Walmart Inc at Stephens Investor Conference

Company Participants

- M. Brett Biggs, Executive VP & CFO

Other Participants

- Benjamin Shelton Bienvenu, MD, Stephens Inc., Research Division
- Unidentified Participant, Analyst, Unknown

Presentation

Benjamin Shelton Bienvenu

All right. Thanks, everybody. I think we'll go ahead and kick things off. I'm Ben Bienvenu with Stephens. I cover the grocery and convenience store industry. Thrilled to have with us here today, Walmart, a company that doesn't need much of an introduction. But the largest retailer on the planet. And happy to have from Walmart, Brett Biggs, CFO. Thanks for being here.

M. Brett Biggs {BIO 17414705 <GO>}

My pleasure.

Benjamin Shelton Bienvenu

I think you might make a quick safe harbor statement. And then we'll kick things off.

M. Brett Biggs {BIO 17414705 <GO>}

So I think on the webcast, we have a safe harbor slide. So as you think about -- consider your investments in Walmart, consider everything that you see out there about the company, I might be making forward-looking statements. And so my attorneys make sure that I say this as we get started with this. But good to be here. And there's been a long history between Stephens and Walmart back to our initial public offering. So it's always good to do things with Stephens.

Benjamin Shelton Bienvenu

Yes. Thank you.

M. Brett Biggs {BIO 17414705 <GO>}

Thanks.

Questions And Answers

Q - Benjamin Shelton Bienvenu

Probably 4 or five years ago, Walmart kicked off a pretty significant turnaround plan to reinvigorate growth. We're well past the turnaround. But I think if we look back at that last chapter of Walmart's history, characterized by investment and growth, particularly in the U.S., revitalizing U.S. same-store sales growth. If we look to kind of the next chapter, what do you think that chapter of your store will be characterized by?

A - M. Brett Biggs {BIO 17414705 <GO>}

That's pretty much what we're working on every day, which is how do we -- and I'd go back even to the '70s, '80s, '90s, 2000s, I think that's what Walmart has always done is what are we doing in the next three years, four years, five years? We're not really good at giving ourselves credit sometimes for having a good quarter or having a good year. And we're looking forward. I think it will be derivatives of things that we're doing right now.

I mean when you get back to retail, it's fairly simple. It's price, it's assortment, it's customer experience, it's convenience. Convenience is a big part of that story now. And we'll be focused on all of those things going forward. I think convenience gets to be a bigger part of that equation. And you've seen us invest a lot in the last several years in omnichannel. So we think about Online Grocery, now the test we're doing in InHome Delivery. It's all about how do I keep that customer shopping with Walmart? How do I ensure that they can shop with us in any way they'd like to, whether that be putting it in the trunk of their car, being in the store, to their home, we want to be there for all those occasions and financially doing it in a way that makes sense for investors, both in the short term and long term.

Technology will drive even more of the change in the next five years than it has in the last five years. We've done a number of things from a store productivity standpoint. But there's so much cool technology that we see coming, whether it's a supply chain, the things in the stores potentially with VR and AR that will be, I think, fun for customers, helpful for customers in how they shop our stores. We have 275 million customers a week that come through our stores. And so that's going to be a big part of our business for a long time.

Q - Benjamin Shelton Bienvenu

Maybe as a follow-up to that, we had a somewhat recent announcement of Greg Foran moving on and John Furner taking over. What should we know about how John thinks about building on the track record of success that Walmart gets?

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes. Greg is a legend in retail. And I've been privileged to be his partner for the last four years in this role. And he's fantastic. And he'll be missed certainly at Walmart. I've known John for a number of years. I really got to know him when I was CFO at Sam's Club. And he was an operator in the field. And one day, we were out together and I really -- I'd just kind of gotten to know him a little bit. And he started asking me questions. And these are very -- and we had conversations really broad-based. It was much different than just an operating discussion. And I remember going back and someone saying, "Who's this guy John Furner? He's really impressive." And so now he's going to lead the U.S. business. He knows the company well. He and Doug know each other well.

When you look at the success of the Walmart U.S. business, you come in new to that business and you're going to definitely try to continue to do what's working in that business. John, though, comes -- really good tech background, very smart, very quick to take decisions, great with people. So he'll have his own spin on how we approach customers, how we approach technology, I think, in particular, in the business. But he'll certainly be looking to keep a lot of the plays running that we're running right now in the U.S.

Q - Benjamin Shelton Bienvenu

One of those plays, Grocery Pickup, hugely successful initiative. My wife and I personally use it.

A - M. Brett Biggs {BIO 17414705 <GO>}

We do, too.

Q - Benjamin Shelton Bienvenu

When you have a 3-year old, it's...

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes, for sure. Boost the quality of life customer right there. Yes.

Q - Benjamin Shelton Bienvenu

So where are we in the maturation of that program? Pretty far along. How much more contribution do you think that can bring to Walmart U.S.? Then when you look at the other slate of initiatives that are out there that you're working on, when you rank order them, what else kind of looks like that next thing that could be really meaningful?

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes. Online Grocery kind of started back kind of going back how many years, a long time ago in Asda, almost 20 years ago at Asda. And then 5 or six years ago on the West Coast. So it was a trial. And what we're doing today looks a lot different than that. But that's what really started. Then there were tests in Denver of different ways of picking up grocery in kiosks and other things that we could do. And this is one of the ones that just stood out that was working.

And the thing that I'm proud of the company with an online grocery is I would say there are times in our history where we've been a little methodical, maybe too methodical. As we saw something that worked, maybe being a little too cautious. Let's test it a little more, let's -- and it was a little slow.

But Online Grocery, we saw something that we knew financially could make sense. Didn't have every I dotted and every T crossed. But we said the customer loves this. We were hearing from moms that they really loved it. And we said this has got to be a winner. We're going to win in grocery. And we rolled it out. And so now, we're in 3,100 stores, still a lot of room to grow.

When you get to -- so when you think you've hit a saturation point in a store, there's still things you can do though with the way you're picking. Do you open up more lanes? Do you change the way potentially of what times customers are coming to free up more capacity? So there's a lot of things you can keep doing to keep giving yourself capacity for Online Grocery.

There are other things that are derivatives of that, InHome. The InHome program, which is now in 3 cities, is a bit of derivative of Online Grocery. And it's really early. But it's one of these things, again, where you know customers love this. There are so many things you can do off of InHome Delivery that you make that connection with the customer and you get them in your ecosystem that I think there'll be, whether that's the thing that works, there will be a lot of things that we learn out of that, that will help us going forward.

But we're -- I think we've been pretty clear, we're going to win in grocery. And having 5,500 locations in the U.S. is a really big advantage in winning in grocery.

Q - Benjamin Shelton Bienvenu

Traffic, strong comp store traffic has been a big piece of the strong U.S. comp story. But ticket, particularly in the last few years, has really been a more meaningful contributor. What's central to that? And how much room do you think is left on ticket as a driver of growth?

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes. I think analysts look a little more at the split between traffic and ticket. We just -- that comp number, we'll take it either way. We'll take it either way. This quarter was really balanced, traffic up 1.3, ticket up 1.9. Really hasn't been much inflation to speak of. So this has been units, I mean, really an increase in units in the stores. We've been a big part actually of not having inflation, I believe, in the country has come from us and what we've done in price, particularly in food. But continuing to build the basket is something that we want to do.

Online Grocery, for instance, has a higher basket than we see in the store. That's been some of what's been driving ticket in the U.S. business is a little bit of a mix shift from in-store to Online Grocery. But I like the balance. I like the fact that we can grow units and still have more customers than we had two years ago, three years ago or four years ago. That's pretty unique in retail right now.

Q - Benjamin Shelton Bienvenu

Yes. And after years of investment, you guys went out and made a big decision raising wages for associates, benefits, training, really kind of set the tone for the industry. That really kicked off a lot of the growth that you guys are now enjoying. And now you're starting to leverage SG&A a little bit, which is always nice to see. What are the key components of that? And what are some of the external factors that you guys think about as obstacles to continuing to deliver that?

A - M. Brett Biggs {BIO 17414705 <GO>}

It was almost exactly four years ago that we came out and said that we were going to make these investments. It was going to take operating income down, stock didn't react well to us doing that. But I think we knew what was needed to get the business in the right shape. And we've -- from that point, I believe we've done what we said we would do and are benefiting from that. Our customers and associates are benefiting from that.

This will be -- assuming we hit the numbers we expect, this will be the second year that we've levered, second year in a row after a fairly significant time of deleveraging expenses for good reasons, eCommerce, technology, all the things that we invested in.

Being able to leverage more than 20 basis points this year, which I think we will, sales helped a lot, having that 3-type comp in the U.S. helps a lot on leverage. But we're approaching expenses in a really different way than we have in the past. A lot of companies. And I think we've been guilty of in the past, about cutting expenses. Those tend to find their way back if you don't change how you're working, how you process things, how your culture manages that. And wasn't that we'd lost our cost culture. But it was not as prevalent as it was when I came into the company almost 20 years ago. So I think culture is part of it. That feels like it's back. We're attacking expenses in a different way, more on a product mindset, a more agile fashion thinking about how we structure in a way that makes sense for the long term.

We're also doing things differently. For instance, we have a group now of goods not for resale. It's one group. It sits in my organization. And globally, we'll buy $40-plus billion of goods that are not resold in our stores. So bags, services, supplies. It's an enormous amount of money. And you would think we'd be great at managing something like that. But -- and we were. In about 50 different parts of the company, we were really great. But in centralizing it, we were not great.

And so we made a commitment a couple years ago, brought in -- or 1.5 years ago, brought in a Chief Procurement Officer that sits underneath me. And we've brought the groups together and we're just making progress in a really different way than we had before.

And I feel again people coming and talking about, "Hi. I was able to save $20 million on this" and celebrating that and think about what we can do for customers with that $20 million. And that's what I remember feeling when I came into the company. So it feels really good. And it feels sustainable.

Q - Benjamin Shelton Bienvenu

Yes. And on the gross margin front, you guys have really committed to investing in price, spreading those differentials between you and your competitors. You've invested in eCommerce growth. And that business is growing nicely. Is there a point at which we should think about gross margins kind of reaching a natural equilibrium? Or is that a line item that's maybe just perpetually under pressure? How should we think about that?

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes. The way I think about gross margin is it can be under pressure. I think, to some degree, customers and the market will determine a bit where your gross margin goes. We've been -- we have invested aggressively in price, we're very mindful, though, of price gaps and how we're doing versus competitors. We're strategic about it. We're thoughtful about it. So it's not a never-ending cycle just to do it. I mean we have a purpose in what we're doing here and I think it's been a big part of why we're winning.

Expenses, those will always go with the gross margin conversation, which is the reason we want to get more aggressive with expenses is that I control that, to some degree, more than I do gross margin in some respects. If I can get that expense leverage where I want it. And 21% is where we're at, that's not the number -- we don't want to be 21%, get it where we want it, our ability to use gross margin and to manage gross margin in a way that's different than our competitors, massive advantage.

And so our belief is that we get leverage where we want it, then it gives you the option of, do I need to put more in price? I can, if I need to. Do I need to mix the business out differently? I can, if I want to. Do we want to let more flow to the bottom line? We can, if we want to. But it just -- the expense leverage is what gives you optionality.

Q - Benjamin Shelton Bienvenu

Yes. On the capital spending front, you all made kind of a flurry of acquisitions in 2016, 2017. Where does M&A fit into your capital spend? Obviously, Flipkart, big acquisition that you guys happened to make. How should we think about M&A going forward?

A - M. Brett Biggs {BIO 17414705 <GO>}

When we think about capital at a -- from a broader perspective, first thing we do is invest in the business. And so last couple of years, three years, we've spent kind of in the $10 billion, $11 billion range on capital. And we're going to invest there as much as it makes sense to invest. It's a great blessing having $27 billion, $28 billion of operating cash flow every year. It gives you choices. And $11 billion in capital is what we felt like has been kind of in the range of where we can spend it in a way that makes sense. Very committed to our dividend. And that's been around $6 billion over time.

If there are places where we can accelerate, accelerate something, that's where we're going to think about M&A. Can you acquire talent that you need? Can you acquire expertise that you need?

I came into the company leading M&A. That was my role when I came in. And at that time, we were looking kind of around the world for physical retail assets. That's not really what M&A looks like as much today. It's very different. You're looking for capabilities. You're looking for accelerators. You're looking for things that you'd like to go do. But it will take you a lot longer to do them, or be more expensive to go do them than just go acquire it. So I would expect that M&A will continue to be a big part of what we do from a growth standpoint going forward.

Q - Benjamin Shelton Bienvenu

Yes.

A - M. Brett Biggs {BIO 17414705 <GO>}

Maybe not as big as FlipKart. But still important.

Q - Benjamin Shelton Bienvenu

Walmart health centers, kind of...

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes, really cool.

Q - Benjamin Shelton Bienvenu

That's cool.

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes.

Q - Benjamin Shelton Bienvenu

How much of that is test and learn versus a really committed push into the market? And what prompted that?

A - M. Brett Biggs {BIO 17414705 <GO>}

We have a big health care business. We've always had a pharmacy business. And go back even. And I'm going to self-date, 10 or 11 years ago, when we went to $4 generics, we completely changed the health care industry with that one move because we're so big and have so much scale.

And health care, as we talked to our customers, health care is a place where we have permission from customers to be in that business. And given the scale of who we are, we can make a big difference in something that really needs changed in the U.S. Health care needs a lot of change in the U.S.. And we can make an impact on that.

The health care clinic in Dallas, Georgia, just northwest of Atlanta, is a way for us to kind of see a lot of things we've been talking about in one place. So we've trialed clinics before, we trialed diagnostic labs, we've done a bunch of different things. But this is -- has a community feel to it as well. It's like being part of the community, being able to give people affordable health care. People potentially don't have insurance, give them affordable health care. They can see a dentist. They can have preventative medical treatment instead of going when it's an emergency, which is much more expensive on the system.

Are we going to roll these out all of a sudden? No. We've got a second one in the works. This is one that it's more than test and learn because we know that this is a place we can have a massive difference on how people live. And we think about save money, live better. We can do both with what we can do in health care.

And so we plan to be a big player going forward in what happens in health care.

Q - Benjamin Shelton Bienvenu

Walmart U.S. gets the lion's share of the focus from the investment community, understandably. That's a big piece of the business. And it's been...

A - M. Brett Biggs {BIO 17414705 <GO>}

Most of your report was Walmart U.S.

Q - Benjamin Shelton Bienvenu

Yes. But Sam's Club has had great results over that same time frame. International has made improvements as well. What is the playbook like for those 2 segments versus the U.S., maybe comparing and contrasting?

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes. We kind of laugh. Sam's is the smallest $60 billion business in the world because it's a really big business that didn't quite get as much attention because it sits inside such a big company. But it's been a big part of who we are as a company, has Sam's name on it, which matters to a lot of us. I've spent time at Sam's. Doug's spent time at Sam's.

What I loved about this quarter is the membership growth that we're seeing. And remember, we closed a number of clubs a couple of years ago. And we have more members than we did even before we closed those clubs. So membership growth is growing. The way they've got the financial model structured, gross margin expenses, how they're using membership income is really how the club business should work. I mean it's really healthy business. Nice growth, excluding fuel and tobacco. And we've been pulling some out of the tobacco business. And so that's been intentional. But they've led the company in some ways in technology, some of the things they've done with agile teams, what they've done with Scan & Go, have led the company in some ways from that perspective. So I'm really excited about what's going on at Sam's.

International, there are some markets that are performing really well. Walmex is another one. Walmex gets not near enough credit for the business there. They're one of the finest retailers in the world. When you look at being multi-format, the growth that they have every year, it's an amazing business. Generates a ton of cash flow.

The U.K. has been challenged with Brexit and the consumers struggling there with what's going to be long term in the U.K. And so that's been a bit of a challenging market.

We're really excited about opportunities in China and India. There's only 2 countries in the world with 1.3 billion people. And that's 2 of them. So we're in both of those markets. We have great growth opportunities there. And so it's -- international has different pieces that together makes sense. So good opportunities for both businesses.

Q - Benjamin Shelton Bienvenu

Maybe shifting gears to eCommerce a little bit. Help us think about the balance that you guys try to strike between spending to support growth in eCommerce versus managing profitability? And kind of how do you decide about, ultimately, what the right level of growth is for that business?

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes. It's evolving. And I think just like the rest of our business, we're learning, we're seeing how customers react to different things. We probably tend to look at it more as one business than analysts and others that follow us that tend to look at eCommerce versus Walmart U.S.

And you're seeing us make changes that continue to bring those business closer together, what we've done with Greg Smith now leading all of the logistics functions. I brought our finance groups together. There's other things we're doing to bring those businesses closer together. It's a very different business model.

And so as a team, after we acquired Jet.com, which got that business larger, we've learned together as we've gone through this. And we understand the levers, I think, very clearly in how you operate that business. But it's not just that business on a stand-alone basis. It's how does that business feed the stores? How do the stores feed that business? This omnichannel business that we're putting together, that's the key. And so certainly, we know by channel, sales growth, profit and loss, we know all that by channel. But it's how do you mix it out in a way that makes sense? And how we make sense of it is what I spend a lot of my time on. It's what our executive team spends a lot of their time on. All the things that we want to do as a company, we can do anything. We can't do everything. And that's kind of how we talk about it. We've got to prioritize. And I think we do a better job in that than we used to do. There's things we've got to stop. I think we do a better job at that than we used to.

And it's got to work financially. And we, as a group, have to determine what that means. We have to -- we listen to analysts and how you guys think about our business and where you think we should be financially and our investors. So it's getting all that together, setting up this business that 20 and 30 years from now is not surviving. But it's thriving. And it's finding that balance and ensuring that we're setting up the teams 3 and 4 and 5 generations from now.

Q - Benjamin Shelton Bienvenu

You guys, frankly, have a culture of test and learn, pushing the boundaries, trying to learn more about your business and your customers. I think of Walmart InHome as an interesting initiative that you guys are in test mode for now. Obviously, undisputed success and a broader rollout and adoption is a pretty clear dividing line for initiatives that you all might test. But I'm sure, even as an initiative isn't more broadly rolled out, there are smaller successes that you guys can glean from tests that you've put out into the market. So how do you guys think about deciding what to go out with on new tests? And you're clearly not afraid to fail or fail quickly, I think, as you all like to say?

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes. Again, InHome was a really natural and a follow-on to Online Grocery. And it was funny when we -- when I think we first announced the first test on InHome. And I do follow Twitter. And it's funny they go out on things like Twitter and watch the reaction because people are like -- and it wasn't just us, it was that concept of, I'll let someone into my house to put groceries in my refrigerator and you say, no, not going to do it, no, ain't happening. It does happen. People like it. You let people into your house all the time. You just don't think about it. I mean who would have thought 15 years ago, you'd be carrying around phones that they do what they do today.

So it was a natural evolution of where customers are going to go. They're not -- there are some customers that are not going to want to spend the time going to the store. They're just not. And so if you can serve that need, not only get it to their home, put it in the refrigerator where they don't even have to worry about it, then the next evolution can be, what if they don't ever have to think about even ordering? That's where this kind of thing is going. And we've got to be on the front end of those kind of things. We're the largest grocer in the world. We're going to continue to be the largest grocer in the world. But we're going to have to continue to push where the customer wants to go.

And we're, by far, the most advantaged in doing that. But this exact thing we're trying won't work exactly how we're trying it. We know that. But we are learning a ton. And we have a lot of people in the organization that are learning and saying, "Hi. well, this didn't work. But, hey, let's go try that." And again, having the balance sheet that we have allows us to go do that within reason.

Q - Benjamin Shelton Bienvenu

Yes. On your fulfillment center base for your eCommerce business, in particular, you all made some pretty significant investments a few years ago. Where does that asset base sit today? Do you have further investments that you need to make? Or do you have...

A - M. Brett Biggs {BIO 17414705 <GO>}

On which part? Sorry.

Q - Benjamin Shelton Bienvenu

On the eCommerce fulfillment network.

A - M. Brett Biggs {BIO 17414705 <GO>}

Oh yes. I think that's another one that will continue to evolve. Bringing together the supply chain between the stores and eCommerce, I think, is a really good evolution of what we want to do.

They're different supply chains at times. eCommerce is a little more of an AEGIS network. The stores are more of a pallet-driven network. But when you -- you can see it all on one page, though, it's still customer orders. And I need to get it to them. And there's just different ways you can do that. And putting those thoughts together helps. And to make sure that you're using your capacity efficiently.

If we were just to go build out stores network, eCommerce network. And they're always separately, there will be inefficiencies that we don't want to afford as a company. But we'll continue to add to that network.

I mean the business is going to keep growing. If you look at even 3% to 4% growth for this company, you're talking about $17 billion to $20 billion of growth every year. So that's going to take a few more fulfillment centers and distribution centers at some point. But there's great technology that's coming that we're leading. We will always be a leader in technology for supply chain. That's going to -- we'll still continue to evolve how you can use space, how you move product and how you can do it in a more efficient way. And there's still some really cool stuff coming.

Q - Benjamin Shelton Bienvenu

With that growth in the eCommerce business, you all become quickly a very relevant eCommerce player in the market. Help us think, though, about what is the talent recruitment process like for that business? And what does Walmart do to try and stand out and be an attractive employer for tech employees?

A - M. Brett Biggs {BIO 17414705 <GO>}

We've always -- we've had the eCommerce business and we were able to get good talent. I mean you look back even before the Jet acquisition, some really talented people in our eCommerce business in leading that business.

The acquisition of Jet, for a lot of reasons, was a transition. It was a tipping point. And talent was one of those to where all of a sudden, whether it was people that wanted to work in that -- in the tech industry, eCommerce industry or potential tech partners, companies, venture funds, they just looked at us differently. It felt like almost overnight with the Jet acquisition that, okay, these guys are really serious about being in tech and being in eCommerce. And so that helped.

It helps attract a different -- a person that now knows you are serious about it, you're going to commit significant funds to this business. We have eCommerce -- excuse me, tech locations all over the world now in New York and Austin and Dallas and Sunnyvale and Bangalore. And so there's a lot of different places, Bentonville, of course. A lot of different places that people can work in and where we can attract people into different areas. So it's not just one location. But I would say today, people take us very seriously as a technology company. And we're able to recruit in that way.

Q - Benjamin Shelton Bienvenu

This is a little bit of an abstract question. But if you look at the modern retailer today and particularly one like yourselves, where you're such a prominent grocery retailer, how do you think about what the market tells you is the right balance of brick-and-mortar physical assets versus eCommerce assets and kind of omnichannel more broadly?

A - M. Brett Biggs {BIO 17414705 <GO>}

We're listening all the time as to what that mix should be. I mean we've dramatically slowed down store growth. If you go back to, say, five years ago. And we were spending $14 billion, $15 billion a year maybe 5 or six years ago, more than half of that was new stores. This year, we'll be in that $11 billion range, less than 20% is new store. So really different -- I mean most of those are outside the U.S.

So we've somewhat made the decision that we can sweat our physical assets more than we have been. And certainly now with Online Grocery, we can sweat those assets in a really different way and that some customers are going to want it delivered to their homes. Some are going to want it delivered in home. Some are going to want to pick up in store or pick it up outside the store. We've got all of those opportunities. And really, it's a matter of ensuring that you can have the capacity to do all of those. You've got to offer it first and offer it in a way that makes sense for the customer financially and for us. But then how can you always make sure you have the right capacity to be able to flex that the way that customers want it.

It's one of the reasons why when it comes to delivery, we have a number of different ways that we deliver. We have delivery partners. We have our associates who delivered. We have our own company called Spark. It's a crowd-sourced delivery company. And I think that's probably where we'll be for a while, which is let's make sure we have the right capacity and flexibility to do what customers want.

Q - Benjamin Shelton Bienvenu

Along those lines, on the asset footprint, you guys have scaled back new store growth. At what point in time do you think you start to think about growing the brick-and-mortar footprint again, if at all?

A - M. Brett Biggs {BIO 17414705 <GO>}

I think it's hard to say. It's hard to look out entirely 5 and 10 years and say where things will be. I think it's more likely we add additional space that's for customer pickup, for storage, for logistics, for transportation than we would adding new stores. But the world is changing really quickly. I don't think you can, could or should rule out anything. Is there a format someday that we're going to look at and say, "Okay. Yes. That's a really interesting format and maybe we should do that." I think it's possible. I think it's not as likely is the other types of spaces that I've mentioned.

Q - Benjamin Shelton Bienvenu

Share repurchase is an important part of your capital allocation commitment to your shareholders. And you've made significant commitments to buy back stock. How do you think about balancing that with other investments that you want to make in the business? How valuation-sensitive are you? Obviously, valuation today on Walmart stock is a little different than it was 4, five years ago. So how do you think about furthering those commitments? And would it make sense to maybe divert capital spend elsewhere?

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes. I'll go back to the way I answered a little bit on the capital allocation question. So if you just do the math. And over the last few years, we've averaged, let's say, $28 billion of operating cash flow. And you got $6 billion dividends, $11 billion of CapEx, you're kind of sitting there with $10 billion or $11 billion. That's after all of that. So you then are going to look at what's the best way to allocate that capital.

Again, if we have really good return projects that we can invest in the business, we are going to go do that first or make an acquisition, look into that, we will do that first. The investments we've made in our shares over the past several years have been good. They've been really good in -- I like owning more of our company than we did five years ago. We certainly look at valuation as we make these decisions on share repurchase. Feel good about the value of the company. And it's all those things that go into that decision.

Q - Benjamin Shelton Bienvenu

When you all make the decision to put capital to work on an investment that maybe is ROIC dilutive, can you help us understand the mindset of management team and the Board. If it's not an immediately attractive ROIC profile, what are you all looking to get out of that investment that maybe doesn't make sense on with pen and paper year 1 ROIC.

A - M. Brett Biggs {BIO 17414705 <GO>}

I was going to say, ROIC negative...

Q - Benjamin Shelton Bienvenu

Yes.

A - M. Brett Biggs {BIO 17414705 <GO>}

Assuming not for very long. Okay. Yes, ROIC dilutive, okay. The types of capital that we're spending today is different. It's different than opening up supercenters. When you invest in technology, eCommerce, supply chain remodels, it's a different profile. And I think you have to be really mindful of how you're investing capital. And we talk to our Board a lot about that.

There are things that -- supercenters had a really -- a fairly predictable return profile. The things we're doing today, some of them return more quickly, some return a little less quickly. And you've got to find that balance of matching up things that maybe you're going to take a little longer to return, you need some things that return more quickly. And that's where we spend a lot of our time is we can't do everything that's returning a long time from now. We've got to have things that balance that out because I think investors, deservedly so, have a return profile in mind for our company. And we need to make sure that we can make that work over a long period of time.

Now there's times we did this four years ago where we came to investors and said, "Look, we've got to invest in some things that are going to have a longer return profile." And as an investor, what you should always expect is that we'll be real-time with you in how we're thinking about that. But it's -- we do as best we can and try to balance out those 2 things.

Q - Benjamin Shelton Bienvenu

We're coming up on the holiday season, all-important Black Friday.

A - M. Brett Biggs {BIO 17414705 <GO>}

A little bit. It feels like it in a lot of the country now.

Q - Benjamin Shelton Bienvenu

Yes. That's right. I want to get a sense of, last year, there were some unique opportunities, the toy category in particular, where you guys made some pretty significant investments in inventory. You want to be ready to capture that opportunity. Is there anything we should be thinking about this year that's unique? And how do you think about how your inventory is positioned as you head into the holiday season?

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes. So but what's great about inventory, particularly in the U.S., we were up around 2% and on a 3.5% sales growth. I felt really good about where we're at from an inventory perspective. Food continues to lead the way for us. And it's going to continue to be a big driver for us for a long time. And it's a leader during the holidays as well. People tend to eat a lot during Thanksgiving and Christmas. I'm sure nobody in here does. You're all very disciplined. And -- but it's -- that's a good business for us.

General merchandise, having the situation set up where people can shop the other side of the box is really important to the business. So there's always toys this year, Star Wars, Frozen. You have a child.

Q - Benjamin Shelton Bienvenu

I do.

A - M. Brett Biggs {BIO 17414705 <GO>}

So there's going to...

Q - Benjamin Shelton Bienvenu

(inaudible) Frozen.

A - M. Brett Biggs {BIO 17414705 <GO>}

There you go. Okay. So you got Frozen in your -- definitely in your -- in the wheelhouse for this year. So there's always things like that. But it's -- again, it really gets back to retail basics even during the holidays, have interesting items, have great price points, have it in stock, have it easy for customers to get. We're able to do next-day delivery now, which is you can shop later and later and later for Christmas.

We have a compressed holiday season this year. So I think that's going to be even more important. Pick up in store. All of that's going to be more important than it's been in the past. We're excited about the holidays. It's -- I think it will be a great season to shop at Walmart.

Q - Benjamin Shelton Bienvenu

Keeping on inventory and working capital more broadly, I think, understandably, the comp acceleration has been a big focal point for the success that you guys have had. But the working capital management has been unbelievable. And I think every time I've seen you over the last two years, I asked you a question about inventory and working capital. But you're just generating a lot more free cash with your working capital management. Where are we today on the opportunity for inventory? Maybe similarly, receivables, payables? What does that look like?

A - M. Brett Biggs {BIO 17414705 <GO>}

All -- each one of the segments has done an amazing job. And really, Greg Foran and his team led that. And the great thing about the inventory side of that was your instinct is that if I want to sell more, I just need to have more inventory. And actually, it's the exact opposite because if you have more inventory, you need to have the right inventory in the right place. But more inventory leads to outs. It leads to shrink. It leads to associates who can't find it. They're frustrated. All kinds of costs associated with having too much inventory. So Greg's ability to pull inventory down actually helped with the operating efficiencies. It's a double win.

There's still room to go. I mean if Greg -- I'm sure if John was sitting here, he would say the same thing. There's still places where maybe we're overskewed in something or we still have too much inventory in the back room. We're working on that from a supply chain standpoint. So there's still room to go.

On the payable side, candidly, given the growth that we were having and the size of our business, we just weren't in the position we should have been from a payable standpoint. And so we were pretty focused on that for 2 or three years. Again, there's still room to go. But over three years, we pulled out about $11 billion in working capital. You can't do that every year. But we've -- there's still room to go on, I think, on some of these initiatives. We're very focused on it.

Q - Benjamin Shelton Bienvenu

Maybe in the last few minutes, we can see if there are questions in the audience, if anybody wants to ask something.

A - M. Brett Biggs {BIO 17414705 <GO>}

(Mr. Stephens).

Q - Unidentified Participant

Two things. Use of cash or you mentioned something today about how much warehouse square footage you guys have in the store?

A - M. Brett Biggs {BIO 17414705 <GO>}

On the store, yes. It's our store square footage.

Q - Unidentified Participant

No. Your distribution center, your DCs.

A - M. Brett Biggs {BIO 17414705 <GO>}

Right.

Q - Unidentified Participant

And I just think that's an unbelievable number. I think the group would probably like to do that. But also, you said something maybe a couple of weeks ago about how the view of the management team even grew up in Walmart, how open you all are in (inaudible)

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes. So we were talking about just the square footage that we have around the globe in total, which will be stores as well as well over 1 billion square feet of space. So there's a lot you can do with that. Over -- I think, a little over 600 million in the U.S. So it's -- I think that we believe that's an asset.

I think there are people questioning that years ago whether that was an asset. We believe that is a really important asset. It's interesting growing up. And I realize now, I've grown up in Walmart, been here almost 20 years, I still sometimes view like I just came to the company. But I'm fairly long tenured with Walmart. And John's been there 25. Doug's been there 29, I think. And the most interesting thing I found about Doug is, typically, you see a person like that, that's grown up in a company and they somewhat are going to run the play they've always grown up with inside that company. And he's so open to change. And not only open, expecting of change, other than the culture. The culture, the DNA -- the culture evolves. But the DNA of the culture and what we stand for with how we treat people and how we take care of customers and how we strive for excellence and integrity, none of that's ever going to change it. Well I mean, I feel comfortable it will never change at Walmart.

But outside of that, Doug. And the Board as well, creates an atmosphere that says, "Go change things. Go try things. Go test things." Because not changing is just where you don't end up in a good position.

And that environment has -- it's a really fun environment. There's so many things that I'll go talk to Doug or -- as an executive management team will talk about, that's a really cool initiative. And we'll sit there and say, "Let's go do it." I mean you've got to know what the financials are. And you've got to be thoughtful about it. But let's go do this. This makes sense. It makes sense for the customer. And it's just -- it's a great environment right now. It's a lot of fun. We're changing a lot of things. And it's working. We're winning. And that's when it really feels fun.

Q - Benjamin Shelton Bienvenu

Maybe one more question.

Q - Unidentified Participant

Just a question on eCommerce. Do you feel like that -- your network, being in the business (inaudible) in the local markets provides you with a speed advantage or a cost advantage when you think about eCommerce development and where is eCommerce market growth is going over the long term?

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes. And just in case people can't hear on the webcast, just about eCommerce and is being local an advantage. We certainly believe it is. I think how we use that local presence over time will evolve. And we'll be thoughtful about it. There are some places where it will be a huge advantage.

Delivery is one of those. Being able to pick in stores is -- I mean, we're really close to the customer. We're within 10 miles of 90% of the U.S. population. If you're in Nashville, you'll feel that. If you're in Little Rock, you're going to feel that. So we believe that's a huge advantage that we still haven't scaled in a way today that we can. And so like I said, I like that physical space that we have.

Q - Benjamin Shelton Bienvenu

Okay.

A - M. Brett Biggs {BIO 17414705 <GO>}

We'll go one more?

Q - Benjamin Shelton Bienvenu

Yes.

Q - Unidentified Participant

Other retailers talk about transport costs going into next year being an opportunity for them. Have you all spoken about that as an opportunity for you?

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes. The question is about transport cost. It was a real headwind last year. We called it out several times, several quarters last year being a headwind. More of a tailwind this year. We're a little bit insulated kind of from either side of that because of the amount of our goods that are moved by our own fleet. But driver shortages last year and third-party were somewhat a headwind. They're -- they have been a tailwind this year, including with fuel costs. So I would -- you never -- these things can change really quickly. But we're still seeing that as we head into the back part of the year.

Q - Benjamin Shelton Bienvenu

Brett, thanks for the time today.

A - M. Brett Biggs {BIO 17414705 <GO>}

Yes. My pleasure. Yes. Thank you. Thanks, everyone. Appreciate it.