two days. And having these state-of-the-art fulfillment centers is part of that.

We've also expanded our e-commerce into grocery. So we've expanded our grocery pickup in the US now to nearly 40 markets, about 250 stores. So you can imagine this has been a huge hit for our customers, particularly with busy moms. Busy moms who don't want to get the kids out of the car to come into the Supercenter can come to a Supercenter and pick up their groceries and have them put in their trunk. They really, really like this; we've had great feedback on it.

And earlier this month, just a couple weeks ago actually, you would have heard about the small delivery test in the US that we've taken on through a partnership with Uber and Lyft. And we're excited to see what the results of that will be.

So as we test initiatives, we will be smart about it. We'll take our learnings; we'll adjust from those learnings. But we're willing to try new things as a company. I think as a company today, we need to be willing to try new things. And it's about serving that customer how they want to be served and trying things differently. So we're excited about what we're doing.

One of the reasons that we're able to try new things is that we have great financial strength. We have excellent cash flow. We have a rocksolid balance sheet. And we provide robust return to our shareholders. As you can see the statistics on the slide, last year we generated over \$27 billion of operating cash flow. We announced a new \$20 billion share repurchase program. And we increased our dividend this year for the 43rd consecutive year in a row.

So we believe this is a great strength of ours as we transform the business to be able to do that from a position of incredible financial strength.

We've been investing in the business for many, many years. And I want to point out a couple of ways in which we're investing in the business today. And it's primarily around people and technology. Our Company has always valued our associates and we'll continue to do that.

Just recently over the last year, we've announced a two-year investment of \$2.7 billion in wages and training in the US in stores and in clubs. We think we're seeing good results out of that. And I will talk about that a little later.

But Walmart also provides a ladder of opportunity for people. And we see people that want to make Walmart a long-term career option. Last year we promoted over 250,000 associates globally. In the US, 75% of our US store management started out as hourly associates. So we have created and will continue to create great opportunities for our associates.

In fact, one of our most famous hourly associates was Doug McMillon, our CEO, who started in one of our distribution centers as a summer associate. Doug has done okay for himself to become CEO of the Company. But I think Walmart provides a great opportunity for its associates.

Technology has changed our world and that's something that no one here, I think, would refute. And it's changed how our customers shop, it's changed how they want to shop and will shop in the future. But we continue to invest in technology, whether that's enhanced search capability, whether that's mobile apps around the world, Scan & Go at Sam's Club or Walmart Pay.

We continue to invest in technology. We'll continue to invest in technology so that we can connect that online world with the off-line world for our customers, because that's a sweet spot for us.

And we'll continue to invest in our business for the long-term. We'll do it, though, in a thoughtful and strategic manner.

We've talked a lot about already this morning about delivering a seamless shopping experience at scale. We've always been a company that saves people money. But we know it's equally as important to save people time. And delivering that seamless shopping experience across our app, across our mobile site, across our stores, is incredibly important.

We know that our sweet spot is that customer that shops with us online as well as in stores. And they engage with us differently in that way. Advances we're making around the things we just talked about, whether it's fulfillment, online capabilities, we want people in the Walmart ecosystem. We want to make it easier for them to refill a prescription, to order groceries, to find an item on the shelf or to check out. We want to make that easier for them.

We want people to shop at Walmart however they want to shop at Walmart. So the things that we're working on and the focus areas that we have in the Company are around creating that. We still have a lot of work to do around creating a seamless shopping experience. But I feel good about the progress we've made.

So I'll talk a minute about our largest business, Walmart U.S., probably the business that most people are most familiar with in the room. We continue to make good progress. You would have seen that in our Q1 results in various parts of our Walmart U.S. business. And clearly, the Walmart U.S. progress is a big part of the results that I discussed just a minute ago.

We talked about the consecutive quarters of positive comp traffic and positive comp sales. And the 1% comp growth or the 1.5% traffic growth for the quarter. Our neighborhood markets which are our smaller primarily grocery format had comps of 7% in the last quarter. Some of those obviously are newer stores, a little newer in their cycle. But we're excited about the growth of neighborhood market.

We're also really excited that our customer scores continue to improve. So the investments that we're making in wages certainly are part of that. Our customers are telling us our stores are cleaner, they're faster to check out, they're friendlier. And we've seen 80 straight weeks of improvement in our customer scores. So certainly, we're very excited about that.

And expanding our grocery to 40 -- grocery pick-up to 40 markets is a big piece again of what we want to try to do and a big part, I think, of what we're doing in Walmart U.S. So we're encouraged by the progress we're making in what is our largest business.

So I'll talk just a couple of minutes about Walmart International. We had another solid quarter with sales growth of 4.3% -- that's on a constant currency basis -- for Q1. And the sales improvement was really broad-based. We talked about 10 out of 11 of our markets having positive comp sales in the First Quarter.

I want to brag a little bit on Walmex, not just because you're sitting here. But Walmex has just been the leader for us over the past several quarters. Great momentum in the business, comp sales of 8.6% in the First Quarter. Really across all divisions, regions, countries, Walmex is having a stellar year.

Canada, also very strong growth. 6.7% growth in the First Quarter, very strong traffic growth in Canada. We've had, I think, great improvements in our merchandise assortment, also in our price investment there which gave us good customer traffic growth.

I'll hit on three other markets that are certainly very key to the International segment. I'll start with China. China is a market we are very excited about long-term. We've made great progress in building a foundation there from a cost perspective to ensure that our growth there will be sustainable. We're very focused on new stores as well. And Sam's Club has been a very nice addition to our portfolio mix in China. We're excited about the progress of Sam's Club. And also looking to expand our online grocery efforts and grocery pick-up in China. So China will continue, as you would imagine, to be a very important part of our business going forward.

Brazil is in a very challenging period. Gui who just came from Brazil was CEO in Brazil, experiencing his worst recession in 25 years, a very difficult economic environment. The team there, though, is making good progress with our stores, also online. In our stores business, we had positive comp sales in the First Quarter. So the team is continuing to find ways to serve that customer even in the face of what are pretty challenging economic conditions in Brazil.

As most of you know, we've gotten a lot of questions this morning. The UK is a very dynamic market and was, in fact, the only market we had in the First Quarter that did not have positive comp sales. We've talked a lot about project renewal. You've heard us talk about it as well as our UK team talk about it over the past year and what we're doing around our customer offer by getting our cost structure right and assuming we invest in price and drive sales in the way that we always have there.

It's certainly a challenging time in the market when you have deflation and you have the competitive environment we have. But we have a strong leadership team in place and we're very committed to Asda long-term.

Most of you would've seen recent executive changes that we announced. I'm very excited about that. I think it shows the depth that we continue to have around our Company to be able to make changes like that.

I'm very excited about Dirk Van den Berghe moving to Canada (sic). Dirk is a great leader with European retail experience, as well as US retail experience. He is going to one of our most important markets in China. So very excited about that.

And Sean Clarke who is coming to the UK. Some of you may remember Sean from his earlier days in the UK. I've known Sean my entire time in the Company. He is one of our most talented, certainly most traveled senior executives at Walmart in the number of countries that he's been in. And I think that will provide a great backdrop in which for him to come back to the UK having grown up in UK. But now having the experience and seeing the complexity of other markets now to take that fresh set of eyes. And applying that to Asda I think will be great for the business. So we're excited about that.

So one of the things I'm most proud about our Company is what we do outside of our Company and the other areas in which we make a difference, not only just for our associates but our communities; and the way that we use our strength to make a difference in the world.

So you'll see things -- three things that we focus on: opportunity, sustainability and community. From an opportunity standpoint, there are a number of things we're doing around increasing economic opportunity for people. We're looking at things like promoting local manufacturing, small businesses. And one of our key initiatives is around empowering women through sourcing from women-owned businesses. And since 2011, we've committed over \$16 billion to this sourcing initiative.

You would have read a lot about sustainability with Walmart over the last 10 years. And it's been a great journey for us. And there's a number of things that we do to try to make our supply chain more efficient, try to make our suppliers' supply chains more efficient.

One of the ways we do that is by reducing energy emissions. And one example of that would be over the past decade -- we have a large truck fleet in the US. And over the past decade, we have doubled the efficiency of that truck fleet. So the number of cases that we're able to deliver per mile.

And that's eliminated nearly 650,000 metric tons of emissions by just that one -- those changes that we've made to our fleet. And there's a number of other examples I could give you about our sustainability efforts.

I'm very proud, though, of the things we do in our community. Just over the past year, we either donated in cash or in kind \$1.4 billion in our communities globally. That's for fighting hunger; it's for creating economic opportunities; that's helping with natural disaster recovery. But I'm really, really proud of what we do as a company. And it's the kind of thing that Walmart has always stood for in the entire history of the Company. Sam would be very proud of what we're doing at Walmart in this area.

So we are uniquely positioned, I believe, for long-term success. I think we have the right leadership team in place; we have great associates around the world. I've been to a number of our countries, almost all of our countries over the past several years. But a number of them even in the past few months. And I love the engagement that I'm seeing.

We just had our shareholders meeting two weeks ago. And you could feel the engagement from our associates that it's an exciting time for our Company. We're making choices, which investors would expect us to do. And we're going to make investments long-term for the future. But we're going to center those investments and choices around our customers. We've always done that and we will continue to do that.

Walmart, though, is one of the strongest companies in the world. And we believe our initiatives are going to create long-term value for our shareholders and we're certainly focused on that.

So as we look ahead, there's always work to do. If you've followed Walmart for any period of time, you know we're never satisfied. I think that's helped make us successful. And we're still not satisfied. But we're going to be opportunistic about our opportunities and we're very optimistic about the future as a company.

So Paul, with that, let me turn it over for some questions. Do you want me to come sit with you?

Questions And Answers

A - Paul Trussell {BIO 20732173 <GO>}

Please do. Brett, thank you for those remarks. Maybe just to kick off Q&A, maybe a two-part question regarding the US. To start, you did speak a bit on this in the presentation. But to what extent has some of your recent success in traffic perhaps come from some of the macro factors benefiting your core consumer, versus your success from your in-store initiatives? If you can maybe decipher and just kind of outline for us what you truly attribute that success to.

Then the second part of the question is really big picture; what is your view of the health of the US consumer?

A - Brett Biggs {BIO 17414705 <GO>}

I'll start with the question (technical difficulty). With our traffic results, we talked about in the First Quarter a 1.5% traffic growth. Once you look at any kind of numbers on Walmart's scale, that's a big number.

As you look at a number like traffic, there's no way to know exactly where the various elements of where you're getting the growth from. I'll mention a couple of things that I feel very strongly relating to that.

One would be what you talked about as our customer scores, which I think have been driven in part by the wage investment that we have been making in the US. Your customers like what you do and they tend to -- they're going to come more to your stores. So we see the consumer scores going up. And I think that works pretty well with the traffic increases you're seeing.

I think you always have to save fuel prices as you look at traffic. Fuel prices are always going to be an element of that. As fuel prices change, you can see a change in traffic which means you've got to look at traffic and ticket together.

Our in-stock is better. And that's -- in conjunction with our inventory, Walmart U.S. comp inventory being down 5.7% in the First Quarter with in-stocks being up. Customers are telling us they're finding products they want on our shelves. And so I think that's a big part of it as well.

I think another part is the seamless shopping experience that we've been talking about. So as we put together these assets. And today we have a pretty sizable e-commerce business, a very big stores business. But being able to put those together, creating that opportunity again for Walmart -- for customers to get in the Walmart ecosystem. Whether they want to pick up something in our stores, they want to pick it up on the curb outside our stores, have somebody put it in their trunk, want to order online, we want to be there for that customer. So I would attribute, I think, the traffic growth to a lot of different things. But customers say they like our stores better.

From a consumer standpoint I probably would have said a year ago -- I may have said a year ago actually that the consumer was a little bit of a mixed bag. And I don't think it's changed significantly over the last 6 to 12 months. And I'll speak specifically about the US because I think that's where your question was leaning toward was the US.

There are number of things when you look at it from a metric standpoint. So unemployment is low; I think you have to look through some of the unemployment numbers. But unemployment is low, interest rates are low, inflation is low, gas prices are low. And all of that would say the consumer should feel pretty good about where they're at. And I think the consumer feels okay.

We know they're saving more. We know consumers continue to pay down debt. And I think some of that you would say is a holdover from 2008, 2009, 2010, where the consumer remembers they didn't feel as good back then. And I think are taking more opportunities to pay down debt and do other things.

For us, for Walmart, it's always about just taking care of that customer wherever they're at. If you look at our customer, they span pretty broadly across the demographics of the US. So there's always segments of the consumer that will be better than others. And we want to just ensure that we're doing the right things to take care of them. If you can get your stores cleaner, friendlier, faster, that tends to look good in most economies.

A - Paul Trussell {BIO 20732173 <GO>}

So just to follow up, maybe staying in the US market, last year you spoke to making a few billion dollars of investment in price over the next few years. Maybe just give us a little bit more clarity on what we should be looking for, what categories are you focused on. Is this a different pace of investment than in prior years?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. And you mentioned the comment we made back on October of last year. That was the first time, at least that I remember, Paul, where we talked out a little longer-term about the business. So maybe one of the first times I can remember we talked longer-term about price investment.

So one thing to just clarify, Walmart always invests in price. We're an EDLP retailer; that's what we're all about. We save people money so they can live better. So we always invest in price. So it's not an on-off switch with us on price.

There's a lot of things that go in determining how you think about price. As you imagine, we have a big team. In Bentonville, that's pretty much what they do is focus on price and how you strategically put that into play. You look at -- as you look at the margin, there is a lot of different components of margin. So there's the cost you buy it at, the price you sell it at. There is shrink, there is logistics; there's other things that go into that margin.

I think when you look at our business, you need to look both at margin rate as well as margin dollars. If you think about the productivity loop for us, it's about getting our cost structure right so that you can invest in price. So that you can grow comp sales. And that loop continues. That's the productivity loop. That's what Walmart has been known for.

The last couple years, we've stepped back a little bit as we've made investments and we've telegraphed those investments, what we're doing to investors to get our business in position where we want it long-term.

We'll be thoughtful about price investment. We did talk about in the First Quarter that we did bring some of it forward. We're always testing different things from a price investment standpoint; how do you do it, by what category, timing, all of that. So we have opportunities to test those things before we do them.

But people should always feel -- should understand and know and customers should feel certain that they will come into Walmart and get the lowest price basket of goods on a regular basis. And that will always be an important part of what we deliver as a company.

A - Paul Trussell {BIO 20732173 <GO>}

Then my last question before handing the mic over to the crowd. Brett, a lot of the investors here in this room have a bit of a front row seat to the competition going on in the UK within the grocery business.

A - Brett Biggs {BIO 17414705 <GO>}

We did get a question or two about that this morning.

A - Paul Trussell {BIO 20732173 <GO>}

Indeed. If you can maybe just did a little bit deeper; you certainly touched on it in the presentation. But what are the steps that Asda is taking and is looking to take on a go-forward basis to improve its competitive position?

A - Brett Biggs {BIO 17414705 <GO>}

It's a very dynamic market, I mentioned that earlier. Certainly when you have the combination of deflation along with the competitive environment in the UK, probably one of the most competitive environments globally, it's an exciting market. We like our long-term standing in the UK. We've been a partner with Asda for 17 years; it's been a great partnership.

There's a number of things the business has been doing. They talked a lot in the last year about project renewal, some of the things that they're doing around, as always, ensuring that they're investing in price wisely, that they're getting their cost structure right in order to do that. They've done a number of things around cost analytics. So they're looking at are we buying correctly, are we doing it in the right way.

You've seen places where Asda has decided to go backstream as far as how they source goods, both from a quality and a price perspective. And they, several years ago, really started getting their cost structure in a good place. So they've taken a lot of steps that I think are good and healthy for the business. Certainly the last couple of quarters have not been what we wanted from a results standpoint.

I'm excited to see Sean come over and Roger as well. I think they'll be a great team for Asda. We have a really good team already in place at Asda. And I think the combination of all those resources will be good together.

A number of things that we've been doing in the business through the project renewal we'll continue to do. Sean will take a different look at it, probably take a different spin on it. Every new leader will take an opportunity to look at it differently. But we're very committed and want to do the right thing for the business long-term.

A - Paul Trussell {BIO 20732173 <GO>}

We'll bring the mic to you. If you have a question, just please raise your hand.

A - Brett Biggs {BIO 17414705 <GO>}

I'm sorry, the lights are really bright. I may not be able to see you.

Q - Unidentified Participant

A few years ago you expanded into Africa. Given the changing macro, are you still committed to that region or are you looking to leave it?

A - Brett Biggs {BIO 17414705 <GO>}

Africa has been a really interesting market for us. And it's interesting from the standpoint of, there's varied types of economics in that market, as well as formats. As you know, Massmart has a number of different formats. There's been some things certainly that we've learned from that market from a format perspective, as well as serving different demographics of customers.

It's an investment we made several years ago that we really enjoy. We like the management team that we have at Massmart and continue to believe Africa's a good long-term opportunity for us.

Q - Unidentified Participant

I have a question about investments you will have to make in wages, given the new regulation around minimum wages in the States. Who is going to pay for it? Is it you, is it the customer? So where will the cost of that higher wage eventually end up? Thank you.

A - Brett Biggs {BIO 17414705 <GO>}

Yes. So I'd separate two issues. There are a number of minimum wage elements that you've mentioned in the States. But the investments that we made were -- we started

those investments last year. So I'd pull those apart. It's investments that we believe will pay off long-term, through -- whether it's lower attrition rates in the stores, better motivated associates, we think will see the benefits from that.

Earnings have gone -- we've had earnings go down for a couple years. We talked about that in October that we anticipated that would happen. We anticipate that earnings will go up after that for the next couple of years. So as to who pays that, there's a lot of different elements of a retail business. There's elements of gross margin, there's elements of SG&A.

For us. And I'll get back to it, it's really about that productivity loop. While we did add some expenses to the business over the last couple of years, over time our business is built around leveraging expenses and then taking that leverage and investing it back for our customers. And that part of our business and that DNA of Walmart has not changed.

Q - Unidentified Participant

Just want to follow-up on the question about Africa. And apologies on belaboring the issue. But that business earns less now than what it did five, six years ago when you bought it. So I'm surprised that you are happy with it.

A - Brett Biggs {BIO 17414705 <GO>}

I talked about we're very committed to Africa long-term. We also talked about we're never satisfied. We always want better results. I think when you look at performance. And we are long-term investors in businesses, you're going to look at performance over a long period of time.

South Africa particularly is going through some challenges from a macroeconomic perspective. But we think the team there is making good adjustments and managing the business well. It's been a bit of a challenging market, particularly over the last couple of years, from an economic standpoint. But long-term, we believe in Africa.

Q - Unidentified Participant

Most of the consumer staples' companies that have presented over the last day and a half or so, big customers of yours and big suppliers of yours, are obviously seeing this shift online that consumers are demanding; whether it be through your own websites or competitors or their own websites themselves.

How do you sort of deal with it from your side of things? Can you favor the suppliers who are more committed to your business over their own online offerings? Or do you just say that's part of the evolution and deal with it? Or what's the Walmart perspective from the other side?

A - Brett Biggs {BIO 17414705 <GO>}

Yes, sure. I mean dynamics, the partnerships with suppliers changes all the time based on time, economic conditions, competitive nature. So it's always evolving.

We've had great long-term partnerships with suppliers, both large and small. And there is a role for both of them. Large suppliers, small suppliers, as we move forward as a company.

We still present globally a large element of growth, certainly from a retail perspective. We talked about even a 1% comp in Walmart U.S. is a \$3 billion growth. So it's a big number even on a 1% comp. And when you look globally growing \$4.6 billion excluding currency in the First Quarter, we represent a lot of growth.

So we think that still bodes really well for us as well as our suppliers. From suppliers, we ask the things today that we've always asked, which is we want a good price, we want a fair price so that we can deliver for our customers. We want innovation, they want innovation. So there's nothing where -- there's no element where we don't really have the same goal in mind, which is to sell more.

I said the dynamics would evolve over time. But there's a role for all kind of suppliers for us going forward. And we present, I think, a really nice slug of growth for them.

Q - Unidentified Participant

And going back to the UK and Asda, I feel that you've indicated in your presentation and your answers that your feeling is that project renewal is enough. However, with the last two (inaudible) backwards mid-single digits. Is that a wrong assumption, or do you think more really needs to be done to turn around your sales performance?

A - Brett Biggs {BIO 17414705 <GO>}

I think the elements of project renewal are correct. The local management team has got a front row seat to this and certainly will decide and have a huge say in how we tackle each element of project renewal.

We're dedicated to doing what's right long-term for that business in the UK. I think you need to look at success over a longer period of time for the last couple of quarters. I said we're not pleased with the comp performance. Over a long period of time, Asda has been very successful and the things they did made it very successful.

Now, things change over time, I get that. We want to be very balanced about how we view this market. We're not going to underreact to the environment. But we want to be balanced and be thoughtful about how we approach the market.

Q - Unidentified Participant

Can I ask about M&A and whether you're thinking of any? Are you happy with your jurisdictions?

A - Brett Biggs {BIO 17414705 <GO>}

You can ask about it.

Q - Unidentified Participant

Yes It's just that you do have -- you have a connection to a large supermarket chain in another country when you look at your executives and your board. And they're struggling. So I'm wondering what you think of that.

A - Brett Biggs {BIO 17414705 <GO>}

If you look at the countries that we're in today, if my memory serves me correctly, the countries we're in today represent about 75% of the retail growth if you look at future projections. So the countries we're in today, there's a lot of growth to be had. At the end of the day, we want to serve customers how they want to be served, where they want to be served.

We want to serve them in a way where we are needed in the market and where we have a good proposition for that market. That would always determine how we think about our geography. But the markets we're in today represent really good growth opportunities for us.

Q - Unidentified Participant

How do you think about the evolution of online delivery of groceries? And over time, say over the next five years, how big is that going to be? And how are you thinking about your position competitively with some of the nonphysical-based retailers that are your competitors?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. It is going to evolve certainly. You are seeing an evolution even in the last couple of years. We feel like we have a good competitive advantage already being in the grocery business. We're the largest grocer in the world. The early reads from our online grocery business are good. Customer satisfaction scores have been good.

We have the right focus on our fresh business, which will be very important as you look at that. I think some of what will be evolving is whether it's delivery to home or pick-up in the stores, we're singly good receptivity to pick-up in the stores. Busy moms tend to be out a lot; they're not at home very often.

So actually, delivery at home may not be as convenient as going and picking up your groceries. That's what we're hearing from customers. They like while they're out being able to come pick up their groceries. So it's an area that will evolve a lot.

We think we have a good competitive position where we're at. And I think it will be a big part of our future.

A - Paul Trussell {BIO 20732173 <GO>}

How big is it going to be?

A - Brett Biggs {BIO 17414705 <GO>}

I don't think anybody knows that for sure. We like the growth that we're seeing in our business.

A - Paul Trussell {BIO 20732173 <GO>}

And with that, I want to thank everyone for attending the Wal-Mart Stores (multiple speakers).

A - Brett Biggs {BIO 17414705 <GO>}

Thanks for your interest, appreciate it.

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