

Wal Mart Stores Inc 22nd Annual Meeting for the Investment Community

Company Participants

- Charles Holley, Mart Stores, Inc.
- Doug McMillon, Mart Stores, Inc.
- Greg Foran, Mart Stores, Inc.
- Neil Ashe, Mart Stores, Inc.
- Pauline Mohler, Mart Stores, Inc.

Other Participants

- Bernie Sosnick, Analyst, Madison Global Partners
- Chris Horvers, Analyst, JPMorgan
- Dan Binder, Analyst, Jefferies & Co.
- Greg Melich, Analyst, Evercore ISI
- Joe Feldman, Analyst, Telsey Advisory Group
- Matt Fassler, Analyst, Goldman Sachs
- Matt Nemer, Analyst, Wells Fargo Securities
- Meredith Adler, Analyst, Barclays Capital
- Michael Lasser, Analyst, UBS Securities
- Oliver Chen, Analyst, Cowen and Company
- Paul Trussell, Analyst, Deutsche Bank
- Peter Benedict, Analyst, Robert W. Baird & Co.
- Robby Ohmes, Analyst, BofA Merrill Lynch
- Simeon Gutman, Analyst, Morgan Stanley
- Unidentified Participant, Analyst, Unknown

Presentation

Pauline Mohler {BIO 19462241 <GO>}

Welcome to Walmart's 22nd in will meeting for the investment community. It is great to see a lot of familiar faces that I have seen before when I worked in IR back in the 2004-2007 timeframe. And so it is great to see you again today. I lead the global Investor Relations team and I'm very excited for this meeting today.

You all are familiar with our forward-looking statement that we must show you for the meeting today. Also I wanted to share with you that all of our information is going to be available on our corporate website at stock.Walmart.com. And as always, at the

conclusion of the meeting the Investor Relations team will be in the offices this week to answer any of the calls that you have. With that now I would like to welcome to the stage our President and CEO, Doug McMillon.

Doug McMillon {BIO 3063017 <GO>}

Good morning, thanks for being here. Hopefully this is handy for a number of you and we will get your feedback after the meeting to let us know whether you like doing it here or Arkansas or you want us to bounce back and forth. But we are excited to be here and to do things a little bit differently this time.

Before we get started I want to recognize a couple of people. You heard last week that Charles Holley has made the decision at the end of our fiscal year to retire. And Charles has been with Walmart for more than 20 years, he has all kinds of jobs -- helped build the international business, has been the controller, he has just literally done it all. And since 2010 has been doing this job.

And he was willing to hang around a little bit to help with my transition. So he actually stayed longer than he originally intended and I really appreciate that. He has been a great partner.

Would you please join me in congratulating Charles on his retirement? He will be up in a few minutes. And if he makes any forward-looking statements that I don't agree with because he is not going to be here I will jump up and tell you what those were.

We are also excited to announce that we have got an able replacement to step up in Charles' place and Brett Biggs has been with the Company for just a little over 15 years. Like Charles, Brett has had a lot of different jobs. He has worked in M&A, he has worked in treasury, he has been in Walmart International as a CFO most recently, before that he was the CFO in Walmart US.

And even for a little bit of time we asked Brett to go learn how to be an operator and he took on a responsibility in Sam's Club to run a big group of our stores and did a great job doing that, further developing his leadership skills. Would you stand up, Brett. And let us recognize you and congratulate you on your promotion.

We have been listening to you and have tried to set today up to answer a lot of your questions. What we are hearing from you is we want further detail, more refined detail around your strategy, what is the plan to win, is it credible and can you do it all? We have also heard you clearly say we need to know more about the numbers, tell us about the financials and help us see out a ways.

So today we are going to do things a little bit differently. I am going to kick off the discussion by talking to you about our overall strategy as a Company. Then Charles is going to come up and talk about our financials and talk about more than just next year.

Given that the transformation that we are leading in the Company is going to take more than one year, we think it is appropriate at this point in time to give you a further look out. So he will be talking about forecasts related to growth, profitability and capital for the next three years. And he will comment on our share repurchase program for the next two years when he comes up and takes the stage.

Following Charles we will have a focus on Walmart US and e-commerce. So Neil Ashe and Greg Foran will come up and talk about those businesses. We decided to focus just on those two big segments because that is where most of the investment pressure that we are putting on the Company's earnings are appropriately tagged.

So big investments in Walmart US, big investments in e-commerce, we wanted to go deeper there, answer all of your questions about those businesses. Clearly Sam's Club and Walmart International are really important to us and they will be reflected in the total Company financials that we cover with you today. But our thought is we will come back at another time and have a focus on Sam's, have a focus on International and let you ask us questions about them at that time.

After the two of them speak I will come back up and say a few things and then eventually before too long we will come up and answer all your questions so that you can fill in any blanks that we have not addressed.

Let me kick off today's discussion by talking about the overall strategy as a Company. And I will remind you that I'm going to speak from a global view, not just the United States.

Here is the key point; Walmart is uniquely positioned to win the future of retail. We have a combination of strengths and assets to build on and we are preparing the Company for the future. Our investments in people, our stores and our digital and e-commerce capabilities are the right ones. Let me set some context.

We all know that retail has changed and will continue to change at an accelerating pace. We also know that what we did in the past wouldn't by itself be enough to win with customers. Competition is strengthening; pure e-commerce businesses move fast, innovate well and run on lower margins. Hard discounters run on lower levels of profitability and they are growing quickly.

We know there is a lot more change to come and we are motivated by it. Competition is good for the customer because it makes us all better. But it is also fun to take advantage of the opportunities that are presented.

Retail history is very clear: those that are unwilling or unable to change go away; those that get ahead of the curve will thrive. That is why we are taking decisive steps now to change and grow our business. We can deliver stronger financial performance in the short term simply by running our core business better. But that won't be enough. To win we must run the business well today and change the business for the future. We will lead and not just manage.

We have work to do. But we are coming from a position of strength. We have assets any retailer would want. Globally nearly 260 million customers shop with us each week in stores, clubs and online. We have a well-developed supply chain that we are strengthening for e-commerce. We have a reputation for value and are trusted around the world. We have a strong culture and more than 2 million dedicated hard-working associates. And we have strong cash flow.

And we are changing. When we stood before you a year ago our sense was that we hadn't been changing quickly enough or boldly enough. So we have been investing to get stronger and faster. Specifically we are investing in people and technology to evolve our customer experience to serve them today and tomorrow.

Now we made a significant commitment to our store associates this year and next. We took a leadership role to increase wages and to get the talent we need. It was the right thing to do.

We also changed our US store structure to create more ownership among our associates and we're making changes to our training and scheduling programs. In our US supercenters we had leaned too far towards expense leverage. Greg took on a big job about a year ago and we are making solid progress.

I have been out in the stores these past few months and I try to always ask our store associates and our store manager at the end of one of my visits, what is it that we can do for them? What do you need from us? And I have been hearing a really consistent message lately all over the country.

One of them recently came from a store visit to Ames, Iowa; we have a Supercenter there with a manager named John. And John didn't know I was coming and we got into the store, it took him kind of a couple minutes to get his bearings.

But as we turned and started walking down the action alley in front of ladies wear we saw a department manager walking out on the floor and he stopped me unsolicited and said: You know, what we are trying to do is working. Our additional department managers, what we have done with wages, with structure and the other changes is resulting in the ownership that you are trying to create.

And I was so encouraged by that because that is ultimately what we are trying to do with our store associates. For those of you that have been following us for a long time, you know that when our department managers take ownership and run a store within a store, that part of the store looks better and runs better, it drives more sales, has happier customers. That ownership is what we are after.

So the steps we are taking are making a difference. And when I hear store managers around the country say to me -- you have done it all, it is on us, we've got your back - I am really encouraged by that. And I am hearing that consistently. Our people really do make the difference.

And we have also been building an e-commerce business; we have been hiring top technology talent in Silicon Valley and around the world. Refreshing the customer experience and becoming a true Internet technology company. We are now one of the top three online retailers by traffic and our Walmart US app is among the top three apps in retail with tens of millions of customers downloading it and using it regularly.

These investments are critical to our future and they are core to our strategy. We are excited about the opportunity before us and our plan to win. We have a growth strategy that leverages our strengths. Here is what we will do. First, win with stores.

We know customers love shopping in stores and they will want great stores tomorrow. And why wouldn't they? The chance to interact with products, to see something new, to look at an item, touch a fabric, smell something, see a color -- it is important to them. The opportunity to buy something and take it home right away is satisfying.

Now stores will be different and those we operate today need to change. So we will keep refreshing them to make them relevant for the future. They will be more convenient, for example, whether it is a stock up trip or a top up trip. The in-store experience will be critical, which is why our investment in people this year is also a bridge to our future. These things are not unrelated.

Second, we will add capabilities to our supply chain. It has been one of our most important strengths and we are working to morph our supply chain of today to enable us to win in the future. Today most of our distribution centers were obviously built for the purpose of serving stores. We are changing that to have a stronger (each) capability for moving individual items.

We will connect our various types of DCs and stores and improve our inventory accuracy and efficiency. Optimizing the inventory in our system is a huge lever to serve customers better and to take a lot of cost out, not only through transportation and handling but also through markdown elimination.

A dynamic connected supply-chain with improved forecasting leveraging predictive analytics can serve customers and reduce cost by merging truckload, pallet, case and each movement. Accurate inventory placement is a really good way to make money.

Later this month will mark the 10th anniversary of Lee Scott's leadership in the 21st Century speech, which set us on a path towards becoming a more sustainable Company. Our holistic supply-chain is a huge part of that. Moving forward our supply chain will be an even more effective asset, if it is resilient and more sustainable.

We are actively engaged in reshaping the systems in which we work. We cannot only strengthen our business but use our scale and our capabilities to make a real

difference in the world. We look forward to updating everyone in more detail on our sustainability journey and vision in the coming months.

Now in addition to winning in stores and with our supply chain, we will build deeper digital relationships with our customers. As we grow stronger at technology and innovation we will become competitive against the best digital players. We have the team and the resources to do it.

But that is not where we win. We win on our unique combination of assets. Our opportunity to build digital relationships with customers in ways that are seamlessly integrated into their lives is an important one. We are building that relationship today through our improved site experience and apps.

Tomorrow we will build it through an enhanced experience including how they find items, how they pay and how they check out. When you add it all up here is our plan: we will be the first to deliver a seamless shopping experience at scale. No matter how you choose to shop at Walmart -- in stores, online, mobile, or a combination of them -- it will be fast and easy.

We are uniquely able to save customers time and money in any channel and blend them together. We will give customers what they want in a way that works with their lives. At some point they won't even think about how they ordered it or how they shopped. And the lines between shopping in a store or picking up an order at the store or having it delivered will just fade into the background.

Today we are seeing e-commerce companies test stores. It is because they see the same customer desire that we see. Here is a key question: Will it be easier for an e-commerce company to build out a massive store network and create a customer service culture at scale, or are we better able to add digital and supply-chain capabilities and leverage our existing stores? We like our chances.

As we do that we will grow what we call the sweet spot of our customer base. Our best customer shops with us not only in stores but also online. They spend more, shop more frequently and give us a higher share of their wallet.

If you look at these circles, you see our average store only customer in Walmart US spends nearly \$1,400 a year with us. The average online customer spend a little over \$200 a year. But the customer who shops us through multiple channels spends more than \$2,500.

These are the customers everyone is chasing and we already have a relationship with so many of them. This overlap will continue to grow. Eventually it will be our biggest revenue segment represented on this slide. It is a big opportunity.

As we build and deliver this seamless experience we are positioning for growth in areas customers want most. We see clear trends around the world that offer huge

opportunities. I want to take a minute and walk through where we are leaning in.

Let's start with price leadership. We are rightfully known for value. Our purpose of saving people money so they can live better is real and it matters. We made a choice though to first invest in technology and people and those investments are putting pressure on short-term earnings. The large investments this year and next in store experience, operational improvements and wages will ensure we get the sales lift we deserve for lowering prices further in the future.

To put it more simply, you clean up your house before you invite people over. It was smart to improve standards, in-stock and check out speed, before just leaning on price. Greg will also say more about the work we are doing with private brands to offer savings to customers. We represent value and private brands will be a key part of our future.

The second growth area is convenience. Wasted time is a cost to the customer and we can help them save here too. E-commerce is inherently convenient. By broadening our marketplace assortment, creating better websites and apps and using data and personalization we are offering customers better choices every day. And we see a huge opportunity through pickup, particularly in grocery. The combination of a digital relationship and stores is a winner.

The customer response to ordering groceries through online and mobile and then picking up in the parking lot has been tremendous. Here is one example. I want you to meet Carla. A few weeks ago I was on a store visit, I was in Huntsville, Alabama. As soon as we got to the store I saw a pickup area that we had recently added to the front of the store and I saw a customer up there picking up the order, it was early in the morning.

So I walked up to Carla and just after a few seconds of her talking I asked her if I could take out my phone and record the conversation. She said no problem. What you are about to see is spontaneous and unscripted from a few weeks ago. Meet Carla.

(Video playing).

So tell us your name?

Unidentified Participant

My name is (Unidentified Participant).

Doug McMillon {BIO 3063017 <GO>}

And Carla, is this your first time using the pick up here at Walmart?

Unidentified Participant

It is, very first time.

Doug McMillon {BIO 3063017 <GO>}

And how is it going?

Unidentified Participant

It is great, you all do it.

Doug McMillon {BIO 3063017 <GO>}

Saving you some time?

Unidentified Participant

Check it out, it is saving me a lot of time because I have a one-year-old and I just got all my groceries for the month and they brought it out to me and that is less hassle for me. Because it takes a lot to get him out -- out of here and then going into Walmart. And again, I forget something every time. So I took my time and ordered and I have everything I need. So I didn't forget a thing.

Doug McMillon {BIO 3063017 <GO>}

Do you normally shop here?

Unidentified Participant

Yes. Always.

Doug McMillon {BIO 3063017 <GO>}

Well thank you for your business. Any advice for us?

Unidentified Participant

Any advice for you all?

Doug McMillon {BIO 3063017 <GO>}

Yes, how to get better?

Unidentified Participant

Keep it.

Doug McMillon {BIO 3063017 <GO>}

Thank you very much, nice to meet you.

Unidentified Participant

Thank you.

Doug McMillon {BIO 3063017 <GO>}

Sometimes I dream about 260 million customers being that happy all the time and what kind of a comp increase would we really be running. That was just a lot of fun and it truly is representative of the behavior and the attitude we are seeing from customers as we expand on this test that we have been doing and start to scale it.

Online grocery has the potential to bring in meaningful amounts of new customers. In the last six months in Denver one in four of these customers is new to Walmart -- one in four new to Walmart using grocery pickup.

Another cool dimension of this is that we can combine online grocery shopping with the full breadth of our assortment. One customer I recently met was over the moon about the opportunity to pick up her back-to-school list with her groceries all in one stop-- order on the app, pick it up altogether, she's absolutely pumped.

It is a key differentiator for us that customers can eventually pick up a snow shovel in the winter with their milk and eggs without getting out of the car. Neil will share more about our plans to continue rolling out this service and we are all really excited about it.

Neighborhood Markets also offer convenience. They offer the easy access of a local grocery store with the endless aisle of Walmart. We've continued to refine the format and Greg will talk about the new Neighborhood Market that we opened just last month in (Rogers). It happens to be across the street from the very first Walmart store that Sam Walton ever opened, which is cool to walk out that store, look across the street and see that location.

I posted a photo from that store's fresh food department on Instagram because that is the area we are most focused on improving, fresh food.

Positioning for growth also means being great merchants. We are aggressively pursuing the opportunity around fresh foods and health and wellness. The projections are for \$2 trillion in global growth over the next five years in these categories. At Sam's Club we doubled our organic offerings last year. At Walmart US we are growing at double the rate of the industry in organic produce. But we still see more upside in our presentation and our assortment and we are on it.

We will also continue to win in general merchandise and apparel. And our recent sales performance in those businesses has been lifting the box, raising the average. Our core merchandising strength gives us an advantage and we have got to keep that going.

Our fourth driver of growth is to be strong in priority markets. We will win in the geographies where customer spending is growing the most. We have a sharp focus on North America and particularly in the United States. Our US performance drives the Company today and it is a strong source of growth for the future.

The Supercenter is the greatest format in retail history and it will continue to be a huge driver of our growth in profits. Yet we have the opportunity to re-imagine the Supercenter to refresh it, to ensure that the format remains strong long into the future.

The other market we are prioritizing is China, which will be home to 25% of total retail growth over the next five years. As the middle class continues to grow we see an incredible opportunity and we have been putting the pieces in place.

We have now built a supply chain that supports the parts of the country where we are focusing. We have improved how we run our more than 400 stores and clubs. And this summer we acquired the remaining shares of our e-commerce business, Yihaodian. We have a unique opportunity and a plan to put it all together to win in China.

The final growth area I want to highlight is appealing to a blend of income levels. Globally we know growth will disproportionately come from middle and upper income households in the years ahead. In markets where we have a presence middle income households are projected to drive 50% of total retail growth. Today we appeal to value oriented customers in all brackets.

This slide shows a distribution of household income in America and shows how our shopper matches against it. Please take a close look at it because frequently perception does not match reality.

By taking the steps I just outlined we are going to increase our share across this whole curve. Areas like fresh food, grocery pick up and Neighborhood Markets appeal to a broad range of customers and we want them all to shop with us.

By now you may be thinking can we do it all. Can we transform the Company in this way in every market and business fast enough? Do we have the talent and the capital we need to deliver this seamless shopping experience everywhere we operate?

No doubt our business has become both large and broad. It is more important now than ever that we evaluate our portfolio. We have exited businesses before. We were the largest full-service restaurant operator in Mexico but we sold that business last

year. We used to be in banking in Mexico; we aren't anymore. We operate a property Company in Chile that is now on the market.

We have closed stores across several markets and we will continue reviewing our fleet in a disciplined way and we'll close the stores that should be closed. We won't let the breadth of our business distract us from our most important priorities. But we don't believe in shedding assets in a hurry for less than they are worth. Value and timing matter. We are more than open to reshaping our portfolio but we will be smart about it.

Now today you are going to hear a lot of information through all of our presentations and as you listen I would ask you to focus on these key takeaways. We know where and how we are going to win. We will be the first to deliver a seamless shopping experience at scale. And we come at this work with unique strengths. Second, we can grow sales at a rate that is faster than the market. Third, we will be disciplined with our capital. And finally, we will come out of this investment period with strong returns for shareholders.

Charles will say more in a moment. But I want to address this as well. Our investments in people and technology will continue to pressure our profitability in the near-term, especially next year. We will then be positioned to be competitive with an attractive level of profitability. We understand that the dip requires patience from our investors and we want to be very clear -- these are the right investments for our future.

We see an exciting opportunity to drive sales today, invent tomorrow. And ensure sustainable growth. Over the next three years our dollars of sales growth will be like adding last year's combined annual revenues of Netflix, eBay, Whole Foods and Starbucks to our top line. Netflix, eBay, Whole Foods and Starbucks last year annual revenues, we'll add that in the next three.

This is a growth company, it just happens to be a really large growth company. I will come back up in a little while for Q&A and wrap things up. But now I want to hand things over to Charles Holley. Please welcome Charles.

Charles Holley {BIO 18024865 <GO>}

Thanks, Doug. Good morning and thank you for being with us today and your interest in Walmart. This will be the last time that I address our annual investor meeting. So it is kind of bittersweet. But I really feel fortunate to work for such a great Company with a lot of great people. And I have also really enjoyed working with all of you over the last 10 years.

I am excited for my successor, Brett Biggs. If you have been around me any length of time you know that you have heard me talk about how important our talent development and succession planning is at Walmart. Brett is a great example of that; he is extremely talented and he is definitely ready to take the CFO role. Many of you know Brett already. But if you don't make sure that you meet him today.

Now before I dive into the details of the future guidance, I would like to give you an update -- a financial update on what the guidance scorecard from fiscal year 2016 would have looked like that we set out for you last October. We have -- we've experienced increasing sales momentum in our Walmart US business and we continue to see improvement in our customer traffic. However, the impact of currency on our total global growth has been much stronger than we anticipated a year ago.

We now believe that our total net sales growth will be relatively flat for fiscal year 2016. It is important to note that if we exclude the impact of currency our total net sales growth would be around 3%. And that would include Walmart US growth of around 3.5%.

Now as we told you last year, we plan to invest in new technologies, specifically including e-commerce and digital capabilities. We have also announced earlier this year a significant investment in wage rates and store hours. Now these investments have resulted in an increase in operating expense and a decrease in operating income. And operating income has been negatively impacted by declining gross margins in Walmart US as we discussed in our Second Quarter earnings release.

Now the first half of fiscal year 2016 we generated though around \$5.1 billion of free cash flow, we know we still have more room for improvement. But that is a pretty strong cash flow. So now that we have updated fiscal 2016 guidance, the scorecard, let's move on to the longer-term plans.

Now as Doug mentioned, our strategic priorities that you are going to hear about today are about winning in our stores in the US and we will do this by continuing to focus on strengthening the Supercenter format, optimizing our Neighborhood Markets. We will focus on adding capabilities to our supply chain by building out the fulfillment network to create a seamless customer experience, as Doug just mentioned.

Now and finally we are going to build a digital relationship with our customers through improved site experiences and apps but also enhanced store experiences. Before we wrap up today I will also provide an update for our share repurchase plans.

Now in the past we have given you one year financial guidance as it relates to our strategies that we have laid out. Today we will give you more insight into what we see our performance will be over the next three years. And it is going to include sales growth, earnings per share, cash generation and we'll also look at how we are going to use our cash, namely CapEx and shareholder returns.

Our focus today though is Walmart US and our e-commerce business. Now there are some areas that we won't discuss today in detail, the first being our portfolio. You heard Doug talk about it, we are open to reshaping our portfolio and we will be reviewing all of our operations including businesses and stores. But we will be smart

about it and ensure we drive shareholder value in all of our decisions. We will provide updates on this topic as and when there is more information.

The second item relates to international including specifics on the opportunity in China. The third is Sam's Club. And we will have Dave Cheesewright and Roz Brewer come back and meet with you at a later time to share more details about their plans. So let's start with sales growth.

Doug mentioned a number of points that I will cover in more detail. We are in an investment phase right now and we need to invest in order to change our trajectory. We are focused on winning with our customers and growth. And our geography does matter.

Now you may remember that I talked about our focus on the US this time last year as the shifting dynamics played and will continue to play a large part in determining how our plans are built for the future. If we step back and look at the sales growth in 2012, you can see how International and Sam's Club combined -- combined were contributing over 75% of our total Company sales growth. But in the subsequent years Walmart US has become an increasingly large part of that growth story.

And as an example, within fiscal year 2016 Walmart US has turned traffic and comp sales from negative to a positive. Our long-term plan projects the continuation of that positive momentum, reflecting around 100 basis points of further improvement at our annual sales growth and performance on a constant currency basis.

Now as a result our annual sales growth for the next three years will add approximately \$45 billion to \$60 billion of new sales -- \$45 billion to \$60 billion. Now that is an annual growth rate of 3% to 4%. Kind of on the same line to what Doug just said, that incremental \$45 billion to \$60 billion, that is the equivalent of a Fortune 50 Company.

Now, as a reminder, all of our e-commerce sales are embedded within the business segments. But if we show the growth projections for e-commerce side-by-side with the segments, you will see that we expect this business to be an increasingly significant growth engine over time, pretty consistent with what we have told you in the past.

It is important to note that the operating losses will reduce over the next three years. You will hear more specific details from Neil and Greg today on how we will drive this growth through our investments in this seamless customer experience.

Now in August we provided an earnings per share guidance for fiscal 2016 of \$4.40 to \$4.70. Now this range included updated assumptions for the impact from our wage investment of \$0.24, incremental investments in Global eCommerce between \$0.06 and \$0.09 and the impact of our headwinds from shrink and pharmacy of around \$0.11.

Now our range is wide, wider than probably usual because of discrete items, including the uncertainty as to whether Congress will pass the legislation on certain tax extenders. Whether this legislation is enacted will have a significant impact on that effective tax rate. And as you know, we provided guidance earlier this year that the tax rate would range between 32% and 34%. If the legislation is passed we will end up closer to a tax rate of 32%. However, if not passed we could end up around 34%.

Now before I move off this slide I want to take a moment to talk about how our sales mix is also impacting our profit. Within Walmart US our business mix has shifted between formats driven by customers' desire for convenience. And also by category, as our mix continues to skew towards grocery and e-commerce. And this is important because of the effect on operating margin percentage.

If you look at our underlying trend you will see a reduction in the operating margin rate driven by our focus on meeting our customers' changing needs and the related format and category shifts. Before we look at the three-year horizon for earnings per share, let me remind you that fiscal year 2017 will be the second year of heavy investment for us both in store wages and in e-commerce.

This past February we announced an increased investment in our associates through wages, training and store structure. With this announcement our hourly start rate moved to \$9 per hour this year, it will move to \$10 per hour next year. This program will result in increased cost of about \$1.2 billion this year and an incremental \$1.5 billion next year.

Now this is \$2.7 billion of investment over a two-year period. In fact, in fiscal year 2017 this wage investment represents approximately 75% of our earnings per share reduction. Now additionally we will be making other operating investments within the stores such as pricing and online grocery. You are going to hear more about that from Neil and Greg.

With that information in mind, fiscal year 2017 earnings per share will decrease by between 6% and 12% driven by these heavy investments I just highlighted. But let's look a little farther out.

By fiscal year 2019 we believe our earnings per share will increase by around 5% to 10% against that previous year. Now earnings per share impact -- will be impacted by a combination of operating income and share repurchase and I'm going to address share repurchase in just a minute.

I have already covered reductions in operating margins driven by our wages and e-commerce investments. But I want to call out the other large investment, pricing. Over the next three years we will invest several billion dollars into price. Our plan reflects some investment of price in fiscal year 2017, with the majority of the investment reflected in fiscal years 2018 and 2019 after we implement the wage investment.

I want to clarify here, our plan reflects us resetting our financial base. These investments, along with the improvement of our e-commerce operating losses, will provide a sustainable foundation upon which we can provide profitable growth. We expect operating income percentage to bottom out during fiscal year 2017 and we anticipate margins climbing back to sustainable rates by fiscal year 2019. And they should remain relatively flat after that.

Now the results I just covered will continue to generate significant cash flow. Over the last three years we have generated approximately \$75 billion in cash. Over the next three years we plan to generate around \$80 billion in cash. Now while we assume some progress in working capital in our plan, we are going to continue to look for opportunities which we think we have for further improvements. So let's talk now about how we plan to use that cash over the next three years.

You may have heard me say before how we prioritize our cash, there is three ways: the first, growth; the second, dividends; the third, share repurchase. These priorities are supported by a very strong balance sheet and cash flow. Now we are focused on capital allocation and ensuring it is aligned to our strategic priorities.

For our capital to generate good returns we know we must use it wisely and we have to prioritize how we spend it. So let's start with the investment in CapEx. Now our plans for the next three years reflect a reduction in capital expenditures. For fiscal year 2017 we plan to spend approximately \$11 billion and we expect to keep capital expenditures relatively flat through fiscal year 2019.

For Walmart US our capital expenditures will be down approximately \$800 million driven by the moderation of Supercenter and Neighborhood Markets growth while we focus on assessing the format to ensure it meets our customers' needs for price, assortment, access and experience. And you are going to hear more from Greg about that in just a minute.

Now International will show a decline of approximately \$500 million as we evaluate our strategic priorities around the globe. Sam's Club will remain relatively flat as they continue to focus on strengthening their core business. And once again as a reminder, Global eCommerce is embedded within our segments.

Our total e-commerce and digital capital expenditures will be approximately \$1.1 billion in fiscal year 2017. That is related to our commitment to invest in technology and our fulfillment networks that we told you about a year ago.

Now it is important to know these numbers do not include acquisitions, they are based on the landscape as we see it today. The numbers could change prior to or during a fiscal year and as we react to strategic opportunities. We will come back and update you as we have more information.

There could be projects that could provide incredible customer offerings and drive shareholder value and we would make those investments. And additionally, if we

identify an acquisition that would be accretive to the Company, we would take advantage of that opportunity.

Now we believe that during this investment period it is critical to continue to deliver a return to our shareholders. So let's move on to shareholder returns, dividends and share repurchases.

As we have shown in the past, we remain committed to a good dividend to our shareholders. I can't tell you what the dividend is going to be going forward. But I want to remind everyone that we have had a dividend increase every year for the last 42 years. We are very proud of that record. I think it demonstrates our commitment to dividends and shareholder returns.

And talking about share repurchase, as a reminder, over the last three fiscal years we repurchased approximately \$15 billion of our shares. Now we have always remained committed to our strong balance sheet and said we would only use it for strategic purposes.

And last year and this current year we have not utilized that capacity as we have not felt it was the right time to drive a larger volume and share repurchase. However, we believe the current landscape provides us a unique strategic opportunity to utilize the capacity of this strong balance sheet and cash flow.

At the current time we have approximately \$8.6 billion remaining under our current \$15 billion authorization. As part of our commitment to drive shareholder return I'm pleased to announce that our Board of Directors has authorized a new \$20 billion share repurchase program and the retirement of the remaining balance under the 2013 authorization.

Now our intent would be, with all else remaining the same, to utilize this authorization over two years. And that assumes no large acquisitions and no significant changes in planned operating cash flows. We believe this new authorization demonstrates the Company's commitment to our plan.

So what does it mean when you put it all together? Well if we take a look at the key metrics we are forecasting for fiscal year 2017 along with fiscal years 2018 and 2019, we anticipate adding \$45 billion to \$60 billion in sales for that period. Earnings per share will decline in fiscal year 2017 driven by our investments in wages and price. But by fiscal year 2019 earnings per share will grow to a level above where we are today.

Let me say that again, I think it is very important. In fiscal year 2019 our earnings per share will grow to a level above where they are today. And by the way, our earnings per share for 2019 would be around where they are today excluding the \$20 billion share repurchase. Even with these investments we plan to have strong cash flow and we will continue to use our cash to reinvest in the business.

Now capital expenditures will be approximately \$11 billion next year and they will remain relatively flat for the next two years after that. We remain committed to delivering strong returns to our shareholders through our dividend and share repurchase programs.

That concludes my presentation. Let me remind you, we are going to have one overall Q&A session, that is going to be after all four presentations. Right now let's take a short break. We will hand out the press release, then we will come back and start up with Neil who is going to walk you through our detailed plans for our e-commerce. Thank you.

(Break in progress).

Pauline Mohler {BIO 19462241 <GO>}

I'd like to welcome to the stage our President and CEO of Global eCommerce, Neil Ashe.

Neil Ashe {BIO 5665242 <GO>}

Good morning. Today, I'm going to talk to you about the digital relationship that Doug said we are building with our customers. It is a digital relationship that is integrated into our customers' lives to provide them with convenience and with time. We've built out the capabilities to deliver a high-quality, pure e-commerce experience, including replatforming our technology and our physical distribution. We are dramatically expanding our assortment, as well as the tools we need to win on price and add scale.

Over the past three years, we've doubled the size of our business and we've expanded in the US and in places like China. We're now one of the three most visited online retailers in the US. We are excelling in pure e-commerce. But what Walmart can do that no one else can do is marry e-commerce with our existing assets to deliver a seamless shopping experience at scale. We're layering new digital capabilities over the store experience to make shopping faster and easier. Walmart has always given customers low prices. Now we're also giving them the gift of time.

So let me share two exciting examples -- how we're using e-commerce to revolutionize grocery shopping and how we're using mobile in the store. You know, Walmart transformed the grocery industry once before and now we're doing it again. We're excited about online grocery shopping. With online grocery, customers are able to order their groceries on a computer, a tablet, or a smartphone and then pick them up later that day without even leaving their cars. For a busy mom or dad, that's a game-changer.

Over the past two weeks, we announced that we are offering online grocery shopping with free pickup to customers in eight new markets ranging from big places like Atlanta to smaller ones like Ogden, Utah. That is in addition to the five where we are already operating. And tomorrow, we are bringing this service to

customers in 10 markets, including Dallas and Houston, Memphis. And in Tampa. Together, that will put us in 20 markets this year. And early next year, you are going to see another wave of 20 more and we will keep on going from there.

Online grocery shopping is bringing new customers to Walmart. And it is deepening our relationship with the customers we already have. Doug showed you one customer in Huntsville. I would like to show you another reaction we had from a customer that we met in Denver. Alicia came as we were visiting one of our stores there and she literally jumped out of her SUV and we pulled out the iPhone and this is what happened.

(Video playing).

Nothing excites us more than exciting our customers and we are seeing interesting stats everywhere. Doug mentioned how in Denver one in four new customers over the last six months were new to Walmart. Here's a stat that was surprising. Even in Northwest Arkansas, where you would think there couldn't be new customers, we are seeing that one out of six customers are new to Walmart with grocery home shopping. Online grocery makes shopping easier. But beyond that, it solves customers' problems. It gives a busy mom or dad time and helps people plan and budget more easily.

Grocery is a volume business and it's a delicate balance to get the unit economics right, especially with fulfillment. Online retail is hard. Grocery retail is really hard. So online grocery is of course really, really hard. We really, really, really like that. We are uniquely positioned in this space. We're 15 years of experience from the UK and experience now over the last couple in the US. We know how to execute this and we have got the physical footprint to make it work. We're using our experiences and our resources to execute in a way that makes sense for our US business. And when we hear comments like life-changing and amazing, we know that we're on the right track.

That is also true of mobile. Mobile is about using digital technology to transform the entire Walmart shopping experience. We're providing services that consistently remove friction to make shopping in our stores easier and more convenient and as a result, 24 million people are actively using our app each month. It ranks among the top three retail apps. One of the great benefits of using the mobile app to change the in-store shopping experience is that we can continuously change it without a single change in the store. We are regularly updating it with new services for customers, which lets us quickly serve them in new, important and imaginative ways.

The Walmart app solves problems. A customer wants to refill her prescription. But needs to get out of the store quickly, she can save herself time by simply taking a picture of the label. She can pull up the mobile registry and see what to get her friend next weekend for the baby shower. When it's time to check out, she can get an e-receipt right on her phone. And thanks to Savings Catcher, she knows that if a competitor has a lower advertised price on something she just bought, she'll get that

difference back rate on a gift card. Again, we're layering new digital capabilities over the store experience to transform the shopping for our customers.

What is especially powerful about services like the mobile app or like online grocery shopping is how they help us form a digital relationship with our customers. This is an important point because using a service in store leads to customers connecting with us in a deeper and more engaged way and coming into the sweet spot where they are shopping both in store and online. They download our app. They log into their Walmart.com account and if they don't have one, they create one and then we have the opportunity to solve so many problems for them. This provides a gateway for them to shop on Walmart.com, which has way more products than what we can put in any of our stores. There are over 7 million items today and we're on a ramp to over 10 million this year. Soon we expect that number to be in the tens of millions.

We will continue to refine our first-party assortment and we will also be significantly expanding our third-party marketplace. That's something our new global technology platform, Pangaea, will make much easier. Pangaea gives us the ability to radically scale our assortment and we have used data to make our merchants more productive as we scale. We created smart pricing algorithms that we have now applied to nearly all of our items this year. And when customers come to Walmart.com, they expect Walmart prices and we're delivering.

Pangaea helps merchants manage a lot more items than they could under traditional pricing management methods. We've invested in price and we are meeting or beating our online competitors four out of five times. Pangaea has also simplified shopping across devices. With it, we have moved Walmart.com to a responsive design, which adapts to whatever device you are shopping on. And customers are seamlessly exchanging experiences to get what they need. Imagine during this upcoming holiday season, for example, dad might put something in his cart while he is in the store on Black Friday and then he might place the order at work on Cyber Monday. Interestingly, our data shows that almost 15% of transactions on Walmart.com occur across multiple devices. And that number is growing and will continue to grow.

Just as we're scaling our assortment, we're doing fulfillment at scale. We are continuously adding capabilities to our supply chain. This summer, we opened new next-generation fulfillment centers in Pennsylvania and in Indianapolis and two weeks ago, we opened one in Atlanta. We will be opening a new center in Southern California in the early part of next year. That adds on to what we already have with one in Dallas and we'll add another there next year in addition to two more in Florida. These new centers are the size of 20 football fields. They could fit two Carnival cruise ships inside. We're using some of the most advanced automation available.

Our fulfillment network is unique. We created a little video to show you. Let's take a look.

(video playing)

We've made huge progress and the real power is how we have stitched everything together to get items to customers quickly, efficiently. And whatever way is most convenient for them. Customers can have items delivered to their doorsteps or choose in-store pickup and get them as soon as today. We are also testing the unlimited shipping pass service, which is getting great reviews from our customers.

We have a distribution and transportation network no online retailer has and technology that no grocer has. This brings up an important point about e-commerce and grocery. It is really more than just about online or just grocery. It is about the power to shop for millions of items online and then to pick them up at our stores or other locations along with their fresh groceries. We are able to leverage online grocery shopping with a full breadth of our online assortment to solve problems for our customers and help save them time. When we put it all together, we offer the precision of e-commerce at the scale of retail.

We are also providing convenience all across the portfolio. We've made significant strides at Sam's Club this year in building a better member experience. We're doing some big things with club pick-up and we are seeing strong results. Club pick-up was up nearly 40% in the first and Second Quarters this year. One advance is easy reorder, which is especially popular with small business owners like restaurant, cafe owners who need the same items regularly. We have also started testing mobile check-in, which automatically alerts our associates when the member arrives in the parking lot. When they get inside the club, the order is ready to go.

We are also focused on growing in China. In China, our combination of brands allows us to offer the Chinese customer access to high-quality items at Walmart prices. We recently completed our acquisition of Yihaodian and we're very excited about the opportunities it brings. Right out of the gate, we're launching a new home shopping app at our hypermarkets.

We are able to do all of these things for customers because we've built an Internet technology company inside the world's largest retailer. We have built the team, an incredibly talented group of merchants and marketers and technologists, data scientists, supply chain professionals and engineers. We have built the platform. Walmart.com fully transitioned to Pangaia this year. We built the physical distribution network in the US that we talked about just a minute ago, as well as in China, Brazil. And the UK.

And for technology, we are an active participant in the technology community, especially in using and contributing to open source. We have embraced open source in building our platform and we have built it on the cloud. Using open source helps us build best-in-class technology in a highly efficient way. But we're also inventing and building important new technologies that didn't previously exist and we're also opening them to the community. Today, I'm proud to share that we plan to open source another piece of technology that serves an important need. We call it

OneOps. OneOps is a powerful technology that allows us to use multiple clouds, move applications among those multiple clouds. It has made our developers significantly more productive and it helps them deploy product enhancements much faster.

Clouds have today what I call the Hotel California problem; you can check in. But you can never leave. So we are open sourcing OneOps because it will allow others to move freely from cloud to cloud. We don't think anyone should be trapped in just one cloud. OneOps should create competition and should lower the cost of cloud services for all of us.

So in closing, we've built an Internet technology company inside the world's largest retailer. And an Internet technology company isn't really about building technology though; it's really about customers. We serve one single purpose -- helping customers save money so they can live better. And living better takes on new meaning as we are now saving customers time and solving more problems for them.

We've delivered a lot this year to enhance our customer experiences online from moving Walmart.com to the new platform and scaling our assortment to adding those large-scale fulfillment centers that I showed you. And it's paying off. We've doubled the size of the business over the past three years and we are continuing to grow. We expect to grow faster than the market, between 20% and 30% over the next three years and that number assumes continued growth in the US and continued economic challenges in some of our larger international markets.

With the foundation and scale created in our global platform and fulfillment, we expect that our investments will moderate over the next few years. And that provides a path to profitability at our largest e-commerce markets and the ability to leverage investments around the globe.

But it's so much bigger than just e-commerce. As we expand e-commerce to also include grocery shopping and as we bring the power of mobile to the store, we are seamlessly connecting the digital and the physical worlds. It is how we are serving our customers in new ways to create deeper and more trusted relationships and it is how we're growing the entire Company. As excited as I am about all that we are doing in e-commerce, I am also excited about what Greg is doing with the stores in the US. So with that, I am pleased to invite Greg up to share some of the progress that we are making in the US. Greg?

Greg Foran {BIO 4687375 <GO>}

Good morning, everyone. It's good to be back in New York with you. Today, I'm going to begin by just giving you an update of some of our progress to date. Then I'm going to segue into our strategy to win in the US and then finalize with you how we will run the business to deliver on that strategy. When I spoke to you last October, I told you that my goal for this current year was to improve the core of the stores and to return the business to comp sales growth and we have. We've been hard at work. We're just starting to see some green shoots. As I get around the stores, I am seeing

associates taking more ownership of their jobs. I am seeing that regulate. There's a sense of momentum starting to occur within the business, a changing attitude across those on the front lines serving our customers.

Comp sales are up. So is traffic. Unit sales are trending north. Customers are beginning to like what they see. In February of this year, we challenged all our stores. And we have 4597 of them, to improve their clean, fast, friendly scores. And we wanted them at a particular level by October 1 of this year. Well we have made good progress. In February, only 16% were at their initial goal. We're now at 67%. I want to be clear; we've still got lots of room to improve and we have already put another line in the sand and we have raised the bar higher for where we now expect them to get to. The good news is that we've found a really good correlation between the higher your score is in clean, fast. And friendly, the higher your sales, the more traffic you get in. And the more satisfied customers.

The other thing that we're starting to see is an improvement in our net promoter score. Meaning that more of our customers are starting to speak positively about Walmart. Now I personally find this measure to be really authentic and I am encouraged. Again, we are not where we need to be. But I am pleased with the trajectory we're starting to see. You know, if you haven't been into one of our stores in a while, let me describe what you might find one busy afternoon. In the main, I think you'll see we've got clean floors. We've got better fresh. Pick-up is newly branded and customers can clearly identify where they need to go to find items they ordered online.

There's a better in-stock. Store managers and department managers are visible on the sales floor. Associates are more friendly. They are wearing their vests and they've got their new name badges on that say Our People Make the Difference. We are proud of the progress that we are making. But we know that we still have much, much more to do.

From a top-line perspective, we know that we've also got some tailwinds from fuel prices. But that is being offset by deflation in food. Operating profit is being pressured by margins in pharmacy, increased shrink and associate hours. So in pharmacy, we've got several workstreams in place right now that are working on building new systems and tools to help offset some of the reimbursement pressures that we are seeing and we expect to see in the foreseeable future. When it comes to shrink, we're tackling that in three ways using technology, analytics and best practices, including training. I'm confident that in time the plan we have in place with shrink will turn that into a tailwind for our business.

So with that update on the business, I will expand on what you have already heard this morning and share more about our strategy for winning the US. A strong performing US business is key to the future success of the Company. We are, as you've already heard, committed to sales growth. We will invest to grow the top line faster than the market, increase marketshare and deliver shareholder value. To grow, we must invest. We are a strong profitable business. But we know that we can't solely focus on short-term profitability if we're going to win the long term.

The marketplace has changed. The majority of our competitors, including hard discounters and online competitors, are investing in the US and pursuing growth. So we must adapt and grow as well. So we will invest now to improve the experience and grow the top line. That will allow us to buy for less. We lower the cost of goods, which in turn generates savings and we invest that in price. Lower prices see an increase in traffic and basket, which in turn grows sales and gains share.

I want to be very clear. Our investments do have a timeline. We've got a detailed, well-resourced, strategic plan with disciplined workstreams and a cadence of reviews. This will enable us to clearly deliver our financial goals, our growth aspirations and shareholder returns. We know what success looks like in terms of unit sales, in-stock and customer experience.

We're building a solid foundation to serve customers now from which we can grow, create a seamless shopping experience. And win the future of retail. Now I'm going to walk you through how we will do that. The first part of the Company's strategy that Doug outlined this morning is win with stores. So I'm going to share with you what we are doing to provide an excellent in-store experience right now and in the future. As part of that, I will talk about our people. Our incremental investment of about \$1.5 billion in our people next fiscal year is a really large number. But we are confident it is the right thing to do and essential to building the best talent in retail. Then I will walk you through what we're doing in three of the growth areas that Doug identified.

Firstly, value. Low prices have always been a key differentiator in the marketplace. As we invest to grow, we will invest in price and we will never compromise on quality. Two, be great merchants. Assortment is the lifeblood of our business. We're using data and analytics to determine what our customers want. And three, convenience. We are uniquely positioned with our large footprint to provide seamless access to merchandise across all channels.

So first, we will win with stores. To do that, associates need to have tools to do their jobs better. And as we have invested in customer experience this year, we're improving the way we work. And we're moving pretty quickly out there. Improve technology we gave all our store managers tablets in August of this year. All department managers now have handheld mobile devices instead of (inaudible). Both devices provide real-time access to information key to store performance and have moved associates and managers from the back room to the sales floor where they are now serving customers.

We have simplified processes. We've reduced modular changes. We've been disciplined about feature displays. What you receive in the back door is what you've got to be able to fit on the floor. We have pulled back significantly on advertising tabs and stopped co-op marketing. Our in-stock level is improving. Through a focus on replenishment, we have moved thousands of items to overnight delivery. We have something called (Top Stock) in Neighborhood Markets. That's where associates can just simply reach to the stock on the top shelf instead of having to go out to the back room. Early indications as we roll this through every Neighborhood

Market are really promising. We're seeing a reduction of inventory in stores and improved service levels.

We will roll that out to all Supercenters by May 2016, as well as our Supercenter inventory process is streamlined. We used to have IMS. We now have a new program that's called Customer Availability Program, CAP for short. This resulted in inventory reduction in stores and better availability for the customer. When our associates combine CAP with the new technology we're giving them, there's a 50% time-saving in the backroom, 90% on the sales floor. It's simplifying their life.

We're also optimizing flow. Our objective is simple. Merchandise should only ever move one way in our business -- from the back to the front and then out the door. We have also been hard at work at redesigning our Supercenters and Neighborhood Markets. Let me share a few details with you. Supercenters are a strong, profitable format. It is the best in the world, in my view. But we're working to make them even better to meet changing customer needs. So we're continuing to moderate our Supercenter buildout next year to ensure long-term success. We will build 50 to 60, which includes relocations and expansions. We've done a deep dive into what the customer wants and we have found that the top drivers of customer satisfaction are fast checkout, ability to easily navigate the store, a relevant assortment and products in stock.

We're piloting and testing lots of changes, which is fun. And we're going to take the very best of what we have learned and we will retrofit that into our fleet on an ongoing basis. New stores will also reflect the changes. But of course, the Supercenter is more than just a store. As we further integrate with e-commerce, it's about the offering the Supercenter provides -- pickup, online, fuel. And of course great merchandise at our everyday low prices. Actually, today is the grand opening of our first redesigned to Supercenter, which is in Rogers, Arkansas. I wish I was there. But you would see if you were there that we are in mode and we're beginning to test the first phase of our changes.

So let's take a look at a video of what we've actually done.

(Video playing).

It's the first one we've got down. I'm pretty pleased actually with where we've got to. If we were actually standing in the store today, as you walked in, I think you would notice things like an improved vista across the store. It's actually pretty easy to navigate when you are in the store. So it's obviously a bit lighter, a bit brighter, really pleased with how fruit and veg has come up. We're testing some things here in deli. We have had a look at assortments. There's some extra items in there in terms of fresh.

You would have picked up on the video that baby becomes pretty important for us. That's got an increased footprint, it's got an increased assortment. But we're really leaning into how we now get close to the dotcom opportunity. So obviously, we're

rolling Wi-Fi into all our stores. We've not only got roughly 120,000 SKUs available in a Supercenter. But of course there's many millions more online you can order anytime you want and have them shipped to the store for free.

Even things like automotive, I'm really pleased with the progress I'm seeing there and we've just made some important customer changes to how that looks. Of course, the front end and we will continue to test and have a look at what we're doing with things like scan and go and self-scan and belted self-scan. But I like some of the changes that we are seeing there and you will see components of this getting rolled out reasonably quickly as we move through into next year.

So now the Neighborhood Markets and they are just such a terrific complement to a Supercenter. We are running them better and we are confident that they are uniquely positioned to compete. We will moderate growth this year and build 85 to 95 new stores and that's deliberate as we focus on improving profitability and the productivity of this format through enhanced fresh and access to services. We're working to make them more inviting and to get them in the right locations relative to Supercenters.

These are some of the photos of our newest store in Rogers and you might recall in Doug's presentation he had that photo of the fresh. That actually, as he mentioned, he tweeted that out. That is from the new Rogers store. So we're excited about some of the changes that we are making to this format and doesn't pick-up make Neighborhood Markets unique? What other supermarket offers you access to millions of items online? Customers love the convenience, the fresh, access to fuel and pharmacy. And for those who are interested, we will show more of the new store in Rogers later through a virtual tour after the Q&A. Before you leave, you will all receive a virtual reality headset, one of these, to take with you to experience the tour on your own.

Finally, when it comes to stores, winning in stores, our people are essential. Our theme this year is that our people make the difference and they do. That's why we're holistically investing in wages, providing training in more flexible hours for them. In addition to raising the facility start rate for current associates to \$9 an hour this April, \$10 in February, we've also ruled out structural changes this summer. We have added in the last few months 8000 department managers who are empowered to run their departments and be great merchants. Next year, we will roll out pathways, trainings, programs that will be giving our people better training and a clearer understanding of what they need to do to get promoted. Our associate engagement scores are up and even though the scores have been at or above industry benchmarks for several years, we're proud to see an increase this year after remaining flat for the prior two years.

Now, frankly, it's too early to report any more than this on our investment in people. We will know more after we have rolled out all our changes. But I can share with you anecdotally that what I am seeing as I get around the country. And I'm out in stores every week and most weekends, I am seeing improvements. I'm seeing and hearing

from our teams in stores that they are better able to recruit and retain talent. The momentum is starting to shift. It's pretty simple, isn't it?

In my experience in running businesses, if you pay your people competitively, if the managers are really engaged and they are good, if you train people, you give them the right schedules, you're going to see happier associates, you will see a marked improvement in the shopping experience and you will get a return on your investment. So that's how we will win with stores and we will deliver a great shopping experience.

Next, I want to talk about value. Walmart has and always will be about value. Low prices have always been a key differentiator in the marketplace. This year, we made a strategic choice and that choice was simple. We're going to invest in the store experience first, including our people and as we fix the experience and we are, you're going to see us start to invest in price to ensure that, over the long term, we deliver on the low-price promise our customers expect.

As Charles mentioned, our plan to invest several billion dollars in price over the next three years is included in our guidance. To deliver value and our low-price promise, we remain focused on lowering costs in the way we operate by running a better business and also in how we procure merchandise. So I will share two examples that demonstrate how we are doing this.

Firstly, our markdown initiative, which is part of urgent agenda that I've spoken about previously. We have reduced markdowns. We continue to reduce markdowns on damaged goods. Here's how it works. If a Halloween princess costume is missing its crown, our stores will mark it down to a lower price instead of just throwing it away. A customer is happy to get the great item at a lower price. Secondly, through better buying, we deliver cost of goods savings, which in turn we invest straight back into price for the customer.

Next, we will be great merchants and we will win with the right assortment. It is the lifeblood of our business. Grocery is clearly a larger part of the business now and we're pretty focused in this area. But good grocery restarts with winning in fresh and as some of you know, I spend a lot of time in my store tours in fresh. It's an area I enjoy teaching, touring with associates.

We also know that fresh is a traffic driver. The quality of our fresh and our fresh reputation is a key focus. We have to earn customers' trust. So we have sequenced a plan to win in fresh by getting the basics right, building on that. And ultimately transforming our fresh from the farm to the checkout. We will do it with much better assortment, much better execution, much better processes and a great supply chain.

Now we've got lots of work to do. But I can tell you customers are starting to notice the difference. In the last 52 weeks, marketshare in fresh is up 26 basis points. Unit comps have improved 1.5%. Markdowns are down 70 basis points since last year. Our price gap in meat is up 200 basis points versus last year and we also know that the

large majority of our customers would purchase affordable organics. So our organic offering continues to expand and it's now much easier to find on shelf. We are also focused on providing healthy snacks and easy-prep meals. We'll keep driving hard towards our ambition to save people money so they can eat better.

Next to private brands. Let me be clear. We have always been a destination for quality national brands at everyday low prices and we will remain first and foremost a national brand retailer. We know that our private brand customers are some of our most loyal. But private brands are key to addressing the price gap with higher discounters. They are critical to our growth aspiration.

So we have doubled our private brands team and our focus remains on delivering quality, innovation, price. And ultimately increased market penetration for our customers. So we've got key workstreams in place to ensure a well-defined brand architecture. We've got teams to develop and identify assortment gaps, extend productlines and innovations based on what we have learned from customers. And here's what is interesting. As customers become Walmart private brand adopters, they also spend more trips -- sorry -- they make more trips and they spend more. In fact, of this increased spend, half of it is on non-private brand items. This means that as customers become more engaged with private brands, they become more engaged with Walmart overall. So we're excited about the opportunity.

Overall, you will also see us bringing discipline to our assortment in grocery and the total box. We've got data from 80 million households. We're introducing new capabilities to give merchants the tools they need to develop an assortment that fits the way a customer shops. This includes advanced decision trees, (planograms), measures of loyalty, substitutability. And improved store clustering analytics. Now we are already underway in seven categories. We're testing the results. Our plan next year is to address a further 76 categories and the remainder the following year.

Finally to convenience. As customers value convenience more than ever, Walmart has a distinct advantage with our large footprint. We can offer customers seamless access, enabling them to shop whenever and however they want -- in store, online or via mobile. We know that customers who shop across all channels spend more. Doug showed us that. It's the sweet spot that he referenced. You can see it here. It's in play now in some of our stores, the ability for the customer to use their mobile even while they are in the shop, scan that item, identify what they want, ship it to the store, pick it up.

Next to online grocery. An associate loading groceries into a customer's car, it could be me. I often use the grocery pick-up on the way home. Customers love the ability to order their groceries online or on their phone and pick it up when it's convenient. We know that the basket for customers who shop online is 2 times the average Supercenter basket and that many online grocery shoppers are new customers to Walmart. So we're gaining new Walmart customers. We're excited about the potential here. Pick-up has been a priority this year. Customers love it when we do it well and we're always working to make it better. In fact, pick-up foot traffic this year is

up significantly in Neighborhood Markets. Let's have a look at the advert that we will start to run next week.

(Video playing).

So you'll see that start to hit the airwaves from next week. We are also as we speak hiring an additional 3500 department managers who will be working in pick-up for this holiday season and beyond. We need to do that so that we really make this a fantastic opportunity for everyone. Here are a few customer comments about pick-up. It's easy, it's convenient, it's fast, it's free. I was in and out. So we're excited about our offering in store. But the real power here is when you take the world's biggest retailer and you connect it to a digital platform. We will be, as Doug said, the first retailer in America to offer a seamless shopping experience at scale.

So where does that leave us? As we have discussed, we are focused on growth, specifically on driving the top line and we've returned the business to positive comp growth this year and we expect that to continue. Over the next three years, we anticipate a 3% to 4% total sales CAGR. We've proven this year we can grow the business and we will continue to do so. But to drive this growth, we must invest in the business and that will slow our profits for a bit.

As Charles discussed, our investments in our associates, e-commerce, grocery, online and pick-up will hit their peak next year. We expect these investments to slow the US operating income in FY17. Looking forward though, as our investments wind down, we will see operating income grow faster as we continue to drive the top line and we (technical difficulty) dollar levels. However, we know that that growth will come with a different mix as customers shift between formats and our sales continue to move towards grocery and e-commerce. Our customers' changing needs will affect our operating margin rate, which we expect to remain below previous levels. But you can be sure that we will succeed in our efforts and we will drive the shareholder value you have come to expect from Walmart.

So to sum up, there are four key takeaways for you today. Firstly, we have a strategic plan in place to deliver top-line growth and deliver shareholder value. Two, our investments are paying off. But will take time to complete. Three, metrics of success are identified and being tracked. Finally, we are uniquely positioned with our footprint to win across all channels. Thank you. Now I would like to invite Doug back up to make some closing remarks.

Doug McMillon {BIO 3063017 <GO>}

So this Company is now over 50 years old and retail has changed. Retail is going to continue to change and in our case, it's not enough just to run it well. We have to change it at the same time and to change it, we have to make strategic choices and invest in those choices. The great news for us is the assets that we already have, our stores, our distribution center, our great associates are still relevant in the future. But leaning into investments on people and technology and in these next few years

intelligently into price, we will create the situation that enables us to win in the future. That is the transition that we're going through.

For us to deliver for shareholders, we have to first win with customers and win with associates and that's what we're choosing to do. We look forward to answering your questions about that. But first we want to feed you and I'm going to ask Pauline to come up and tell you about the logistics related to that and then we'll be back up in a few more minutes to answer any of your questions. Thanks, Pauline.

Pauline Mohler {BIO 19462241 <GO>}

(Conference Instructions). We will reconvene in about 15 minutes to have questions.

(Break in progress).

Questions And Answers

A - Pauline Mohler {BIO 19462241 <GO>}

As you receive the mic if you could please state your firm and your name so that we can have that for the folks that are participating on the webcast. We have Cary and Michael who will have the mics and that will be going around. So we will go ahead and start. Simeon?

Q - Simeon Gutman {BIO 7528320 <GO>}

Simeon Gutman, Morgan Stanley. For the guidance for fiscal 2017 you showed EPS down 6% to 12%. I presume that includes buyback, which implies that EBIT dollars are going to be down somewhere in the 11% to 17% range. If we back into that on a dollar basis it is several billion dollars of EBIT dollar decline.

We talked about wage investments again at \$1.5 billion, we assume the e-commerce losses stay around \$1 billion, that leaves still multi-billions left. I presume that is the price element? Then there is a wide range around that? Are there other pieces and can you sort of give a little bit more clarity if the dimensions of that are exactly (inaudible).

A - Charles Holley {BIO 18024865 <GO>}

Yes, I am not sure about your several billion, you're talking about FY17 earnings per share? Is that what you were asking about?

Q - Simeon Gutman {BIO 7528320 <GO>}

Yes.

A - Charles Holley {BIO 18024865 <GO>}

What we said is 75% of the decrease is related to the \$1.5 billion in wage and store structure. So you can do the math from there. So it is not several billion beyond that.

A - Doug McMillon {BIO 3063017 <GO>}

And e-commerce and price would be (multiple speakers) other components that we would point to that continue. And as Neil showed you, the e-commerce profitability trend starts to improve over time. But it is that overlapping of the wage investment and these other investments at the same time.

And we are trying to give ourselves some room as it relates to price. We can talk more about that if you guys would like. I think that is one of the key questions that I am sure you would have on your mind. I just want to underline the wage decision that we made at least one more time.

This is a big investment in people; between the two years in particular it is significant. And I don't want people to miss that. And I think the 75% number that Charles mentioned needs to be well understood. And I guess I can relate to the fact that when we announced this change, which was back in February, both the \$9 and the \$10, that many might not have done the math or understood how to do the math and maybe we didn't give you enough information to do the math on the \$10 jump.

But together with those starting wage rate changes to \$9 and \$10 and the other investments that we called out, it was clear that was a big number. I still looking back feel like that was smart. I think that was the right decision to make. In some ways it demonstrated leadership, in other ways it is a market reaction. But the outcome is that our associates deserve that wage increase and the performance that we will get from them and the relationship that we have and will develop with them going forward is a key strategic choice.

This business has been about people and in 25 years it will be about people. Different skill sets in some cases and clearly technology has changed retail. But this associate investment is one that I hope people will really take the time to understand; it is of strategic significance.

A - Pauline Mohler {BIO 19462241 <GO>}

Michael.

Q - Robby Ohmes

Robby Ohmes, Bank of America Merrill Lynch. Your stock and a lot of retail stocks are down. You gave us the sort of down up on the earnings outlook and I get all the investments and everything. Can you just walk us through the same-store sales expectations? And how are same-store sales trending now? And what is the assumption for US same-store sales over that -- over the guidance you gave us today?

A - Doug McMillon {BIO 3063017 <GO>}

Yes, Charles, maybe you and I could comment a little bit and then would ask Greg to I suppose. But we have given guidance.

A - Charles Holley {BIO 18024865 <GO>}

Yes, back in the Second Quarter we gave guidance to what we thought would be in the Third Quarter. We are not here to give guidance today for the quarter, Robby. But you did hear Greg say that he expects that -- he has done a great job with his team at getting his traffic and comps up in the Walmart US and he expects that will continue.

A - Doug McMillon {BIO 3063017 <GO>}

I think one thing I would add, Robby, is that it is important in the comp number to think about the components. We have got a Supercenter comp number, we have got a Neighborhood Market comp number, we have got an e-commerce contribution to comp. What we don't know is what will happen with inflation, where will fuel prices be. We have some assumptions obviously around those numbers. But there are a lot of variables that go into play.

I think, Greg, you should talk a little bit about the store experience because the only way to get sustainable comps is by really running great stores. We need a great experience with our customers, we need strong merchandising, there are a lot of pieces that go into making that happen. And I think you can look at the steps that we are taking and understand how they dovetail on each other to create that situation.

A - Greg Foran {BIO 4687375 <GO>}

Yes. It does. It sort of feeds into your first point and also in terms of what we are paying our people. It is interesting as I get around our stores, most stores are now actually starting to pay bonuses for their associates, what we call MyShare. It is a big deal. And one of the reasons is that sales are hitting what we expect and also to get clean, fast, friendly linked in. We actually tied that into MyShare.

It makes a big difference to our associates when we're recognizing them with fixed starting rates, the stores are starting to bonus. And that in turn is creating better stores. Now the reality is. And the numbers show it, as I get around the stores, Doug, two out of three get a pass mark, one out of three don't. 67% have got clean, fast, friendly. And just because they have got a pass mark on clean, fast, friendly doesn't mean that they are great Supercenters here.

I am guessing we've probably got 300 or 400 out there that I would really rate as a fantastic shopping experience when I walk them. Then we have got a whole group in the middle that have improved. But we have got room to go further. There is no doubt in my mind that as you improve the shopping experience the comps improve.

You know I am in Olive Branch in Mississippi on Monday morning, 7:30, the manager has got no idea I'm going to turn up. And I walk in the store and he is standing there, he is got his iPad, department managers working, they are engaged with their MC40s, the handhelds. And he has come off a 7% comp on Sunday. He has got a

business which is running a 4.2% comp year to date. And you can see it when you walk the store.

I can equally go into stores that haven't got positive comps and I can see why. It is a store-by-store thing, there is lots of opportunity for us to get better and improve. And inflation will be what it is and other activities. But I know that we can grow the top line in this business and we are.

A - Doug McMillon {BIO 3063017 <GO>}

We had a good laugh with Greg he knew he was in Olive branch. But he wasn't sure if he was in Mississippi or Tennessee. So we finally figured that out.

A - Greg Foran {BIO 4687375 <GO>}

I do know that capital of North Dakota.

A - Doug McMillon {BIO 3063017 <GO>}

That's good.

A - Pauline Mohler {BIO 19462241 <GO>}

Cary, next question.

Q - Paul Trussell {BIO 20732173 <GO>}

Paul Trussell, Deutsche Bank. Just want to follow up on the comp question. And Greg, I do appreciate your comments. But I think there still is a little bit of a disconnect on the 3% to 4% sales CAGR expected in the out years for the Walmart US business as you are reducing the growth of stores.

If you can just help us make that connection, particularly on the grocery business, which I believe in the last quarter was still comping flattish. And obviously being the bulk of your mix needs to really take a meaningful tick up in order for you to achieve your goals.

And similarly, Neil, you outlined a 20% to 30% CAGR on the dot.com business, yet in the Second Quarter we just saw a deceleration to the mid-teens. Help us, please, connect those dots.

A - Greg Foran {BIO 4687375 <GO>}

As Charles and Doug have said, we have given the guidance. I am not going to do anything other than say I am pleased with the momentum we are seeing in the business. Doug mentioned general merchandise previously, food I am also feeling better about. We are seeing more traffic so we have got more customers visiting our stores.

We are seeing an improvement in units, they are trending north. And I know that we can build on the momentum that we have got (technical difficulty). 3% to 4% total sales CAGR is what I and my team have signed up for and we know that we can do that.

A - Charles Holley {BIO 18024865 <GO>}

And this year, remember what I said, Walmart US should do around 3.5% this year.

A - Doug McMillon {BIO 3063017 <GO>}

And on food, Greg, you might want to talk a little bit about the opportunity in fresh and the inflation/deflation arrangement in grocery right now.

A - Greg Foran {BIO 4687375 <GO>}

Yes, sure. So fresh -- clearly there is opportunities for us to do much better assortment, pricing. As I get around and I look at what is happening with hard discounters I see opportunities. A lot of work underway in terms of grocery. We have identified to you that we will invest in price and we are going to. We know what we want to do in that area and that is built again into our guidance.

But we are already seeing (technical difficulty) some momentum and I am really happy with how the grocery business is going. Share is going well. It is not startling and you wouldn't expect it to be. This is a really big ship. And you have got to deal with it one piece at a time. But we have got some momentum and we will hold onto it.

A - Neil Ashe {BIO 5665242 <GO>}

Paul, on the e-commerce side I would remind you guys of what I said at the end of the Second Quarter which is that we have had pretty good growth in the US both at Walmart.com as well as at Sam's Club.com. That has been inhibited by some challenges and our larger international markets. And just for context for everyone, the largest international markets for us are the UK, Brazil and China. And so it is obvious that the competitive and economic issues that are going on there.

So as we think about. And any time you are going to give three years worth of kind of revenue growth guidance you are going to have ups and downs along the way. And so, we expect there to be ups and downs along the way. We expect the US to continue to perform well, both the US and Sam's Club. We're obviously adding grocery, which is basically a whole other line of business to the US business to grow that.

Then we don't expect the conditions to remain the same in the UK and China and Brazil forever. We can't control those of course but we don't expect those to go on forever. So we feel pretty good.

And the story is very similar to Greg's, which is that the wheel is turning. So we have got the traffic, we are adding the assortment, we are adding the lines of business

and we are starting to see customer performance and frequency and other key metric start to improve. So it is -- any time you give long-term guidance it is hard. But those are the breakdown of the components.

A - Pauline Mohler {BIO 19462241 <GO>}

Okay, Michael, next question. Also if you are asking a question, if you could please stand for purposes of the webcast so that they can catch you on the camera.

Q - Matt Nemer {BIO 6377063 <GO>}

Met Nemer, Wells Fargo. So I have a question about customer lifetime value. When somebody goes from being a moderate shopper at Walmart five times a year to a moderate shopper online -- I understand that multichannel customers end up being great customers and they are very engaged. But on the more moderate side, what happens to lifetime value if somebody goes from the store to online only? Thanks.

A - Doug McMillon {BIO 3063017 <GO>}

So store to online only, not multi in their relationship. I don't know that anyone --.

A - Neil Ashe {BIO 5665242 <GO>}

We haven't seen that behavior, Matt. So it is an interesting question. Doug outlined and Charles the evolution of the business. So as we add e-commerce obviously we are adding a business that is a lower operating income margin but a higher return. So less capital required to run that business. And so, we are starting to see that mix out.

But what we are seeing with customers is that they are better Walmart -- the brand Walmart customers. And so, that is why we steered into what Doug called the sweet spot. And you can see that performance. We are not seeing a trade off, we are seeing an evolution and a growth.

Q - Michael Lasser {BIO 7266130 <GO>}

Michael Lasser, UBS. So you outlined investments for next year, operating margin is going to be down. What will drive operating margin expansion after that? And as part of that answer, can you talk about how the model is evolving?

Part of what is happening with Walmart is the costs that historically have been burdened by the customer where they are walking through the store picking products off the shelf, checking out in the aisle or paying for shipping is now being burdened by the Company. And how is that going to impact the Company's long-term profitability? So both of those (multiple speakers) questions.

A - Doug McMillon {BIO 3063017 <GO>}

One of the reasons why the margin improvement gets better is because we don't anticipate the significant wage investments that we were making this year and next

year in the go-forward plan. The market as it relates to wages will certainly ebb and flow over time and we'll respond appropriately.

But the amount of the investment and the amount of our adjustment won't be anything like what we are doing in these two years. So it springs back the sheer nature of that. Then number two, the e-commerce margins continue to improve, profitability as it relates to the trend of e-commerce improves.

Your question about picking orders for customers is a really good one. And we studied it closely in the UK. And as that business went to delivery in the market you may be aware groceries went from a store to a store plus delivery business and then backed in to pick up.

What we found was the returns related to delivery took a long time to mature. It is very difficult to make money delivering food. But the pickup aspect drove returns up quite quickly relative to delivery for sure. So what we are positioning ourselves to do is to win with the customer in this seamless environment.

As we mentioned before, they won't actually think that much about whether or not it is in the store, picked up or delivered. Over time they are just going to think I am shopping at Walmart. And it is through that blend of the relationship with the customer that we will be able to generate strong returns. So it is not just looking at it in isolation, although pickup itself has a nice return, it is also looking at the overall relationship.

Q - Bernie Sosnick {BIO 1507083 <GO>}

Bernie Sosnick, my new affiliation is Madison Global Partners. With regard to Neighborhood Markets, I have difficulty reconciling some of the points. Same store sales growth has been strong, which would imply improved profitability and yet you said that you are slowing the growth rate for Neighborhood Markets because profitability has to improve. You were not satisfied with some of the stores that opened over the last few years. Could you give us a synopsis of where Neighborhood Markets stand?

A - Greg Foran {BIO 4687375 <GO>}

Sure. So we have got -- if you include the 100 Express stores now we have got circa 500 plus Neighborhood Markets. And we have got some that are very mature and some that have recently opened. So you get quite a difference in performance based on the maturity of the store. And you also get quite a difference in performance based on who they are up against in terms of their competitive set.

So to be completely candid, when we are up against someone who is really good at running supermarkets, frankly our fresh offering has not been on par with what it takes to win in those environments. And if we are opening stores where the competitor is not particularly strong, then generally we will do pretty well and a lot of that is driven by some pretty significant price gaps that we can generate.

So we need to fix what we do in fresh, we need to make sure we do a great job with the services, whether it is grocery home shop, whether it is pharmacy. And so it is appropriate that we be pretty thoughtful about where these things go and we get that model working right and we make sure that we get them located exactly where we want to get them located.

We get gas on them wherever we can, we get them the right distance away from Supercenters. We get them on the right side of the road, all those sort of things. So I am really excited about what we can do with Neighborhood Markets. But we have got to fix some of these basic things and then we can get into them.

Q - Matt Fassler

Matt Fassler, Goldman Sachs. Good afternoon. My primary question relates to the incremental investment for 2016 or your 2017. Can you map that to the math of the wage increase versus other investments that you are making in the store? How much was the shift to \$10 and how much incremental additional material is there -- additional drivers contributing to that increase in investment?

A - Doug McMillon {BIO 3063017 <GO>}

I am not sure whether you are asking about the wages versus other types of people investments or wages versus price. The number for the total investment is 75% of next year's total is related to people.

Q - Matt Fassler

I am focused on next year's investments which I understand are primarily wages and labor.

A - Charles Holley {BIO 18024865 <GO>}

That is correct.

A - Doug McMillon {BIO 3063017 <GO>}

Right, 75% of it.

Q - Matt Fassler

And is all of that just wage rate or is there a portion of that that is also related to incremental investment in hours or structure, etc.?

A - Greg Foran {BIO 4687375 <GO>}

So that includes what we are doing in terms of department managers and pick up and getting grocery home shop rolled out to many more markets so that includes that total amount.

Q - Oliver Chen {BIO 15320650 <GO>}

Oliver Chen, Cowen and Company. As certain pure plays focus on the consumables and apparel markets what would you say are your competitive advantages in terms of how you work with vendors and how you think about how vendors may play a role and as you elevate the seamless customer experience?

Also on the supply-chain side on some of your earlier comments, just curious about what you mean about improving accuracy and driving sustainability. What are the key elements of that? And just lastly on the price investment side, which categories are you focused on with the biggest opportunities in price investment? Thank you.

A - Doug McMillon {BIO 3063017 <GO>}

You want me to take supply-chain, you take the other two? The world of retail is moving to more of a pull system than a push in that as customers use a website or a mobile app to tell us what they are looking for and what they want, that increases our accuracy as it relates to how we choose to flow that item to a customer and how we anticipate demand.

And with today's opportunity with predictive analytics. And frankly some of the tools that Neil and his team are starting to develop, point us to a time where our forecast accuracy could go up. And that is going to be one of the keys to winning.

And as we mentioned before, having a supply chain that is connected and more dynamic will help us take out costs. And it is not just transportation and handling but it is also markdowns.

So today we have a distribution system that was largely built in silos, we bring in import goods, they go to an import center. We have grocery centers that handle high turn goods, we have got other distribution centers that handle nonfood, general merchandise. We have got apparel centers. And those act independently for the most part.

When you start to connect them and you have a good forecast the path that that inventory follows through the system will be the most efficient path and take more cost out. So you can just imagine a big regression analysis, a big optimization of a network. And we have more nodes and distribution paths than anybody.

So our ability to optimize across that network would be superior to others because of the fact we have already laid down that network. It is a lot of work and in some cases building new tools will be needed to make it happen. But I am really excited about it, I can imagine what that is going to look like in the future. And we are starting to make it happen today.

A - Greg Foran {BIO 4687375 <GO>}

First question was I think around apparel and consumables and how we -- our relationship with suppliers and opportunities there. Both those areas continue to perform well. In the case of apparel, I am actually really encouraged by what I am seeing there despite the fact that it is incredibly warm outside at this point in time.

I think our team there (Andy Barron) leads have done a very good job of basically putting together a good package. Now there is room to improve that. But I think we have got into opening price points, we have got a good relationship with our suppliers, we are buying at source. He is simplifying the operation, I think there is still room to go. And we have got to do better work in terms of flowing merchandise. But apparel is going well. I like what we are doing there.

Consumables likewise is also performing and that sits under (Michelle). And she is working closely with our vendors there, large, medium and small, to once again simplify the business. To get the modularity going right, to get the flow right, to get the in-stock performance right. Working on price, sorting out the role of private label in these categories.

Consumables is a good bellwether for our business, it drives a lot of foot traffic, always has and it probably will continue to do so in the future. So both businesses going well. What was your third question, sorry.

Q - Oliver Chen {BIO 15320650 <GO>}

(Inaudible; microphone inaccessible)?

A - Greg Foran {BIO 4687375 <GO>}

Yes. Thank you. So the -- we have outlined that we will be investing billions over several years. We have got a good plan as to how we want to do that. And you will see us get into that. I don't want to get into the details of that for competitive reasons.

You can trust that we are pretty close to price. I know what the price gaps are, I know what they are on national brands, private label, versus competitors, regionally, nationally. And we really want to get after this, we know it is part of our heritage. And it's going to be important in terms of the overall plan of driving sales growth and that is really what makes our business work. You get the top line going and that then forces the productivity loop to turn.

And so, that is why you have got to fix the stores, your words are you got to sort of get the house cleaned up before you invite the guests over. We then have to get in and sort out the price and we can get this business moving. And of course you then link in what we can do with Neil's organization. I think we've got really good competitive advantage.

Now we will get 1 point for talking about it and 9 points for doing it. But we are after it, we know what we have to do and we have got a plan, it is sequenced, we have costed it out, now we have got to do it.

Q - Chris Horvers {BIO 7499419 <GO>}

Chris Horvers, JPMorgan. Can you share a little background on the experience in the UK with the hard discounters? What was the price investment that was needed to

close the gap there and how did that impact profitability versus say the delivery shift? Then as you think about the billions of price investment in the US, is there a gap that you are trying to close versus them or is it more a defensive tactic?

A - Doug McMillon {BIO 3063017 <GO>}

Yes, great question. I think all of us have talked about that a lot. So some of the other folks may want to chime in too. But I think the first thing I would remind us all of, Chris, is that it is not just price, it is also assortment. And when you think about the role of private brands and house brands, one of the things that Greg and the team is working on and the team in the UK is working on is do we have the right specs in the right position to compete. And sometimes that takes a little bit of time. But you have to address the assortment issues.

There are also key questions to be answered about produce specs, what you do with fresh meat. So it is a combination of first food and private brand assortment that have to be addressed. Then on top of that the price investment has got to be at the right level.

On top of what a hard discounter offers we have obvious advantages. We have got a broad assortment, we are building an e-commerce business that is complementary, the store experience is going to be different. There are service areas in the business where we may do things they don't do. So the total package will matter and we will talk about that with customers as we go forward.

The amount of the price investment, both in the UK and the US and in another markets needs to be managed very thoughtfully and not all at once. And I had a question not long ago from one of you about, well, why don't you just take a big investment in price, hammer down, put it all in right now. And my response to that and the way that we feel about it is we have some time to get that right.

And if we tried to do it in a really arbitrary way we would have some theoretical basis for why it needs to be a certain level, chances are we would get it wrong. And what we would like to do is to use this time period that we have with all the work that is going on in assortment and other things to navigate ourselves to that right level.

And for competitive reasons I don't think we would be a lot more specific than that. But I think hopefully you can tell from this response that we have thought that out, we understand what it is that we have decided that we are going to go do and we will do it over time.

And we will balance what shareholders need with what customers require of us in the whole piece as we go. We get to make pricing decisions every day, ton of variables, a lot of items, a lot of movement, geographies, ton of variables to play with. And we need to do that intelligently. And we will. Did I miss anything?

A - Greg Foran {BIO 4687375 <GO>}

I think you covered it well. Private label becomes key to it. The other thing that is important in the hard discounters is how they play general merchandise. And it is often referred to in the club stores about creating a treasure hunt, that is also something that the hard discounters are good at doing. So it is not just getting your food offer, which includes fresh and meat; it is also ensuring that you keep really relevant in terms of fantastic general merchandise.

A - Doug McMillon {BIO 3063017 <GO>}

Right.

A - Greg Foran {BIO 4687375 <GO>}

It is interesting when we get together, Dave Cheesewright has had good experience at this, you can tell that I am not from Arkansas. In Australia -- have a look at the market in Australia and have a look at what Aldi has done in Australia. I have got to know them pretty well, I have had to compete against them. We will have another hard discounter opening here in a year's time. And I am looking forward to the challenge. And we know what we have got to do, now we have got to get on and do it.

A - Doug McMillon {BIO 3063017 <GO>}

The point about general merchandise is a big one. Star Wars has been huge for us, Pioneer Woman, this Ree Drummond product that we just launched, blowing out. The breadth of assortment and the fun that you can have in a Supercenter for customers is there. But we have to manage the assortment and the pricing in such a way that there is not a trade off for them.

Q - Greg Melich {BIO 1507344 <GO>}

Greg Melich, Evercore ISI. I really had two questions, one is, Greg, on the -- going back to gross margin, shrink was a big hit earlier this year. Should we think of that shrink investment as the first part of a price investment or what exactly was that? And do we think of that as sort of the first stage here?

Then second, either for Doug or Charles, if we think about the whole Company and the guidance you provided, where do Sam's International fit in this? Should we expect their EBIT margins to be down as well for the next -- for next year because of some price investment or other investments in e-commerce? Thanks.

A - Greg Foran {BIO 4687375 <GO>}

Do want to go first?

A - Doug McMillon {BIO 3063017 <GO>}

It doesn't matter.

A - Greg Foran {BIO 4687375 <GO>}

Shrinkage. As I said, we really are after this. And I think if you went out and you spoke to any of our store managers or anyone else in our business I will tell you that it is getting plenty of focus. We have got shrink school back in place. So something that used to be part of our business is now back in place. So if you shrink heavily then you are off to shrink school to learn what you have got to do to get on top of it.

I am comfortable with what we have built into our plans going forward. Having done this for 40 years this is not a five-minute fix to fix unknown shrinkage. There are many parts that are at play. It is built into our guidance and our plans, as are many other levers within the business.

But I am comfortable that we are heading in the right direction, we are focused on the right things. And what we have built under the plan so I can sit here as I said to you last Friday at the officers meeting, we are on the right track. It does help us. As I said, it turns from what I believe is a headwind and it will become a bit of a tailwind. But we are realistic about what we can achieve and how quickly we can achieve it.

A - Doug McMillon {BIO 3063017 <GO>}

The Sam's plan looks a lot like the Walmart US plan because it's got the same two pressures, we invested in wages in Sam's Club US just as we did Walmart US and we've got the e-commerce investment. International looks a bit different because the value of the portfolio kicks in and the way Dave is thinking about it. So we have got puts and takes from market to market and he is balancing some of his investments within that portfolio. And it is really helpful, Charles, right now to have momentum in Canada and Mexico --

A - Charles Holley {BIO 18024865 <GO>}

Yes.

A - Doug McMillon {BIO 3063017 <GO>}

-- which are two of our more profitable businesses, both running strong comps and delivering results.

Q - Dan Binder {BIO 1749900 <GO>}

Dan Binder, Jefferies. I was intrigued by one of the slides you showed earlier that showed that Walmart's appeal to a blend of incomes matched that of the broader US shopper. And I guess my question in that is, when you consider your online growth in dollars, relatively large in dollars but relatively small compared to your largest competitor online.

Do you think that there is something that you need to do more from an image perspective for the US consumer in that I think a lot of people think about Walmart as a place to go if you are on a budget. Amazon seems like it is for everybody. And so I'm just wondering if you think there is something you need to do there?

Then when you think about the online investments that you have made, it is surprising that the dollar growth isn't more. And so, you have told us a lot about what your customer is expecting in the store, what is it you think you need to do more of online to accelerate that growth?

A - Neil Ashe {BIO 5665242 <GO>}

Want me to take that? So first of all let's talk about customer demographics and then we will talk about revenue growth and we will focus the conversation on the US.

So as Doug highlighted with that slide, the customer is a value conscious customer. That value conscious customer spans across different demographics, obviously. And with the introduction of technology, technology doesn't discriminate. Technology makes available to those in all facets of the economic spectrum Walmart.

There to our eye aren't many brands that have brand permission to sell everything to everyone. So that is a big deal. The ability to sell groceries and general merchandise together is unique really to Walmart.

So as we think about how to grow the online business and grow the customer we think about how do we attract new customers to Walmart, which I think is the essence of your second question. And that is by introducing a level of service to our offering that is different than a mass market discount retailer would historically have provided. That is why you see the progress that we are making with grocery.

If you look at the categories that have moved online, grocery is the last category to move online. And the reason is it is the hardest. So we can do that better than anyone else, that provides us a foundation for a relationship which allows us to bring those new customers into Walmart and then deepen the relationship that we already have with them.

The second half of your question there though is around the assortment expansion, which is when we do the process of filling a supercenter to its catchment area and to its trading area, obviously the assortment that is in that supercenter is going to match those folks. That may or may not hit the entire spectrum.

With the addition of online we now have the ability to expand that assortment so the 120,000 items online is about 10 million or in the stores, about 10 million online today and that continues to grow.

Taken together then we have the assortment, we have the customer experience and we have the brand relationship with the customer that allows us to drive that deeper relationship with the customers we already have and to attract and build that deeper relationship with customers that maybe we don't have as much of right now.

Then as it relates to growth, it is worth realizing that we are a big business. Only in Walmart are we not a -- only in Walmart would we say our e-commerce business is not a big business. So to double -- we were at what, about \$6 billion of sales I think in

2000 -- calendar 2011, fiscal 2012. So in three years we have doubled that business. Doubling at that kind of scale is really attractive growth.

We have taken market and we've taken share in every market in which we compete and we expect to continue to do that. But it is really, as I said at the end of my remarks, about how do we grew the whole Company. Because it is -- with Walmart it is about this branded relationship with customers.

How can customers across the economic spectrum who want to buy everything from general merchandise to groceries, how do we build a relationship with them based on the things they already know about us, price, assortment, access and experience. They know they can trust us for low prices. They know we sell what they want to buy.

We have created an efficient and fun shopping experience for them. And we have access that no one else can -- that no one else can provide. So that taken together says we believe that we have the customer proposition that appeals to a broad swath of population here in the US.

A - Doug McMillon {BIO 3063017 <GO>}

I think that is well said. The other thing, Dan, is that the fulfillment centers weren't in place. So our split ships and our costs related to shipping were high. So if we add scaled it a lot faster it would have been tougher on the P&L. And we are always balancing those things. But the infrastructure that Neil talked about today is much more developed than it was looking backwards.

Q - Peter Benedict {BIO 3350921 <GO>}

Peter Benedict, Robert Baird. Doug, you had mentioned in your remarks earlier being open to portfolio rationalization or taking a look at that. So that has happened to some degree at Walmart over the last several years. But your comments seem to me at least to have a little bit more bite to them. So just talk to us about how broadly you are thinking about that. And really how important it is to you as part of the strategic plan over the next three years or so. Thanks.

A - Doug McMillon {BIO 3063017 <GO>}

Yes. Charles, you can help me. I will take a shot at it and then you can fill in the blanks. Being the biggest and being the best are not the same thing. And we have got to be the best. And so, these priorities that we are trying to articulate to you that we have set are just that, we have to win in some of these areas for the Company to be successful over a long period of time.

And it is meaningful to me personally that the Company crossed the 50-year mark a couple of years ago and mentally -- I know 50 years sounds like forever. But I would like to know that this Company is going to be here in 50 years and be relevant. And to manage that we have got to manage the next five well and do what is necessary as it relates to being great at technology.

I mean, we are adding, Neil, data scientists and mathematicians and it is a very different Walmart than the one that I grew up in. And it is exciting. And as we think about those things in the most important markets what we are saying to you and everyone else is, we are going to make sure we win there. And if it becomes clear to us that other things, while they may be very important in some ways, keep us from achieving that, then we have to do something about that.

So our message is we understand that there are priorities, we are committed to those priorities and as things come up and as -- in some cases as we actively pursue something because, as Charles said, we are looking at the math and the portfolio all the time. We understand what our investments are. We may make some decisions to do some things differently to deliver against that top and short list.

Now, having said that to be repetitive, we won't be too fast about that, we will be intelligent about it, we will protect shareholder value. I am not one that believes in just writing something off because it may be perceived well by some. I am trying to manage the situation like it is your money and my money because it is my money. And I know your it's your money.

So we have got to be thoughtful about what we do and not everything will happen overnight. But we are clear that we have to win in some certain areas. And that is very much on my mind.

A - Charles Holley {BIO 18024865 <GO>}

I think you said it well. I mean, remember what Doug said, we know we have to win in North America, specifically the US, e-commerce and the integration of physical and digital. And we need to make some long-term bets in China. We think that is really important. It doesn't mean the other areas -- we can't focus on. But at the same time we don't want to take focus off of what I just said. That is going to be really important.

Q - Meredith Adler {BIO 1528023 <GO>}

Meredith Adler, Barclays. I would like to ask some more detailed questions about your labor investments and maybe just understand a little bit better how it works. So starting with the labor budgets for the store managers, when you are increasing hours, do their labor budgets go up? And are their incentive comps adjusted to reflect the fact that they are going to spend more on labor?

A - Greg Foran {BIO 4687375 <GO>}

Yes, happy to answer that. So there is a couple of things that have gone -- well, several things that have gone on. Obviously we have moved the facility start rate. And once again to be clear, that doesn't mean every single store got a facility start rate because there is a reasonable percentage of our stores, whether through legislative reasons or the state of the market, because they might be in a state where there is high resources -- we already are paying well above \$9 an hour. But it does include a move for facility start rate for two thirds, three quarters of the stores.

We have also changed the structure in store and a role that we previously had called a (ZMS) which covered a wide portion of the store has effectively gone away. And those people in most cases are either now department managers or assistant managers. So there has been a change in structure. And as well as that we have added 8,000 more department managers.

We have also had a look at our staffing on our front end. And we are now lining up when we need registers open when customers are in store. And literally as I speak we are rolling out a system which initially is going into Neighborhood Markets, we will have that completed this year and the next year it will go through all Supercenters. That will deal in a much more specific and accurate way with correct scheduling in stores.

So we have got two things happening here -- or three things: we are changing the structure of the store; we have moved facility start rates up; and we are adding in hours. And we are going to do this really sensibly and carefully because if you go too far costs go up too much.

If you don't go far enough you don't change your shopping experience and get the customer aligned with the changes that we are bringing to Walmart. So that is what we are balancing. And as everyone has mentioned, we have got another heavy year of investment next year to get that right. But when we get it right we see improved comp sales.

Q - Meredith Adler {BIO 1528023 <GO>}

And maybe I missed your answer, store manager compensation --

A - Greg Foran {BIO 4687375 <GO>}

Yes.

Q - Meredith Adler {BIO 1528023 <GO>}

-- is perfectly aligned with --?

A - Greg Foran {BIO 4687375 <GO>}

That is correct. So if we change that then they (are bonused) to the new plan which would take into account the increased hours.

Q - Meredith Adler {BIO 1528023 <GO>}

I have another question just about -- you have obviously raised wages for your entry-level workers. Have there been any changes in the wages you are going to be paying the people who are not at the entry level who've been with you for a while?

A - Greg Foran {BIO 4687375 <GO>}

So the answer is some small changes. So as we introduced the change in April of this year people who -- we call them capped. So they hadn't had an increase for several

years because they are at the top of their rate, many of these are long-term associates. We gave them an increase.

We are now dealing with the other issue that you've raised, we call it compression internally. And we are just working out how we manage that on top of moving to \$10 on top of more department managers.

So there is a population and, as you can imagine, at Walmart nothing is ever a small number. But there is a population of associates who have been with us for maybe 10, 15 years who now have quite a small gap between what they are earning and what someone who is new into the business. So we are working out how to deal with that and that is built into our plan and our guidance.

A - Doug McMillon {BIO 3063017 <GO>}

Ideally this starts to look like a ladder and in some cases it has and it does. We want people to join the Company and have an opportunity to move up. We want to create a meritocracy. So one of the other things that we have done is the department managers, which is a highly valued and very important role in the Company, have received an increase. And some of them that have the more complicated departments will make \$15 an hour next year starting.

And so, some of the longer tenured associates, we are trying to guide them towards running one of the departments because that gives them an opportunity to move up. Then ultimately we would like a lot of people to become assistant managers and eventually store managers. We really want to develop a pipeline of talent and to some extent have. But with our growth we have stretched that and needed to come back and put some of the rungs in the ladder in the right place.

Q - Joe Feldman {BIO 4772233 <GO>}

Joe Feldman, Telsey Advisory Group. Just wanted to ask about that store managers and the turnover there because you talked about the clean, fast, friendly stores. And you are at two-thirds today of where you would like to be and obviously there is a long way to go. And you have made a few comments you can very clearly see when there is a good start and a bad store and you can almost predict what the sales will be. So what are you doing I guess about the weaker stores and the turnover of those managers and maybe finding better talent for that store?

A - Greg Foran {BIO 4687375 <GO>}

Thanks, Joe. So lots of work has been underway and you will be across some of the changes. So Judith McKenna really runs that part of the business, she is doing a great job. So she realigned her teams and Mike Moore, some of you will know, he's been with us for many years, probably the best big store guy that I have ever met, walking a store with him is exceptional. He now runs Supercenters. Julie Murphy runs all of that Neighborhood Markets.

They have had a look at their teams. In the case of Mike has got six divisionals handpicked. So he has realigned that team. Then we have got about 50 regionals

who report to the divisionals, once again handpicked. And there has been about a 30% change, once again to be candid with you, in regionals.

As the regionals change they then start to change the market managers. The market managers are the group of our associates that might run 8 to 10 Supercenters or, in the case of Neighborhood Markets, 13 to 15 Neighborhood Markets because the Neighborhood Market is smaller, you can look after more.

So what is happening is that as we are making these changes it is cascading down. And we are seeing turnover in some of the areas, which, once again to be candid, we are forcing in some cases. In other cases people are getting promoted and we have done a series of those and there's people like Terry Nannie who comes to mind who is just now running one of our regions and just doing a marvelous job and a whole bunch of others.

We have re-instigated store manager training school. So -- even as recently as last week. In the office on Friday I think I saw three or four groups of new store managers coming through. You go back several months, we had a few hundred stores without store managers. I can sit here and tell you today that is not the case.

We have still got vacancies and my objective is to literally have none. But it is starting to get better but it doesn't happen overnight. And to become a great store manager takes several years. So we are on the path, we know what we've got to do to fix it, we are doing it. And give us another couple of years and this strength of great people running stores I think will be bank.

A - Doug McMillon {BIO 3063017 <GO>}

Okay, Greg, you set the bar this year for clean, fast, friendly --

A - Greg Foran {BIO 4687375 <GO>}

Yes.

A - Doug McMillon {BIO 3063017 <GO>}

-- and two-thirds have made it so far. Are you going to move that bar next year?

A - Greg Foran {BIO 4687375 <GO>}

Yes. So it is already moved. To be -- once again to be candid, the level that we were at sort of put us right at the bottom. And we only had 17% of stores that actually got the pass mark at the beginning of the year. Because we obviously track how we rate relative to our competitors.

So by moving the bar to where we did where we're now at 67% is really only getting us to at best mediocrity. So that bar has now been moved up so that a whole bunch of stores that were green are now going to find themselves red. But they have all been told that, they bought into that.

And so, they have now got to strive. If they can get to green then it sort of gets us to the bottom of the first quartile, the leading group. I want to do better than that again. But let's step our way through this and give people a chance, bonus them around that so they know how serious it is and we will get there.

A - Doug McMillon {BIO 3063017 <GO>}

I just think it is important that people understand if the percentage starts to come down it is partially because we moved the bar.

Q - Unidentified Participant

Two questions. Charles, for you on capital spending ,specifically how you come up with the \$11 billion number? Is it a top down number, a bottoms up number? And why was capital spending in the domestic division this year up more than you planned at the beginning of the year?

Then for Neil, subscriptions are becoming a much bigger part of e-commerce going forward both in services and goods. Where are you in that business? You have VUDU, you don't seem to be able to marry that. With the retail business, can you talk about some of your subscription strategies?

A - Charles Holley {BIO 18024865 <GO>}

Yes, I will take the first couple. On the \$11 billion, that really is a bottoms up with a top down then review and taking out -- looking out three years. And then understanding from history what is it that we think we can really spend or not spend or should spend. And that just comes as Doug and the executive committee get together and talk about what would be the appropriate thing.

Then I am looking at it also at a financial end. Does this make sense? What happens financially to the Company? And we felt like that was the optimum. But like I said, that number can be subject to change if we feel like -- for instance, if Greg -- if Greg and his team felt like the Neighborhood Markets, they had the management trained and they had the fresh areas where they wanted them and we had the sites that we felt like were great for customers you could see that number go up. But right now that is our best understanding of where we would be.

Q - Unidentified Participant

I guess my question is, why isn't it \$10 billion -- or why isn't it \$10 billion or used to be \$13 billion, I mean how --?

A - Charles Holley {BIO 18024865 <GO>}

Well we look at what do we think we need to do, Michael, to maintain our stores and our depreciation is \$9 billion or whatever. I would expect that that you would at least to maintain what you have over the long-term. Then you look at what are the opportunities versus -- if you remember what I said, we want our CapEx to track our priorities.

So we look at those priorities and what investment it will take to make sure that we go through with those priorities like we would want to. That is how we came up with the \$11 billion versus the \$12 billion or a \$10 billion.

A - Neil Ashe {BIO 5665242 <GO>}

Michael, on the subscription relationship with a customer, we think about it -- think about it as this digital relationship that we have been describing today, that is the ante. We would like everyone of our customers to be using their mobile app and having an account with Walmart.com, that provides the foundation of our ability to have a one-to-one relationship with those customers. Then we can sell subscriptions we believe on top of that.

And so, we have tested -- obviously we are testing ShippingPass, which is a -- an unlimited shipping offer. VUDU is a transactional media business as opposed to a subscription media business. So they have taken share in what they do, which is the EST business.

But as you think about that digital relationship, it is a big move for us to have that digital relationship. There was a long conversation about everyday low price and the consistency of that relationship. We are past that now to say, hey, a customer expects a personalized shopping experience, we can deliver that through the device that they have in their pocket.

That provides us the foundation. On top of which then we start to sell these subscription services and whether that is for razor blades or free shipping or media over time, we believe that we can merchandise those once we have that relationship. We feel good about the progress that we are making. Those will be a bigger part of the future than they are today.

A - Pauline Mohler {BIO 19462241 <GO>}

Okay, we have time for one more question.

Q - Unidentified Participant

Thank you. Thanks for lunch today, by the way . I had actually three questions, one for Doug, one for Greg and one for Neil. So Doug, in your earlier presentation you said you wanted to go where there was growth.

In that it suggested to me that you are looking to go after a little bit of a different customer demographic in America than you have in the past, maybe a bit more affluent because that is where we are getting the job growth and the income growth. So that is the first question I had, is that an accurate perception?

A - Doug McMillon {BIO 3063017 <GO>}

Yes, I think that will be the outcome. That doesn't mean that we are going to take our eye off the ball as it relates to opening price points and customers at all income levels. But the nature of e-commerce, the nature of the Neighborhood Market and

other things that we are doing do create an opportunity for us to be even more relevant to customers that are at the higher end of the scale.

Running cleaner stores also does the same thing. So I think if you look at where we match up against the bell curve in the future it will be even closer of a perfect match to what exists in the United States. But I wouldn't want you to think we are going to walk away from customers that are most focused on value.

Q - Unidentified Participant

Got it. Then, Greg, in terms of your outlook, your North America segment margin I think was 7.5 last year. We kind of work out where you are going to go over the years -- the next three years. But is the majority of the decline in your gross margin -- or in your operating margin rate or you segment margin rate to come from gross margin or is it to come from SG&A?

A - Greg Foran {BIO 4687375 <GO>}

I think as we have already identified, a lot of the cost we incur next year is absorbing the extra \$1.5 billion that we are investing in store wages.

Q - Unidentified Participant

Okay. Then in terms of the billions of dollars in savings, in terms of fresh, a lot of the criticism or concern has been in the quality of the value that you offer. So when you say billions of numbers is that thinking about in terms of both enhancing the quality and also lower everyday prices?

A - Greg Foran {BIO 4687375 <GO>}

I have lost you.

A - Doug McMillon {BIO 3063017 <GO>}

The quality of fresh.

Q - Unidentified Participant

The quality of fresh.

A - Doug McMillon {BIO 3063017 <GO>}

Yes, Greg can chime in here. But there are categories where the customer is really focused on price. And you sell Tide against Tide and price is what they are using to make that decision. There are other places where quality is a much more important part of that value equation, apparel is right -- if you don't have the right color forget about it.

In produce quality is the thing. And I think when we created Supercenters we took a lot of our DNA on price and we translated it into what we did on the food side of the

box with our fixtures, with our assortment. And especially in produce. But also in meat.

A - Greg Foran {BIO 4687375 <GO>}

Yes. They work it out, don't they? Customers will have a look at your avocado and you might be selling it for \$0.50 and if the guy down the road is selling it for \$0.80 but it is say a larger avocado and it is demonstrably different the customer makes a value decision.

So it is one of the challenges with fresh, isn't it, is that you need people working in your departments, working in your stores who are able to make some of those value judgments. Not all avocados are the same. Not all pieces of muscle meat are the same. So you need that ability right through your organization to make those calls.

At the end of the day where we want Walmart US positioned is to be giving the best value. And Tide, that's got to be you have got to have the right price. In the case of fresh it is a value decision.

A - Pauline Mohler {BIO 19462241 <GO>}

Okay. I would like to thank all of you for joining us here today. If you could stay in your seats for just a minute, we are going to conclude our webcast at this time.

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