

UBS Global Consumer and Retail Conference

Company Participants

- Brett Biggs, Executive Vice President & Chief Financial Officer
- Dan Bartlett, Executive Vice President, Corporate Affairs

Other Participants

- Michael Lasser, UBS

Presentation

Michael Lasser {BIO 7266130 <GO>}

Good afternoon, everyone. I'm Michael Michael Lasser, the hardline, broadline, and food retail analyst from UBS. How thrilling is this, we get to have a fun conversation with Brett Biggs, Walmart's CFO. He's been the CFO since --

Brett Biggs {BIO 17414705 <GO>}

I don't think I've ever been called thrilling, ever.

Michael Lasser {BIO 7266130 <GO>}

This is thrilling.

Brett Biggs {BIO 17414705 <GO>}

Okay.

Questions And Answers

Q - Michael Lasser {BIO 7266130 <GO>}

(Question And Answer)

This is thrilling. And part -- one of the more thrilling elements of this is across our country, we've had two be big retirement announcements from superstars this year, Tom Brady and Brett Biggs. And only one of them has actually paid their respects to Boston. So, That speaks.

A - Brett Biggs {BIO 17414705 <GO>}

You've been working on that one a long time.

Q - Michael Lasser {BIO 7266130 <GO>}

Yeah. I did. I think it hit though. So, that's good. And we have Kary Brunner with us as well, a key member of our Investor Relations team. But thank you so much.

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. My pleasure. This was the last live conference we did before COVID.

Q - Michael Lasser {BIO 7266130 <GO>}

I know. I know. Last in first out as you have to say. And we appreciate you coming back. One of the big topics over the last couple of days has been inflation, and there's probably no company that has a better perch or better positioned to help the consumer navigate through this inflationary environment. So, if inflation lasts longer than expected, is that good or not so good for Walmart?

A - Brett Biggs {BIO 17414705 <GO>}

As you look at the last couple of years and go back the last five years, I think, we've demonstrated the ability to operate pretty well in most any kind of environment and consumer was really healthy, certainly partially because of the stimulus last couple of years, but we performed really well in that environment as well.

I think as customers -- we're not seeing a lot of change in customer behavior at this point. If we did and customers start getting more focused on their own spending, I think we have a lot of things to offer for that customer. We have sharp pricing, we have assortment, one-stop shopping with a Supercenter if you want to shop online and stores, delivery, curbside, whatever you want, we've got it.

I don't think anybody benefits from a lot of uncertainty and we all probably have a little more certainty than we would like to see right now in the macro-environment. But when customers get really, really focused, I think we do incredibly well in those environments.

Q - Michael Lasser {BIO 7266130 <GO>}

Brett, do you think the perimeter of the heightened sensitivity from this in that, his mom has started to ask him about some of these --

A - Brett Biggs {BIO 17414705 <GO>}

The mom and dad.

Q - Michael Lasser {BIO 7266130 <GO>}

Mom and dad. So, what -- and does that say anything about how this is going to unfold? We're all trying to figure out not just what's going to happen tomorrow, but what's going to happen in the next six months as consumer has to navigate through this?

A - Brett Biggs {BIO 17414705 <GO>}

You know, the consumers navigated a lot in the last two years. So, I think companies and consumers have gotten a lot more flexible in how they manage through whatever situation they're in. So, I think the nimbleness is there. But I think, again Walmart is in the right position to be able to help them through that.

We know -- we talked about it at the end of Q4, we know that inflation is on the customers' minds for sure, still is, and now fuel prices. We've seen fuel prices this high before, but probably haven't seen them go up this quickly. Maybe in most of our lifetimes, the kind of speed we're seeing fuel prices go up now. Oil prices come back down in the last couple of days. I think it's TBD what happens. But it's -- look, consumers have a lot of things on their minds right now and I think we can help them in that situation.

Q - Michael Lasser {BIO 7266130 <GO>}

So, the year ago or so Walmart introduced an algorithm with generating 4% top-line growth and better than 4% operating income growth. Excluding divestitures this year it expects to largely be on trend with that and that's despite lapping an incredible amount of stimulus that was distributed in the year ago period. So, if Walmart can achieve that type of algorithm in this very dynamic and challenging environment, why couldn't it do better than that in a more normal year?

A - Brett Biggs {BIO 17414705 <GO>}

You always like asking that question.

Q - Michael Lasser {BIO 7266130 <GO>}

That's right.

A - Brett Biggs {BIO 17414705 <GO>}

I feel as good about the business as I've ever felt in our ability to achieve that algorithm. We said (Technical Difficulty) top-line growth and the more on operating income side. If you look at the last two years in the U.S. you take (Technical Difficulty) \$65 billion, 70% top line growth has amazing growth.

So, I feel great about our ability to do that, to be able to add on top of that. (Technical Difficulty) If you add on the newer businesses that are growing businesses, whether that's advertising marketplace, Walmart Fulfillment services, FinTech, Healthcare, all of these are businesses that could scale on their own. They're all scalable and they all tie in really well with what we're doing on what's called the core retail side and that's really what the omnichannel strategy is.

And we get questioned all the time, so, look, how are you going to beat so and so? Well, I'm not trying to beat someone. I'm trying to be the best Walmart. And by doing that, I think, we will be the winner in retail over the longer term because of all these different things that we can do that allow us to address customer needs, at the

same time to address shareholder needs and you want us to grow our returns. And that's we feel strongly, we can do both.

Q - Michael Lasser {BIO 7266130 <GO>}

And we talked a little bit about this earlier today. In the -- like literally in the coming two weeks, this will start to be a period where not only Walmart but really the economy lapse what was just an extraordinary amount of money that was distributed to the consumer in the year ago period. How do you keep the team focused as they're going to go through a period of declines in the business because the business did so well in the year ago period it's only natural for human behavior to panic.

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. I mean, we still think we'll grow revenue in the quarter. But it's -- the reason our operators and stores are so successful is that they do look at this day to day and they're trying to -- they're competitive and they want to beat those numbers every day. I think it's for all of us to step back and make sure -- we want a little bit of that pressure, that's good. We want them trying to beat those numbers, but at the same time, we got to step back and John Furner and Doug and others do this and all the way down to the organization to say, hey, last year was, it was pretty different. I mean March and April were huge sales volumes last year, particularly in the general merchandise side. And we just we've just got to help keep people focused. We just had our year beginning meeting last week about the Sam's Club and Walmart, which was great. We got people back live and enthusiasm is fantastic. But we'll be smart about it.

Q - Michael Lasser {BIO 7266130 <GO>}

And would you, outside of Walmart, would you expect other retailers to start to engage and need your reactions to the -- to what's inevitably going to be a more difficult environment?

A - Brett Biggs {BIO 17414705 <GO>}

I think you'd have to prepare for anything you might see. We've been through periods of time, I think about in my 22 years of the company, we've been through periods of time where the competitive environment gets more challenging or discounting gets more heavy. I think this is more unlikely when prices in general are going up. You may see less of that. But competitively, again, where we are with our price gaps? Where we are on assortment? Where we are on customer convenience? Just I think we've got a really nice mix. And I would say optionality and running the business on we just -- you've heard me say this many times, we have so many levers that we can pull as a company to make sure we're taking care of customers that need us. And they need us more given what's going on right now, but take care of shareholders. And as a management team, we know we have to do both. We don't get to choose between those two.

Q - Michael Lasser {BIO 7266130 <GO>}

You and I have actually talked about these levers repeatedly in these two seats over the years. And it seems like the number of levers that are available to Walmart today versus even just a couple of years ago has dramatically increased. And one of those levers is Walmart connected to the advertising business and Walmart has aspirations to be a top 10 advertising destination. Does it have the infrastructure to be able to do that today? And just as importantly, does it have the credibility with advertisers to be able to fulfill those aspirations?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. I think we've always had the credibility. We have the infrastructure as well some of the things we've done with our partnership with TradeDesk and other things like that. More -- it's more automated, more self-service than we've had in the past. The credibility is always been there in that space.

We've been a little soft limiting on this the past few years. If you go back to conversations we had about this a few years ago, internally, we always wanted to make sure that as we were growing the advertising business, that we could do it in a way, that's not confusing for customers, that the site is not cluttered, that we're not making it difficult for customers. And also doing it in a way that when a product gets recommended that the customer knows we think that's good for them, that it wasn't necessarily someone else making that decision for us, that we still own how that happens.

And we've gotten comfortable that we can do that and still grow a sizeable advertising business. And I think there are some people as little larger than they anticipated, but I think you can sit back and look at and say, there's definitely room to go in that business. And you tell me the number of levers increasing, what I'm excited about is that they have increased, particularly with some of the newer businesses that we have, but it's not like I'm talking about 100 levers. It's a manageable number of levers that are all scalable that we can focus. When I look at all these newer businesses, each one of them can scale on their own. Some are going to be better than we think, some -- just the likelihood all of them won't be as good as we think. But if a fair number of them are as good or better than we think, it's very sizable.

Q - Michael Lasser {BIO 7266130 <GO>}

Yeah.

A - Brett Biggs {BIO 17414705 <GO>}

And so, it doesn't all have to work perfectly. But they're all great businesses and if they work like we think they can, it's really exciting for the future.

Q - Michael Lasser {BIO 7266130 <GO>}

And speaking of good businesses, you've gotten (inaudible) this morning when you talked about financial services. It seems like that's an area of particular excitement. How does Walmart build credibility in financial services? There's been periods in the past where retailers have thought about trying to enter this arena and you'll see

yours indeed a winner. How is this time different and how does Walmart build credibility in this area?

A - Brett Biggs {BIO 17414705 <GO>}

We've had a long-term business in this. It's been what I'd call a little more quite older school financial services, money transfer, money cards; the things that our customers still need, want and we do a great business there.

We made the decision last year to partner with Ribbit Capital and some of you guys may know Mickey and fantastic entrepreneur, great mind; and then Omar who came from Goldman Sachs, again just fantastic, smart, innovative. And it gives us a chance to look at the business a little differently and be a little more forward footed on it.

Today, one of the challenges that a lot of fintech businesses have is customer acquisition cost. But given the eyeballs that we have and the number of people who transact with us every week, customer acquisition cost is actually something we already bring to the table. We should have lower customer acquisition costs than other companies like that.

And when I think about financial services, I think about it and Doug and others do too it's broader. It's how do you help customers solve problems. They're not sitting there thinking -- and sometimes they're sitting there thinking I need a money card. Sometimes you're sitting there thinking really just how am I going to make my life easier? How do I manage subscriptions? How do I manage my budget? Where do I invest? How do I go procure insurance? And it's all these things you deal with every day and they're -- all our customers already and if we can just help that existing customer base make their lives easier and it's profitable as well, it's a no-brainer for a business like us. But I -- the way we'll do financial services in the future and not the long future, in the near future is going to look different than what we did in the past.

Q - Michael Lasser {BIO 7266130 <GO>}

Well, hopefully, you're not thinking about investment banking and equity research as part of financial services. If you are, we should talk.

A - Brett Biggs {BIO 17414705 <GO>}

No, I'm not even going to touch that.

Q - Michael Lasser {BIO 7266130 <GO>}

Okay. I'll pivot the conversation to the online business. And where I want to start is Walmart has been building more infrastructure to support the various way it is serving the omnichannel customer. And do you expect that Walmart will have to have as large a last-mile delivery infrastructure as the largest online competitor out there?

A - Brett Biggs {BIO 17414705 <GO>}

I don't think we have to, but I think we could. And we've started spark, (inaudible) several years ago, four, five years ago maybe. It was another way for us to serve as a customer who were using third parties, who were using the common carriers, doing all kinds of different things. But it was something we wanted to try. We felt there could be some benefit to us there and it's been great. It's been great enough that we decided it could be its own business with things like Go Local that we could take something that was a cost and turn it into a revenue stream and there's demand there.

We're one of the largest business companies in the world. We know how to do this. And so taking something like that and doing something as revenue-driving, it's pretty different for Walmart, but it's how we're thinking about things now. And you're going to see that I think more often in the future.

So I think, we could be, we can scale as much as we want to and we'll be flexible on how we look at that last mile. We want to get to the customer as cheaply as we can, on time, the right service, and how we get that done then becomes the option.

Q - Michael Lasser {BIO 7266130 <GO>}

So, is the thought process is, you can see all this as fast as both your 1P and 3P business necessities?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. We've got the infrastructure, the technology to really scale at how we want.

Q - Michael Lasser {BIO 7266130 <GO>}

And to what degree does the technology and the infrastructure enable the growth of the third party business? That's -- it seems like that --

A - Brett Biggs {BIO 17414705 <GO>}

Yes. Similar. Yeah. It's basically some of the same systems. So, it does allow for that scaling.

Q - Michael Lasser {BIO 7266130 <GO>}

And have third-party sellers seen this growth in various options that you've been giving to them, and said that, well, Walmart's now more of a credible outlet for me to grow my business?

A - Brett Biggs {BIO 17414705 <GO>}

I think sellers look at us a lot differently than they did three or four years ago as we've made one -- we made onboarding much easier. We added 20,000 sellers last year. We expect to add 40 this year. We've made it simpler, everything you want, right? You make it simpler, you make it easier for them to build their business and you give an alternative. We have a big e-commerce business, it's getting bigger. And

so, they want eyeballs and they want simplicity. And I think, in both cases, we've upped our game significantly in the last few years.

Q - Michael Lasser {BIO 7266130 <GO>}

Is it as easy for a third-party seller to sell on Walmart as it is for them to sell on Amazon?

A - Dan Bartlett {BIO 3071809 <GO>}

I think for the most part we -- particularly now with Walmart Fulfillment services, that is something -- it was a piece we were missing a few years ago. And as we add capital in the fulfillment space, the good thing about the capital in that fulfillment space is whether we grow third-party, first-party, it can all go through the same fulfillment centers.

So, we're somewhat ambivalent to it except we want a bigger marketplace business. Marketplace from a margin perspective, as well as a top-of-mind customer SKU perspective, customer destination perspective is really important. So, as you think about Walmart, you need to know that, when you go online you find anything you want. We have 170 million SKUs today. I'm going to guess that's going to fulfill pretty much everything you want, but we're going to keep adding to that. And it's all of those things that matter.

Q - Michael Lasser {BIO 7266130 <GO>}

I think --

A - Brett Biggs {BIO 17414705 <GO>}

We'll have a bigger marketplace business.

Q - Michael Lasser {BIO 7266130 <GO>}

You will.

A - Brett Biggs {BIO 17414705 <GO>}

Yes, for sure.

Q - Michael Lasser {BIO 7266130 <GO>}

I think the term that rhymes with neigh will is one of the most overused terms in the business world right now. But it does seem like you're creating this ecosystem that really is going to build on itself. And one of the drivers of this ecosystem is this subscription model that Walmart introduced a few years ago, Walmart+. What is the profile of a customer that signs up for Walmart+?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. It's a big initiative for us. We -- people are talking about sometimes this is new to us, but we've had Sam's Club, we've had a membership business for a long, long

time. And so, we know what kind of things drive those businesses. It's an incredible opportunity for us. We know that shoppers, I'm not going to get into the specifics, but shoppers that have Walmart+ buy significantly -- I mean significantly more than --

Q - Michael Lasser {BIO 7266130 <GO>}

If you get into specifics, what they're going to do, come on.

A - Brett Biggs {BIO 17414705 <GO>}

We'll just keep it at this. How about that?

Q - Michael Lasser {BIO 7266130 <GO>}

Okay.

A - Brett Biggs {BIO 17414705 <GO>}

But significantly more than non-plus members.

Q - Michael Lasser {BIO 7266130 <GO>}

Okay.

A - Brett Biggs {BIO 17414705 <GO>}

Our -- people that are members. So -- and we know that carries on. So, it's not just they do it right away and then they don't use it again. Once we get them in, we keep them in. There are significantly larger custom for -- customers for us, which is what you would assume, right? And then when you get them into that ecosystem and they're transacting, you're going to more the use of financial services and buy more general merchandise. They're buying those higher-margin apparel and home items. That's where the magic works inside that flywheel and where the where the P&L works as well.

Q - Michael Lasser {BIO 7266130 <GO>}

So, we've talked about financial services, we talked about the third-party marketplace, we talked about Walmart Connect, we talked about Walmart+. These is -- these are the pillars of this evolution to Walmart's business model, what Walmart's business model historically has been. You have big stores, you sell a lot of stuff, get big volumes, use that leverage with your suppliers to offer the cheapest prices out there. You still have that and then now you layer on all these alternative profits. What's the strategy for then going to take some of those alternative profits in this really juicy profit pool to then go and potentially reinvest back further in price and distinguish Walmart even further from the competition?

A - Brett Biggs {BIO 17414705 <GO>}

We're always going to sharpen price. I don't think those decisions aren't mutually exclusive. As we think about what the P&L looks like, we think about the algorithm that we laid out, it's really about the total. What's the total profitability of the

company based on the revenue we think we can generate. And then how do you move the pieces in a way that gets that done. There's all kinds of different ways to get to the same answer.

So, it's not we make more money here and then just we're going to put that all back into pricing. Our price caps are in really good shape and we're always going to be there for our customers, but we're going to be there for our shareholders too. And so, we're going to make sound decisions about how we think about pricing. There may be times where we say, hey, we're going to -- more of that's going to flow to the bottom line, and there may be times where we say it's time to go invest in something. And we do that, but it's another lever, it's optionality that we really weren't talking about as much a couple years ago. But when I look out, I've said before, right now, I feel as good about Walmart as I've ever felt. It's because of all these different ways that we can get to the answer that we want to and serving customers and taking care of shareholders. It's as good a position as we've been in.

Q - Michael Lasser {BIO 7266130 <GO>}

And as part of the answer, look, we have this profit pool, but we don't want to get too risky[ph], because it doesn't make sense to necessarily have our price gaps too wide because it may not provide the unit response right now. But with that being said, what gave you confidence to guide to how you did, was -- if you're not seeing the traffic or the unit volumes, you have the optionality to make some of these investments to be able to drive the business as you move throughout the year?

A - Brett Biggs {BIO 17414705 <GO>}

Growing market share for us is incredibly important. We want to be top of mind with customers, but we can do that in a way that makes sense financially. I think we've been doing that in a way that makes sense financially. But we want to take market share. We've been taking market share. Top of mind with customers is number one for us.

Q - Michael Lasser {BIO 7266130 <GO>}

In these pricing investments and being top of mind with consumers could be that much more important in this environment, where that lower-income is -- lower-income consumers feeling a little bit of pressure. Are you seeing any signs that consumer is feeling the pinch and how would you see it?

A - Brett Biggs {BIO 17414705 <GO>}

We're not -- we haven't seen much change in customer shopping behavior yet. Typically, when fuel prices go up, you'll -- for us, you'll see some consolidation in trends. You'll see traffic might go down a little bit, transaction dollars will go up.

So, the buyer bigger baskets that's fits right with us. If you're going to go, if you're going decide to go one place versus three, you're going to Walmart because of the SKUs, everything that we can offer you a product service. So -- but we haven't seen a big change yet. And I -- when you look at all the metrics, you look at unemployment is low, wage rates are high, customer balance sheets are still pretty good, savings

rates are still pretty good. There's a lot of things that still feel pretty good from a consumer standpoint and we just haven't seen that change as of yet.

Q - Michael Lasser {BIO 7266130 <GO>}

Understood. Wages and labor investments have been a big topic for Walmart. There was, I think, a round of investments over the last couple of years. Where does Walmart stand in terms of what the average wage rate doesn't need to make another investment, has it gotten any easier to attract routine employees?

A - Dan Bartlett {BIO 3071809 <GO>}

Yes. I think the things we've done our last few years got us in good position and probably no better metric than that then we hired a couple 100,000 people as we got into the holidays, which is no small feat no matter how big you are.

So, I think that's a good data point. We have been proactive over the last couple years not just in wage rates, but all the things we've done with live better you and another benefits. So, the average hourly rate in Walmart stores today that's sort of Walmart U.S. businesses is \$16.40 little bit over \$16.40 on average. Sam's a little bit higher than that and supply chains over \$20 an hour.

So, I think we're in pretty good shape. And again, the ability to hire is your best metric with that. And we're all going to monitor and watch what happens in the next few months with the inflation in wage rates and everything else, but as of right now, I feel good about where we're at.

Q - Michael Lasser {BIO 7266130 <GO>}

And how does the deployment of automation and technology help to alleviate some of this? Walmart starting last year had made some investments in areas like micro fulfillment. What should the market expect from those investments?

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. We've made investments in places where we can be more productive, but also in places where the jobs that associates scantily just don't like to do as much whether that's one of the things that people really don't like doing is unloading a truck. It's really difficult to do, it's time consuming, it's labor-intensive. And some of the work that we're doing, we talked about symbiotic in our distribution centers, it's going to help alleviate some of that. You can redeploy people to jobs they'd rather do, higher value. And so all that plays into, I think, what we want to do as a company. Not just from a financial standpoint, but also what our associates want to do as well. But it helps, I mean, it's we've gotten -- we're more productive than we were few years ago.

Q - Michael Lasser {BIO 7266130 <GO>}

Is the deployment of those investments going to be bigger this year than they were last year between the robots, the automated unloading?

A - Brett Biggs {BIO 17414705 <GO>}

Yes, there's some things we've been working on the last couple of years, primarily in the supply chain that you'll see -- there's some store automation, but more on the supply chain side that you'll start seeing us roll out over the next few years. And as we go through that, we'll be walking investors through that and what we're doing, where we're seeing the benefits, what we're working on.

And I think you saw us talk more about advertising in Q4. As we make -- our CapEx is a little higher than it's been in the past. And as we raise CapEx, we know that we need to come back to investors and say, hey, here's what you're getting for that CapEx. Here's what's working and here's what we're working on. And so, I think you'll continue to see more and more data from us.

Q - Michael Lasser {BIO 7266130 <GO>}

Has it been more challenging to deploy some of this automation than there was sale? Because the recent narrative has been more about some of the alternative profits and less about some of the --

A - Brett Biggs {BIO 17414705 <GO>}

Yes. Now, it's I -- we're pretty much where I thought we would be. The challenge is two fronts. One the omni model has never really been built. There's no other company doing what we're doing with stores and e-commerce and pulling this all together in the way that we're doing. It's never been done. There's no playbook for this.

So, we're developing the playbook. So it's hard enough we're on time or not. We always feel like we're behind, which is probably what you want to hear, and we feel that way. On the technology side, it's complicated. It's when you look at what we're doing in our distribution sisters -- systems to automatically stack a pallet and stack it in a way that you can unload at the store, save a significant amount of time the store have it already when you get to the store. That's a complicated system, but we know it works. And now we know that we'll be in the process of starting to roll out things like that because it works. But it takes time. We're just doing things that haven't been done before.

Q - Michael Lasser {BIO 7266130 <GO>}

Yeah.

A - Brett Biggs {BIO 17414705 <GO>}

But it will also be I think a significant competitive advantage.

Q - Michael Lasser {BIO 7266130 <GO>}

Has Walmart accelerated its embrace of technology versus a couple of years ago, such that five years from now it'll be in a pole position or leading the deployment of the next generation of technology?

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. It's -- we're incredibly comfortable with it. And a lot of that started with Doug.

Q - Michael Lasser {BIO 7266130 <GO>}

Yeah.

A - Brett Biggs {BIO 17414705 <GO>}

Doug, and go back 30 years ago or 35 years ago, it started with David Glass. David was really the first retailer that said we're going to put in satellite dishes and tuck our scores every day. I feel like we're on another journey on that. And Doug's been a leader in that. Three years ago, we brought in Suresh Kumar, who had worked at big, big tech companies and he's brought in new ways of doing things and different ways of looking at talent, different ways of looking at process. And yeah, it does feel different than three or four years ago. It's faster, it's quicker. I feel like when things, we go into something that doesn't work, I think we stop it quicker as well. So, I like the feel of it.

Q - Michael Lasser {BIO 7266130 <GO>}

Yes. I want to pivot the conversation to Sam's for a little bit. Sam's been doing --

A - Brett Biggs {BIO 17414705 <GO>}

Really well.

Q - Michael Lasser {BIO 7266130 <GO>}

Really well. And with that being said, does -- is the room for Sam's to accelerate the growth in new warehouses and others other initiatives now that it is doing -- has such good momentum behind it?

A - Brett Biggs {BIO 17414705 <GO>}

I think there's always the possibility you could do a club here, a club there, but the club base we have right now is strong. It's where we're getting more dense in each one of those clubs. And the club business is about scale. And when you can get scale in a club, it just runs differently. It runs much more smoothly and members like it better, profitability gets higher. You throw fewer things away, it all just works better.

So, I like the club base that we have. Where we're seeing the biggest impact is membership is up significantly, both base membership, but also our plus member penetration is much higher. Member engagement is high. Sam's has been great and leading the company at times in technology. And let's try something here at Sam's, it works. Scan & go would be a great example.

You see that used more -- it's different at Walmart, but utilized at Walmart as well. It's been a great place to develop people, and it's never run better. It started four, five years ago really took a tick up. Furner was over there, Kath come in, done a great job.

The team is -- you want to talk about a motivated team, that team is on fire. And we talked about this little business, it's \$70 billion or more. And so, it's really big business and it's great returns for Walmart.

Q - Michael Lasser {BIO 7266130 <GO>}

And there's a lot of talk about fee increases. It constantly asks for Costco, Netflix and Amazon have raised their fees. Sam's hasn't raised its fees in a while. Why is it the case and how much pricing power does it have to raise its fees?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. We're always looking at member value and it's -- you look at the membership fees along with pricing, the gross margins, your expense structures and what's best for the member. I'm comfortable with where we're at today, but we're always looking at structurally how does -- what does that look like. We've talked about a number of times during my tenure. And so nothing to say specifically today --

Q - Michael Lasser {BIO 7266130 <GO>}

No announcements?

A - Brett Biggs {BIO 17414705 <GO>}

No announcements today. Apologize I'm not going to do that on the stage here. So, we're always looking at what the best I think the amalgamation of all those things are for the member.

Q - Michael Lasser {BIO 7266130 <GO>}

And pivoting to the international business, is the international business at all being impacted by the geopolitical uncertainty? And how would you -- if it will be, where and how will you expect it to be impacted?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. We don't have any direct business in that region and a very limited even supplier base in that region. It's -- I mean just on a human level, it's awful. And we've got, we have associates who certainly have family members there and support them. It's just -- it's an awful situation. Everybody thinks about and my prayers all the time that situation. But from a business perspective, it hasn't had a major impact on what we're doing. We reduced our exposure in the UK that would have been the closest thing we had from a geographic standpoint. And so, it's just not from a business standpoint and direct line of sight and also from a business impact.

Q - Michael Lasser {BIO 7266130 <GO>}

Is the same point. And any -- will lead into a broader question. Any sourcing from Europe that would be impacted?

A - Brett Biggs {BIO 17414705 <GO>}

I think it's just -- it's to be seen what happens. I think it's really hard to predict what could happen. And I think just like everybody else, we're just going to have to see this play out and be nimble about it. I think the last couple of years have proven how nimble all of us can be with new things that seemingly kind of come out of nowhere and we'll have to just -- this one's far worse, but we'll just, from a human perspective, we have to work our way through it.

Q - Michael Lasser {BIO 7266130 <GO>}

No doubt about it. Speaking of sourcing from a supply chain perspective, is the global supply chain better today than it was six months ago?

A - Brett Biggs {BIO 17414705 <GO>}

Yes, I think it's definitely getting there. One, I think companies have learned to work through it a little bit better. We're better in some ways because of that. And we've just learned how to -- we can operate differently, we can do some different things. It's not ideal. You'd like -- you don't want to go through what we've seen the last year. But I think port congestion is getting a little bit better. Let's talk about at least maybe like a couple of weeks ago everything seemed to be getting a little bit better.

When we gave guidance we had assumed that we'll see it settle out some probably as we got toward the back half of the year and get in stocks back in like where we would have them pre-pandemic. So, I think that's still our hope, but you always plan for if it doesn't work out that way, then how we're going to keep working through. And the good thing is we've learned to work through it.

Q - Michael Lasser {BIO 7266130 <GO>}

And you mention between the supply chain challenges in (inaudible) before that. Walmart has learned some new agility to --

A - Brett Biggs {BIO 17414705 <GO>}

Walmart merchant does a pretty tough job actually.

Q - Michael Lasser {BIO 7266130 <GO>}

Yeah. Pretty well. Welcome to equity research.

A - Brett Biggs {BIO 17414705 <GO>}

Again, I'm not touching that.

Q - Michael Lasser {BIO 7266130 <GO>}

Okay. How does this permanently change Walmart's agility? Does it make it -- does it manifest to make it more profitable business because you've said, look some of the things we had worried about doing in the past, we've had no choice to. And as a result, we can now comfortably navigate that way?

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. We have more confidence for sure that we can navigate, again, three years ago, we started with tariffs, and then we went into COVID, and now we're in inflation. So, we've learned to navigate through that. I think our merchants are better. More tools in the shed to deal with situations like this. And we have a great mix of merchants of -- our Chief Merchant, Charles Redfield. I have grown up in the company with Charles and he's spectacular. And the kind of guy you definitely want to see when you're trying to manage margin and pull all these levers. He's seen probably everything you see as Sam's Club adds to Walmart. And then you have some newer Merchants that can bring new ideas and bring fresh ways of thinking of things and I think it's a great mix.

Q - Michael Lasser {BIO 7266130 <GO>}

Yes. And speaking of profitability in the fourth quarter that Walmart International business did experiencing gross margin pressure because the e-commerce business was doing pretty well. Is this a structural challenge that not only the Walmart business in -- the Walmart International business is going to have to navigate through? Would the domestic business might have to experience this at some point, or you've kind of mastered that?

A - Brett Biggs {BIO 17414705 <GO>}

The international business, you got a couple of things going on. You've got, as you said e-commerce penetration is going up 20%-ish as we got toward the end of last year. China business, which is big business for us. The Sam's business is doing incredibly well, that's a good thing, but it's lower gross margins. Operating margins would be somewhat equivalent. So, from an operating dollar standpoint, I don't think you have a challenge there. Each market is really different and the Walmart U.S. business still you have typically more general merchandise. So, you have a different margin mix in the Walmart U.S. business and now with the other profit pools that we have there, it's -- I don't think it's apples-to-apples.

Q - Michael Lasser {BIO 7266130 <GO>}

In the profit pools that Walmart's developing in the U.S. how fast can it replicate those--

A - Brett Biggs {BIO 17414705 <GO>}

Yes, we're starting to. It's in places like Canada, you'll see the -- look, Canada has a lot of similarities to the U.S. and how we run the business. Walmex though is doing an incredible job thinking of the strategy of what makes sense for the population in Mexico and Central America. Walmex is a phenomenal business, great sales growth, great profitability, great returns, just a phenomenal business. India is going to be a business that we can continue to scale. I feel good about the markets that we're in today.

Q - Michael Lasser {BIO 7266130 <GO>}

And in the converse of taking what's working in the U.S. scaling it internationally, what's working internationally that you can now bring to the U.S.?

A - Brett Biggs {BIO 17414705 <GO>}

We've done in the past in a lot of the grocery business and pick up business, we were doing that in places like Asda before we were doing in the U.S. And so, there are certainly learnings and people as well. A lot of people that have come from Asda to run some of our business. So, I like that. One of the first trips I ever took to Flipkart would have been four years ago, and PhonePe, I started seeing some of the things they were doing around, let's call it the broader definition of financial services. How do I make the customers' life easier? And I came back to Doug, I was like, a lot of these things we've been thinking about they're already doing it. They're doing it in India and they know how to scale it. And we've taken some learnings from India and how some of the things that we'll think about with our own joint venture.

Q - Michael Lasser {BIO 7266130 <GO>}

And the growth in India, it seems to be pretty unlimited given the market opportunity there. Are there key unlocks that still need to be put in place in order to capitalize on this potential growth?

A - Brett Biggs {BIO 17414705 <GO>}

We've built out fulfillment capacity. It's always one, how do you get last-mile delivery, but with what they do with E-Kart and some other things we've done there. I feel good about our ability to get product to the customer. The huge market as far as not just number of people, but the growing middle class. It's competitive, but we have competition in other parts of the world. And when you have a market growing like that, you're going to get competitors. And I think competitors make us better, it will make us better there, but I think the growth there is still it's just TBD. It's -- it can be big.

Q - Michael Lasser {BIO 7266130 <GO>}

Pivoting the conversation, ESG has taken on a new relevance and new priority across the business world. How is this -- what was I just asking?

A - Brett Biggs {BIO 17414705 <GO>}

ESG.

Q - Michael Lasser {BIO 7266130 <GO>}

ESG. How is this impacting Walmart? It's -- at the very least, it's been much more front and center in the market in the messaging to external constituents. But how is Walmart practicing what it's preaching?

A - Brett Biggs {BIO 17414705 <GO>}

Yes, I think for us it's an advantage we have been -- this definition of ESG, we've been -- it's been a part of our DNA for a long time and definitely back to 2005 when

we -- Scott introduced sustainability and we were the first ones who even knew what it was and how we were going to make our operation more sustainable. And we've gone from most of our store waste going to landfill that now I think over 80% doesn't go to a landfill. We've got over 30% of our energy globally is renewable. We've come a long way.

So, when this started coming up in the last couple of years, everybody like, hey people going to talk more about ESG. We're like that's great. We've been wanting to talk about it. We're a leader in this space. And the scale that we have, no one can do what we can do to -- and it's not about, I want to make you happy from an ESG disclosure perspective. It's what we can do for the planet and what we can do for our customers and what we can do for society. We've been way out ahead of this and it's one of the things I'm most proud about with Walmart.

Q - Michael Lasser {BIO 7266130 <GO>}

Is this something that's increasingly been part of the internal discussion? And ---

A - Brett Biggs {BIO 17414705 <GO>}

It always has been. I mean -- and particularly again, since 2005, when we started sustainability, it's almost every discussion I can remember around merchandising or customer or strategy always had this element to it. And it's been a great part of the business. We've saved our suppliers money, we saved ourselves money, we saved our customers money. It is good business practice.

Q - Michael Lasser {BIO 7266130 <GO>}

No doubt. Savvy or maybe happily depending on how you look at it. This is going to be one of your last times in front of a forum like this, all these lovely folks. What skill or trait do you think is important for your successor to have that you may not have?

A - Brett Biggs {BIO 17414705 <GO>}

That's like what's your greatest weakness question in interview. I'm hoping I haven't left too much low-hanging fruit. It's a great question though and it's the right question. And if you're Walmart or any company like this, you've got to be looking ahead five to ten years and saying, what's the strategy? What do we need to be great at? And for us, it's an omnichannel business. It's increasingly digital. Those are things you are going to look at and say who's the best person to help us to work with the rest of the team to guide us through that? I think it's always -- it's who's different. When Tom Show was CFO 12 years ago, Charles Holly was different than Tom Show. I'm different than Charles Holly, and the next person will be different for me. And that's what you need. And I'm -- I was kidding with Doug, I said, inherently you're looking for someone better than me. I understand that because that's what he should be doing.

Q - Michael Lasser {BIO 7266130 <GO>}

That's not easy to do.

A - Brett Biggs {BIO 17414705 <GO>}

But that's what a company should be doing. It should be looking to get better and making sure that they take care of the future.

Q - Michael Lasser {BIO 7266130 <GO>}

Yeah. And throughout this conversation and prior to this, you've mentioned several times that you feel Walmart is never been in a better position. the better position than it is in today. What makes you say that?

A - Brett Biggs {BIO 17414705 <GO>}

Yes, I get questions when I say that like, why are you leaving? Why are you leaving? It's -- the company is in such great shape. And one, when you think about a transition, this is when you do a transition. You do it when the company is in great shape and the next person that comes in can work into it. That's what you want.

I've just I've never seen a time and I've gone back through. I'm actually doing, we have an off-site another month and I'm going back through -- I'm one of the old guys at Walmart now, so I'm going back through some of the history of the company and explaining it to how we got to where we got to people that are newer to the company.

And as I'm going back through that you see these inflection points like, when we started the supercenters, not everybody thought that was the greatest thing we'd ever done and it turned out to be the greatest retail format in the history of the world. But I sit back now and I think -- we think we're in that moment again, you really see it when you're in it. But I think we're in it, which is we've got a great base business, incredibly good globally.

And then we have all these other places where we can touch customers lives without going too far outside the retail circle, but touch their lives, fulfill our mission of (inaudible) something a little better. Fulfill the mission, do in a way that makes sense for our culture, do it profitably and help grow the business. And it's not just one thing, it's not like here's the one thing we got to do it. And if it works, it's great, but if it doesn't, that's not good. There's all different kinds of ways that we can make it work and I feel like there's more opportunity now than I've ever seen.

Q - Michael Lasser {BIO 7266130 <GO>}

And is Walmart's culture --

A - Brett Biggs {BIO 17414705 <GO>}

Revenue growth, profit growth, opportunities for associates to grow their careers, ESG, I think all of those things, there is just more opportunity than I've ever seen.

Q - Michael Lasser {BIO 7266130 <GO>}

Is Walmart's culture at the point where it will enable some of these opportunities?

A - Brett Biggs {BIO 17414705 <GO>}

Yes, I love the culture. It's -- there's so many things about it that feel like 22 years ago when I came in, we were still very cost-conscious. And when I think about our four core beliefs, they're all still the same. It's a very respectful place, but we're competitive. We want to win, but I think we do it in the right way.

I've been blessed to be in this company and to be in this job, I don't lose sleep at night because of the kind of company we are. I know we're going to -- we don't always do things the right way because you can't be perfect, but we try. We really try to do things the right way. And I've been blessed by that. But the culture has evolved though in a way that it's more relevant I think for people who are coming in new to the company, and more tech-focused. It's quicker. It's more agile. I'm still -- I'm not surprised, but I'm still amazed how quickly we can move the size company we are. So, all the good parts of the Walmart culture are still there, but it keeps evolving in a way. I think Doug has done an amazing job in evolving the culture in the last seven years, eight years that --

Q - Michael Lasser {BIO 7266130 <GO>}

Yeah.

A - Brett Biggs {BIO 17414705 <GO>}

That wouldn't bet against us.

Q - Michael Lasser {BIO 7266130 <GO>}

Well, congratulations, and we wish you much luck in your next phase.

A - Brett Biggs {BIO 17414705 <GO>}

Thank you, everyone.

Q - Michael Lasser {BIO 7266130 <GO>}

So, please join me in thanking Brett Biggs.

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