

UBS Global Consumer & Retail Conference

Company Participants

- Brett Biggs, Executive Vice President and Chief Financial Officer

Other Participants

- Michael Lasser, Analyst, UBS

Presentation

Michael Lasser {BIO 7266130 <GO>}

Good morning, everyone. I'm Michael Lasser, the hardline, broadline and food retail analyst from UBS. We could not be more excited to have the team from Walmart with us today. To my immediate left is Brett Biggs, the Company's Executive Vice President and Chief Financial Officer. He has been the CFO of Walmart since 2016, and it's no coincidence that during this time, Walmart has crushed it. So we would call that a direct correlation.

With Brett is other members of the team, including Dan Binder, who heads the IR team; Kary Brunner, who also works on the IR team; and Chris Nicholas, who is the CFO of the International business.

Walmart has some disclosures. They may read some forward-looking statements. Please go to their website to have a full download of their forward-looking statements.

So, with that, Brett, thank you for being here.

Brett Biggs {BIO 17414705 <GO>}

My pleasure.

Michael Lasser {BIO 7266130 <GO>}

Really appreciate it. Over the last few years, Walmart has realized some sizeable gains in various areas of its in-store execution, service levels, store appearance, in-stocks. One question that constantly comes up is, have we reached a maximum threshold of the improvements that can be gained? Or is there more room to go? And what are the biggest areas of opportunity?

Brett Biggs {BIO 17414705 <GO>}

Yeah, thanks for having us, by the way, and thanks everybody in the room and on the webcast. Thanks for your interest in Walmart.

Yeah, it's interesting, when you go back -- I was even going back and reviewing notes of when I've been here in the last two or three years and the things we weren't talking about three years ago that we're talking about now, and how quickly things are changing. Four years ago, we really weren't talking about that much about online grocery, which has become a big part of who we are. The customers now -- I talked about in our Analyst Meeting, technology advances and process investments we've made with Ask Sam and Sam's Club and pickup towers and FAST Unloaders in the back room, and really none of those things we were talking about two or three years ago. So, there's a lot of things that have happened. Therefore, I know, things will continue to happen inside the business.

And looking at where we need to be five years from now, the things that we need to be working on, we're working on. So we've talked about initiatives like AlphaBot that we're testing not far from here in Salem, New Hampshire, and the benefits that can bring to our line grocery business in the future and technology changes that I'm seeing in supply chain, which will be big in the coming days. We continue to put a lot of emphasis toward initiatives in the store that will help with associate productivity. Ask Sam is one of those, we talked about that at our Analyst Meeting a couple of weeks ago, where associate can talk into an app and ask them where it is, where is this item located, where is it in the back room, and they can easily find that. So there's all kinds of things that we're doing. I think we've just started. Feels like we've come a long way in the last five years on how we're dealing with associates, how we're dealing with customers. But the technology and the process changes that I see inside the Company and the innovation mindset that is inside the Company, I think we've only kicked the tires where we're going to go.

Michael Lasser {BIO 7266130 <GO>}

And presumably, there is a momentum element to it. Once you start down that path, that trajectory can pick up and it becomes...

Brett Biggs {BIO 17414705 <GO>}

People learn how to do -- they learn how to learn. They learn how to be innovative. New people in the Company, people who have been in the Company a long time, they are learning to work in a different way, which is a great combination that we have.

Michael Lasser {BIO 7266130 <GO>}

I love Brett because you can tell how confident he is, in part by his body language. And this next question...

Brett Biggs {BIO 17414705 <GO>}

I am confident. That's good.

Michael Lasser {BIO 7266130 <GO>}

Yeah, without a doubt. And once -- I've seen Brett talk about the levers in the Walmart business about a half a dozen times over the last couple of years. And every time he talks about them, he emulates the process of pulling levers. It looks a little bit like a dad dance when he does it. It looks like me doing TikTok with my daughter. But the important point...

Brett Biggs {BIO 17414705 <GO>}

I try to stay off of TikTok.

Michael Lasser {BIO 7266130 <GO>}

Well, that's probably a good thing. But the important point is, he just shows how confident that he is in these levers that can be pulled to run the business. So are you seeing any diminishing efficacy of these levers that you talk about? Maybe if you could expand on those levers and how powerful...

Brett Biggs {BIO 17414705 <GO>}

Now, I have to do the levers, right? I have to do the levers.

Michael Lasser {BIO 7266130 <GO>}

You do -- you could remember it every time.

Brett Biggs {BIO 17414705 <GO>}

Yeah. When you go back and look at -- go back five years ago, and just one example of the levers, let's look at SG&A leverage. And if you go back five years ago and you look at where we're at today, and we've taken (inaudible) exactly how you measure (technical difficulty) everything that 70 basis points or 80 basis points off of that number. And that's a big number. On a \$500 billion business, you're talking about \$3.5 billion or \$4 billion of difference from an expense to sales ratio.

Some of that's been great sales. We've had good comps in the US, really good comps internationally, and so that's the best way to get expense leverage. But we, this last year, would have been just over 20 basis points of leverage. We'll say, we'll do that again next year. I feel confident about the ability to do that kind of year after year for a little while so we can keep sales comps where they're at. But there are so many different pieces to the business. And when Doug and I and the team get together, we spend a lot of time talking about how to make all the pieces fit together. And there's a lot of different ways that we can get to where we want to get to. We can sit here and look three or four or five years out where we want to be.

And there's people like (inaudible) how are you going to get there. There's just a lot of different ways that we can get there. There's -- look at international, there's different countries there. Some are growing more quickly than others. Look at what we're doing in e-commerce and omni-channel, and it's almost hard to explain the calculus that we go through as a team in setting our priorities. But knowing that here's where we want to be 5 or 10 years from now from a strategic standpoint, but we need to have that make sense from an investor standpoint as we go through a period of time, and that's the math that we go through.

Michael Lasser {BIO 7266130 <GO>}

And I think the perception again from outside observers is, these levers include, look, if you're not seeing the traffic, you can push a little bit more on price. If you're not seeing the conversion, you can push a little bit more on the in-store experience. If you're not seeing online where you want it to be, you can push a little bit more on online. Conversely, you can pull back on those levers. Is that fair?

Brett Biggs {BIO 17414705 <GO>}

Yeah. And it's -- a couple of great examples. Several years ago, when we -- we had a decent-sized e-commerce business. We've made some big moves with the acquisition of Jet a few years ago and then with Flipkart. And so, you know you're going to have increased losses from e-commerce, and we've talked about that. But as we were doing that, we had made investments years before in wages and productivity and other things inside the US stores that started paying back in order to be able to do that. If you look at this year, we've said next year, we're going to lean in a little more to technology. We want to accelerate some of the things we're doing around technology. And you can do that because we believe losses in e-commerce will be flat to down a little bit, and we continue to believe in -- Sam's business is doing well and Walmex is doing well and US stores are doing well. That allows us to lean in a little more in technology. And it's just making all those pieces fit together. But if you sit in one of our meetings -- one of our executive meetings and you look around all the assets that we have around the world and the financial strength that we have, it's a pretty fun place to be actually. It gives us a lot of options.

Michael Lasser {BIO 7266130 <GO>}

One of the key themes at the Analyst Meeting from a few weeks ago was the level of innovation that's coming from Walmart, and you just touched on that in your last answer. So can you give us some specifics about where this innovation is coming? How are you going to be deploying it to the stores? How is that going to manifest into the P&L over the next several quarters and years?

Brett Biggs {BIO 17414705 <GO>}

Yeah, I think that -- well, Walmart has always been pretty innovative. Maybe you can go back to things that don't seem all that innovative today, but go back to when we went into groceries, we turned a discount store into supercenter, which turned out to be the greatest retail format in the history of the world, and some of the things we've

done internationally and what we've done in e-commerce now. So it's not like that culture hasn't been there. I do think, Doug, when it came in six years ago now, really ramped that up. And acquiring Jet several years ago, I think, ramped it up again because you bring in different types of talent, and you need to bring in a bit of a different mindset of how you attack business in a different way. And so, I think all of those things are true.

When I look ahead, we're going to continue to invest in technology, and there'll be things in the back-end that no one will ever see, but it will make us more efficient. There will be things from a store productivity standpoint that'll just make jobs easier. Associates will like jobs better with tools that we give them to find things more easily [ph] and make their jobs better. But I think the thing that will be the most interesting in the next 5 or 10 years is how the retail environment changes, particularly in-store. We'll do things online. The site experience will be better. But there'll be things that you'll see in the stores. I think, 5 to 10 years from now, we'll be talking more about Virtual Reality, Augmented Reality that keeps the store experience fresh, keeps it interesting, keeps it exciting. You come into the store and you may see things -- could be wearing headset, may not be 10 years from now. I don't know. But you could -- things that are jumping out at you in the store that make it easier to find your way around the store, to make products more interesting and the product details there, and almost all your store becomes -- it feels like a website almost. And I think those kind of things will be coming from a store perspective that will continue to get traffic in stores.

Michael Lasser {BIO 7266130 <GO>}

There is a portfolio of innovation that's coming out of Walmart from those examples you mentioned to delivering fresh groceries into the refrigerator of people's homes. So how does the Company ensure it's sequencing all of this properly? There has been a pretty powerful example of how it rolled out online grocery over the last few years to ensure it got it right. So is that the cadence that we should think about in terms of innovation coming to the stores?

Brett Biggs {BIO 17414705 <GO>}

Yeah, it's interesting, when we announced that we were eventually going to have groceries going straight into people's refrigerators, I do -- sometimes I got onto Twitter and looked at comments...

Michael Lasser {BIO 7266130 <GO>}

You've got to be careful with that.

Brett Biggs {BIO 17414705 <GO>}

Yeah, I understand. But it was interesting, no, that's never going to happen, no, no, no. But it wasn't just us. There were competitors that came out after us and did the same thing, and the same thing, no, no, no, nobody is coming into my house to do that. But what you find out is, once people do that, for the most part, they're coming

back. You're -- they like that. They like the convenience. Think about the things we do with our phone today, no one would have ever thought about that. No one would have every thought about getting into a stranger's car and driving around the city. So people get used to things. And once they get used to it and you make things simple for them, they're going to want to do that.

Michael Lasser {BIO 7266130 <GO>}

Yeah.

Brett Biggs {BIO 17414705 <GO>}

When we find something like online grocery that was a test -- going back several years, it was really just a test in San Francisco, and then a little bit more of a test in Denver six years ago. The speed with which we rolled that out was pretty exceptional. It's not as easy as it sounds to operationalize a store to do that. And it was one of those ones where -- I think we had some idea obviously what the financial -- how the financials will work on that, but the customers liked it so much and we knew there would be such a halo around that for our brand, we just had to roll it out.

I think we're getting better at that. There's some things with technology. And Suresh, our new CTO that came in, will see things -- sees what we can do as a company, and we have great technology people to begin with, said, okay, here is some things I see. Let's go. Let's accelerate this, and we do that. At the same time, I think we're getting better about being quick to stop things. We've exited for the most part our business in Brazil. We exited our banking operations in international. There's a lot of things that we've done. And there'll be other small initiatives that we would have stopped that we've never seen. We're stopping things much more quickly than we did in the past.

Michael Lasser {BIO 7266130 <GO>}

And that seems like a change in mindset.

Brett Biggs {BIO 17414705 <GO>}

It is.

Michael Lasser {BIO 7266130 <GO>}

Historically, Walmart might have been maybe a little bit more conservative. It needs to be proven and profitably proven in order for it to really be initiative. Now it's, hey, let's do it. The customer likes it. We'll figure out how to make money on it down the road. Is that fair?

Brett Biggs {BIO 17414705 <GO>}

To some degree. I definitely want to know where the profitability is coming from. But it's also not even just -- so in the past, you would have looked at, I think, initiatives on a more discrete basis and said, is this initiative A, B, C and D going to be profitable? Now, you've got to step back and say, from an omni-channel perspective, is this going to work from a return on investment standpoint? That's where -- I know it frustrates you and others of your friends, but it make -- it's more difficult to sit here and say, this piece is profitable, this one loses money because we're looking at it from a customer standpoint and I'm looking at the total. That's really what I'm looking at.

Michael Lasser {BIO 7266130 <GO>}

One of the questions that constantly come up now are, well, you've rolled out online grocery to a lot of your stores. You're still expecting significant e-commerce growth in the year ahead. Can you get those mature locations to continue to grow in a way that will drive the overall business? Because the perception had been that you were just getting the e-commerce growth from opening new sites.

Brett Biggs {BIO 17414705 <GO>}

Yeah, there is some of that for sure. You have a growth curve on any kind of new initiative like that. We're getting the sense of the growth curve as we see some stores now going into the fourth year.

Michael Lasser {BIO 7266130 <GO>}

And they're still growing.

Brett Biggs {BIO 17414705 <GO>}

Yeah, still have several hundred more we're going to open, so there's still growth coming from that. And now that you get stores in the third or fourth year, you're getting a sense of demand and how do you better operationalize that. How do you pick in a way that's less impactful to people that are in the store? The test I just mentioned, you've got [ph] AlphaBot, how do you get better process and technology in the back end to make it more efficient and you can get more throughput in a store? How do you incent customers to maybe pick up at a different time? And so you change the demand curve by the time of day, and we're -- and we've technology and everything that we're putting toward that, that will continue -- the idea is to continue to let those stores grow at whatever rate that the customer wants them to grow, and also getting more general merchandise into that basket. And we're adding items all the time into that basket. We're collapsing the apps or combining the apps, which we've talked about, general merchandise app and the grocery app, so all those things to try to get the mix where we'd like it to be long term as well.

Michael Lasser {BIO 7266130 <GO>}

And in some of those most mature, most legacy locations, are you still seeing adoption, new people come into the fold? What's taken them so long?

Brett Biggs {BIO 17414705 <GO>}

When you -- as you get the growth curve, you see less new adoption, but you get people that are new into the area. And yeah, there's still people that maybe they need to hear from four of their friends that it's good and not three of their friends...

Michael Lasser {BIO 7266130 <GO>}

Old habits, they're hard to break.

Brett Biggs {BIO 17414705 <GO>}

Yeah. And the fact that we can -- I think as we keep bringing more general merchandise into the fold, as our website gets better, it just makes people more aware of the brand. There's still a lot of room, particularly in the US, for Walmart to grow. There's a lot of share available for us.

Michael Lasser {BIO 7266130 <GO>}

And how does the curve look, in your perception, once (inaudible) of adding more general merchandise into the mix, particularly as you combine those apps? Does that create a whole new slope because of the expansion of the assortment?

Brett Biggs {BIO 17414705 <GO>}

Yeah. It's an opportunity to get some sales that you weren't getting in certain categories. I think importantly as well, it helps you get a different margin mix, which is more profitable for the business. Part of the reason the supercenter worked was that you're going to drive traffic with grocery, which is still the case with a supercenter, but you're able to mix it out because of all the categories which you had around the box, and that's why the supercenter worked. And so, the ability to get that supercenter assortment out into delivery and into online grocery is the reason you want to do it. It's the same reason the supercenter was built.

Michael Lasser {BIO 7266130 <GO>}

And is there a risk over time as this becomes more successful, it's just going to draw traffic towards your parking lot where people are driving through rather than coming into the store and that is going to change the complexity, maybe even the margin profile of the business? Is that -- and how much consideration is that -- is being given to that now?

Brett Biggs {BIO 17414705 <GO>}

Yeah, we're thoughtful about that. Essentially, you end up doing what the customer wants you to do. And so, they're still saying that they want us to do that. I think versus some of our competitors that are doing click-and-collect, our ability to mix up that basket differently is really important, and a lot of our competitors aren't able to do that. They just don't have the SKU assortment in the stores. But we've -- I think the way we look at it is, we've got to go where the customer wants to go. It's our job as the management team to make that work financially. And again, we have a lot of I'll do the lever thing, a lot of levers that we can pull to do that. But that's our job to make sure that works, and it goes back to prioritization and other things we're just talking about. We've got to be really disciplined to make sure that we can do what the customer wants us to do.

Michael Lasser {BIO 7266130 <GO>}

You're probably tired hearing questions about when will the digital losses continue to go -- to diminish.

Brett Biggs {BIO 17414705 <GO>}

So you're not going to ask?

Michael Lasser {BIO 7266130 <GO>}

I'm not going to ask. I'm going to ask, what are the factors that are going to be driving that, which is I think a more important question rather than when.

Brett Biggs {BIO 17414705 <GO>}

Yeah. There's a lot of pieces to it. And we've had an e-commerce business for a long time. We've had e-commerce business in the UK for a long, long time, over 20 years. But as we bought Jet and now we've bought Flipkart, we're also continuing to learn as an executive team. It's a different business and what are the -- what's that model look like and how can we influence it over time. And I think we have a good -- I have a good feel for it. Several things impact that. You want to continue to have online growth. It's important. E-commerce as a percent of market continues to grow, and we want to -- we need to make sure we're growing, and we've grown it at nice rates. You just kind of work down through the P&L, contribution, profit margin to gross margins and shipping with that is really important. E-commerce business is when you get that contribution margin going in the right place, it can lever very quickly, much more quickly even than a store can. So we're very focused on making sure we get the right brands online, that we ensure that we're getting the mix that we want. We've talked a lot about mix. We feel better about the mix than we did a year ago, and that's why we made some of the statements that we did earlier this year.

We still need to do a little better job of managing fixed costs. If you ask me one thing that's probably been a little different than I would have thought, I would have thought we would have ramped on fixed costs a little quicker than we have, and I'm starting to see that now. So our e-commerce business, the growing contribution margin rate, they are leveraging expenses. But when you look at the whole, it's

becoming a bigger part of the business, and it changes the mix of the entire business. But you just take e-commerce as a whole or just by itself, that's -- those are the pieces really that make the most difference.

Michael Lasser {BIO 7266130 <GO>}

And does that conversation change as you can leverage technology more? You mentioned the test of AlphaBot in Salem. It sounds like that's been a learning process. It hasn't always gone as you anticipated. So maybe you can describe what's happening and how this holds a lot of potential for the future because you could automate it, make it more productive in a way that it would be a sizable change in the business.

Brett Biggs {BIO 17414705 <GO>}

Yeah, it can. The technology we're seeing there can certainly add capacity to the store and what we're able to do.

Michael Lasser {BIO 7266130 <GO>}

Maybe you want to describe what it is.

Brett Biggs {BIO 17414705 <GO>}

Yeah. And there's -- I would start with, there's still a lot of capacity for us to grow. Even if AlphaBot never worked and we did something different, there's still a lot of capacity to grow just by some of the things we were talking about operationally and move demand from different parts -- times of the day. But what AlphaBot allows us to do is to move items in the back end more efficiently than we can today. And just -- it gives you a greater throughput back to the back end, then allows you to have more orders that you can get out to vehicles. So it's an important technology. Like with most technologies, though, it could be that technology that works or it could be something that you learn from that technology that works. And so, there's a lot of -- again, a lot of different ways we can solve what we're trying to do with online grocery, and this is where we're headed right now.

Michael Lasser {BIO 7266130 <GO>}

Yeah. Another probably subconscious mannerism when one area you talk about a lot is generating expense leverage in the stores. The chest comes out a little -- just a little bit more when that conversation comes up. And it's interesting because the perception might be, well, you rolled out automatic cleaners and automatic unloaders that's driving it. It sounds like it's really not -- while those are helpful, it's just running the stores smarter. Some of the indirect purchasing, those have been the biggest drivers of this expense leverage. So A, is that right? B, where are there opportunities to really continue to drive this home?

Brett Biggs {BIO 17414705 <GO>}

Yeah, it's been a number of different things. And any time you talk about Walmart, the US business is a big piece of that. But international, Chris, our international CFO is here, they've done a really nice job, particularly in the last year, of doing some things on their own but also taking some of the learnings we've gotten in the US and running those out into International. I think there's still room to go, particularly in international. But it's been a lot of things. It's -- associates are more productive, and they've become more productive because of some of the tools we've given them, the technology we've given. It's easier to find things in the back room. Things like inventory being down significantly versus five years ago just makes it easier to find things in the back room, so you just don't have to put the number of hours toward -- for doing that kind of activity.

We're more thoughtful about processes and are there ways to do things differently? Are there ways to, in the home office, structure things differently where you had five groups doing the same thing and we brought them together? Goods not for resale would be one of those. We've talked about that we were -- I think the way I said it, we were doing an okay job, but we had hundreds of people really in different parts of the organization that were doing a nice job in their own organization. But we weren't pulling it together in a way that makes sense, and just pulling that together like, oh, okay, and bringing in experts who've done this at other companies, just a different take on how we do that. And so, when I see us be able to do things like that, I know there's more because I've been with the Company 20 years, and there's always different and better ways to do things, and we just always find them. That's what gives me confidence to talk about our leverage.

Michael Lasser {BIO 7266130 <GO>}

Is it the right way to think about it that Walmart has now developed this competency to operate a little bit more efficiently in whatever -- efficiently in...

Brett Biggs {BIO 17414705 <GO>}

I think it comes to think through problems differently, thinking through problems from a customer mindset, from a -- instead of, we want to get 20 basis points of leverage this year, we need to cut X percent of this, it's, okay, we're going to get 20 basis points of leveraged sales, certainly, the best way to do that. But how do we do things in a way that's sustainable. We've gone through periods of time in our history where we would cut expenses but you just cut them and they come back because you didn't change the nature of the work, you didn't change -- maybe you don't need to do the work, period. And so, we're thinking about it in a much more systemic way. And Doug is, I think, really challenging us in that way.

Michael Lasser {BIO 7266130 <GO>}

Speaking of challenges, dealing with challenges better than you have in the past probably couldn't be more relevant than the current time, given all the uncertainty. So can you give us a sense for how the coronavirus is impacting Walmart? You talked a little bit about it a couple of weeks ago. We didn't -- it seemed like the China

business was feeling some burden. There was a little bit of talk about supply chain disruption. Where does this stand now?

Brett Biggs {BIO 17414705 <GO>}

Yeah. I think like a lot of other companies, we're just -- we're watching this really closely. We're -- it wouldn't surprise you, the first thing we're concerned about is safety of associates and customers and making sure we're doing the right thing. In China, our stores, for the most part, have stayed open, which -- the communities there need that. But it's been challenging in China, and we talked about that a couple of weeks ago. The US are starting to see more news, which I think everybody anticipated, and we're just going to be really careful about it.

From a supply chain standpoint, we haven't seen major impacts. So not much different than I would have said a couple of weeks ago. I do think in ways, the work that our merchants did around tariffs over the last 12 to 18 months helped us think about some things differently that are probably paying off some now in how you think about supply chain differently. It does feel like -- I'm reading the same things you are, but it does feel like China is starting to kind of come back to work, which will help from a factory standpoint. And we'll just have to keep monitoring it day-to-day, week-to-week. We're seeing, as you would expect, stock-up with customers on certain items, but not tremendous changes in customer behavior. Again, just week-to-week, we'll have to see how it transforms, and we'll have to keep people safe and continue to run the business efficiently as we can.

Michael Lasser {BIO 7266130 <GO>}

And isn't it fair to say that Walmart is in a better position today than it's ever been to deal with an uncertainty like this? Its supply chain is much more agile. You have a much more well-developed e-commerce business that can serve customers if there are extended periods of hibernation. A, is that fair? And B, how much contingency planning is being done to deal with the unknowns at this point?

Brett Biggs {BIO 17414705 <GO>}

Yes, I think that's fair. Customer behavior can change in a period of time like this. I think we saw that some in China as people bought more online and we were able to satisfy some of that demand there. So having an e-commerce business, having online grocery, able to serve customers in really different ways, I think customers and associates knowing that we're caring for their safety and then we're keeping that top of mind is important from a trust standpoint with the Company. And as you would expect, as a company, we're talking a lot about this and making sure that we're doing the things that we should be doing. The financial strength of the Company is amazing. And the complexity that we deal with on a normal daily basis, given the size and scale of our company, means that we have people that are really good at challenges and how they work through problems, and I feel confident about what we're able to do.

Michael Lasser {BIO 7266130 <GO>}

And it does seem like there's more coordination and communication between the different parts of Walmart, between Sam's and the US business, between the international and the domestic business than there ever has been before, which those learnings can be really valuable in this time. Is that right?

Brett Biggs {BIO 17414705 <GO>}

Yeah, for certain. Judith McKenna, who runs our international business but also ran operations in the US business, has a really good feel for how we do things. And she and John Furner, obviously, talk a lot anyway but we'll be talking a lot. And (inaudible) the team really likes each other. We get along well and coordinate well. So all that matters, I think, in a time like this. But I have -- like I said, I feel -- I'm very confident in our ability to handle whatever situation we end up having, handle it as well as we can.

Michael Lasser {BIO 7266130 <GO>}

And speaking of Sam's, it's really become this incubation lab for a lot of innovation that we're seeing come out of Walmart. Should we expect that to continue? And is that how -- part of Sam's identity is right now? And then can you talk a little bit more about Ask Sam, which was prominently featured a couple of weeks ago?

Brett Biggs {BIO 17414705 <GO>}

Yeah. A lot of people at Walmart spent time at Sam's. I spent three years at Sam's. It was like some of the best parts of my career. And it is -- it's this really small \$60 billion business that we have over there, but it does allow us to try different things. And we've had membership forever at Sam's, so we know what that looks like. And I think it's always had a little bit of a technology bent. I think it sped up a bit under John. And when you go over -- I was over there in their building a couple of weeks ago, and they do view themselves now as kind of the tech incubator for Walmart, which is kind of cool. And I have no doubt that Kath will continue that. I've known Kath for several years and she likes to lean into things like that. And again, it's part of their identity, and it's been great. We've learned a number of things.

The Ask Sam app is really interesting, and they were the first ones to really lean into Scan & Go and some other things like that. So when you look at Ask Sam, it's not just about the app. It's voice, which is going to be really important over time. It already is important to customers. And we're spending a lot of time and effort on voice. Jetblack was part of that, which we've now kind of merged into kind of the core Walmart business. But that's an important part of what we want to do in the future, and we get a great lab to test it in at Sam's.

Michael Lasser {BIO 7266130 <GO>}

And right now, Ask Sam is an employee-facing tool. It would only (multiple speakers). Yeah. It will only be obvious that at some point, that customers could be able to use it as well. Is that the right way to think about it?

Brett Biggs {BIO 17414705 <GO>}

Yes. I think when you look at things like merging the two apps, we're very focused on our app. And we know, as you can make that app stickier with customers -- again, it's one of these circular types of things. The more things you can put on the app, the more sticky it becomes. The more sticky it becomes, the more you'll put effort into that app. And so you'll continue to see our app ramp up. But doing more things by voice long term is a near certainty.

Michael Lasser {BIO 7266130 <GO>}

I want to pivot to the International business in the few minutes that we have left. Flipkart really attracted a lot of attention as part of the international dialogue. It's probably, in some ways, performed well ahead of your expectations. And in other ways, it's probably performed different than your expectations. At what point -- at some point, does it -- would it make sense for Flipkart to be a stand-alone business, much like Walmex and much like some of these other businesses that you have?

Brett Biggs {BIO 17414705 <GO>}

Yeah, we've talked about longer term that IPO is a potential for that business. I can tell you, it runs pretty independently right now, and that's -- when you buy a business like that, that's what you want it to do. I was over there -- wow, it was only a few weeks ago that I was over there, and I've been there several times, obviously, but spent -- every time I go, I come back really energized. I came back into Doug's office, I said, that is just -- it's a great business. They're smart. They're entrepreneurial. I always feel fairly old when I go over there. Very young, but they're entrepreneurial, but they're also really disciplined. When we have conversations, we talk about cash flow, we talk about returns, and I've tested whether they do that just for the CFO. But actually, other people have talked about that as well. But they're a very disciplined group.

If you think about the guidance we gave on Flipkart that losses will be pretty similar to what we had last year, but we're still growing at a good rate. And so, that's really discipline to be able to do that. I'm excited about it. PhonePe, I'm really excited about and what that could do longer term. They're really changing how that consumer interacts on financial services. And I saw a presentation from them, and my first thought was, well, we need them focused on India, but there are just some cool things that we could do in different parts around the world. We'll get learnings from that business, no doubt.

Michael Lasser {BIO 7266130 <GO>}

How big can PhonePe be?

Brett Biggs {BIO 17414705 <GO>}

You know I'm not probably going to answer that question. I have thoughts. We have 1.3 billion Indian consumers. And so, if they just do things really well in India, it can be a big business. And Flipkart can be a big business just in India. And when you look at the transaction volumes and the number of visits, the monthly visits, 1 billion monthly visits to Flipkart, the numbers -- even on Walmart's scale, the numbers are pretty staggering in India.

Michael Lasser {BIO 7266130 <GO>}

Yeah. And as you think about the international portfolio, you've mentioned before that you've made some changes. How aggressive do you need to be, from a portfolio management perspective, from here? We read things in the news. Is it you're happy with it, but if the right opportunity came up, then you would make some change? Or maybe you want to push it a little further?

Brett Biggs {BIO 17414705 <GO>}

Yeah. You saw the actions we -- and the merger we contemplated last year with Sainsbury in the UK that got blocked. Each market needs to stand on its own, serve a purpose. And in a lot of cases, it's not just financial, it's talent or it's process and things that we learn from those markets. So it's not just -- it's not a black and white type situation. But each one of -- each market needs to have a purpose inside the Walmart portfolio, and that's kind of how we look at it. We're always looking at it. There's initiatives in the US that we're always looking at and saying, do we keep going? Do we not? So I don't -- the markets really -- that analysis isn't any different than we look at an initiative in the US.

Michael Lasser {BIO 7266130 <GO>}

Yeah. In the last few minutes we have, I want to talk about how Walmart's business model is changing a little bit. One of the ways is there's a deeper push into health care. Just as you get excited about some of the levers, it seems like Doug gets just as excited about health care, like blood pressure cuff movements or anything like that. But maybe you could suggest it. Why is this the right opportunity?

Brett Biggs {BIO 17414705 <GO>}

Health care, I think, look around the world, is challenged. Definitely in the US, it's challenge. It's too expensive. Even with all the money we're spending, when you look at US health care versus other countries, we're not where we need to be from a health care perspective. And there's very few companies of our scale -- very few have our scale to be able to do something that can matter. And when we look at our mission to save money, live better, health care fits really, really well into that.

I was in our health care center in Dallas, Georgia just northwest of Atlanta a couple of weeks ago. It's the first time I've been in since they had opened it. It was amazing. I

talked to people working there, my associates working there, patients, customers, talked to the doctor that was on staff that was working at the time. And there's something there. And you can see -- you know when there's something there.

Michael Lasser {BIO 7266130 <GO>}

The energy?

Brett Biggs {BIO 17414705 <GO>}

Yeah, there's something there in how the customer sees that. It's one of those things where you got to get the business model right. You've got to make sure you've -- the patients are getting what they need and all that. But we have that trust with the customer. We have the ability to have that fit in really well with what we do inside of a supercenter from a service standpoint. The country needs it. We have the scale to be able to impact something like that. So that's why it all makes sense.

If you go to the center in Dallas, we're not going to roll out like 3,000 of those tomorrow, but we're learning from it. We have a second one open in Calhoun now, the other side of Atlanta. We'll have more -- probably a few more that we'll roll out this year. And we're going to learn from it. But it's one of those things that just -- we can get the model right and we see the feedback we're getting from customers, it just makes sense.

Michael Lasser {BIO 7266130 <GO>}

One of the questions that do come -- does come up frequently with respect to this topic is, what does Walmart bring to the table that should allow it to win in this area? It seemed like one of the things you mentioned was scale. So is that right? Are there others that make Walmart uniquely well positioned to win here?

Brett Biggs {BIO 17414705 <GO>}

I think scale, the trust of the customer is really important. There's -- we know the customers trust us in this area of the pharmacy business for a long, long time. They trust us in this area. I saw it firsthand when I went into that clinic in Dallas that we can generate the volume in those facilities. So you get trust right, you get scalability right, you get the financial resources to grow something like that, that's -- those are three pretty meaningful things that not everyone has.

Michael Lasser {BIO 7266130 <GO>}

Yeah. There's a driving force out in retail. One of your big competitors who has got a business model that is less about making money on transactions, it's more about making money in selling computing power and advertising and air transportation capacity. Does Walmart need to adjust its business model over time to evolve with the changing landscape? And if so, is there just -- there's a good amount of runway

in the current business that there's time to be able to do that and develop different profit pools?

Brett Biggs {BIO 17414705 <GO>}

Yeah, I think it is changing. We've talked -- you've heard us talk a lot over the last couple of years about the ecosystem, and we have a pretty healthy ecosystem today. We're growing things like ad revenue. We're growing our marketplace business, both of which we think long-term will be a big part of our ecosystem. On things like ad revenue, we want to make sure we're being balanced with what the customer needs and make sure that when the customer comes to our website that they know they can trust that whatever we're recommending is what's right for them and not necessarily for who paid for the advertising. But there's a way to balance that, and we feel good about our ability to drive the revenue but do what's right for the customer and not make our website cluttered and some of the other things that I see with competitors. Marketplace is going to be a big part of our business. If we're sitting here three years from now, I think we're going to be talking about a much bigger marketplace business than we have today. And that adds to assortment, which adds to stickiness of the customers. It's very circular. There's a loop there and a flywheel there. So I'm excited about that as well.

Michael Lasser {BIO 7266130 <GO>}

Well, it seems like you have a lot of exciting things (inaudible) to be going on.

Brett Biggs {BIO 17414705 <GO>}

Yeah.

Michael Lasser {BIO 7266130 <GO>}

So please join me in thanking Brett for his time today and a great conversation.

Brett Biggs {BIO 17414705 <GO>}

Appreciate it. Thank you.

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