Investment Community Meeting

Company Participants

- Brett Biggs, Chief Financial Officer
- Dacona Smith, Executive Vice President and Chief Operating Officer
- Daniel Binder, Vice President of Investor Relations
- Doug McMillon, President and Chief Executive Officer
- Jamie Iannone, Chief Executive Officer, SamsClub.com and Executive Vice President of Membership and Technology
- John Furner, Executive Vice President
- Judith McKenna, President and Chief Executive Officer, Walmart International
- Karthik Raghupathy, Strategic and Business Development
- Kathleen McLaughlin, Executive Vice President and Chief Sustainability Officer, President, Walmart Foundation
- Kathryn McLay, President and Chief Executive Officer, Sam's Club
- Kerry Kotouc, Senior Vice President
- Marc Lore, President and Chief Executive Officer, Walmart U.S. eCommerce
- Rachel Brand, Executive Vice President of Global Governance, Chief Legal Officer and Corporate Secretary
- Suresh Kumar, Chief Technology Officer
- Unidentified Speaker

Other Participants

- Bob Drbul, Analyst, Guggenheim Securities
- Caroline Conway, Analyst, AllianceBernstein
- Chirstopher Horvers, Analyst, JP Morgan
- Chris Horvers, Analyst, J.P. Morgan & Co
- Christopher Mandeville, Analyst, Jefferies
- Chuck Grom, Analyst, Gordon Haskett
- Craig Johnson, Analyst, Customer Growth Partners
- Edward James Yruma, Analyst, KeyBanc Capital Markets Inc.,
- Edward Joseph Kelly, Analyst, Wells Fargo Securities
- Greg Melich, Analyst, Evercore ISI
- Joe Feldman, Analyst, Telsey Advisory Group
- Karen Short, Analyst, Barclays Bank PLC
- Kate McShane, Analyst, Goldman Sachs
- Kelly Bania, Analyst, BMO Capital
- Michael Baker, Analyst, Nomura Securities

- Michael Lasser, Analyst, UBS
- Oliver Chen, Analyst, Cowen and Company
- Paul Trussell, Analyst, Deutsche Bank
- Peter Benedict, Analyst, Robert W. Baird & Co. Incorporated
- Robbie Ohmes, Analyst, Bank of America Securities
- Rupesh Parikh, Analyst, Oppenheimer
- Scot Ciccarelli, Analyst, RBC Capital Markets
- Scott Mushkin, Analyst, R5 Capital
- Simeon Gutman, Morgan Stanley, Walmart Inc.
- Unidentified Participant

Presentation

Daniel Binder {BIO 1749900 <GO>}

Good morning, and welcome to Walmart's 2020 Investment Community Meeting. Thank you all for being here, and thanks to those joining us on the webcast. We appreciate your interest in Walmart. I know the executive team looks forward to sharing the strategies with you, and answering your questions.

Now let me get a few of our usual statements out of the way. The information presented in today's meeting should be viewed in conjunction with our press release, and earnings materials that can be found on our website stock.walmart.com. The presentations will also be posted on our website as they are completed.

Today's presentations include forward-looking statements that are subject to future events and uncertainties which could cause actual results to differ materially from these statements. Please reference our entire safe harbor statement and non-GAAP reconciliations on our website stock.walmart.com. Hopefully, you've had a chance to review our earnings materials issued this morning, which we'll discuss in more detail during today's presentation.

You can see today's agenda on the screens besides me. We'll kick things off in a minute with Doug McMillon, Walmart's President and CEO. Then you'll hear from our CFO, Brett Biggs, and at that point we will have a 30-minute Q&A session to discuss Q4 results and guidance. Following that we will have a brief break and then continue with the rest of our program. After the segment presentations, we'll be doing something new this year. We will have an innovation panel discussion to highlight some of the many innovations across the business. We will then wrap up with an hour Q&A session, and at the end of that session our formal meeting will conclude.

We invite you to join us upstairs for lunch, where you'll have an opportunity to spend time with our executive team. With that let's get things started.

Doug McMillon {BIO 3063017 <GO>}

Good morning, thanks for coming. You're going to hear about our future plans from several of our leaders today. Let's begin by talking about Q4. I'll give you a summary, and then Brett will come up and share more detail about the quarter of the year and our guidance going forward. We feel pretty good about the year, even though the fourth quarter was not our best. Our momentum in Food and consumables within Walmart US is continued, that's been our priority and it's good to have that strength to build on.

Our volume in stores as well as through pickup and delivery remains strong. And it was good to see our US e-commerce growth of 35% for the quarter and 37% for the year. Our sales miss to plan in the US was in our stores and related to a few general merchandise categories. Sales in November and January where what we expected, but the weeks just before Christmas fell short.

We performed well in Electronics, Christmas seasonal, the Home categories and health and wellness, but were short of plan in toys, media and gaming and apparel. The sales miss to plan and less favorable mix of sales impacted operating income, and a change to our attendance policy contributed to wages being higher than they would have otherwise been. So a few things came together that affected our results.

We know what happened, and we're already taking steps to address them. You'll hear more details from John and Marc in a bit, but those steps include adjusting our apparel assortment and presentation in stores. We were too opening price point dominant this year, and we had too much of an investment in Christmas seasonal apparel. Also we'll adjust some of the toy decisions we made which John will say more about. And we changed our approach to layaway which missed sales plan by quite a bit this year.

In addition to adjustments to our plan for stores, it's obviously important to accelerate progress in eCommerce, given the ongoing channel shift. We'll continue to build our e-commerce assortment by adding items and brands in key general merchandise categories will improve our ability to ship eCommerce orders during peak and make sure that customers know we can do it. We exited the quarter in good shape in terms of the amount and content of our inventory. January sales were on plan and February sales have started off well too.

Sam's Clubs fourth quarter sales were a little better than plan with Membership and eCommerce performing well. Walmex, India and China were highlights in Q4. Walmex is a real gem and we are really proud of that team. With respect to India, we remain excited about the opportunity we have there. The way Flipkart and PhonePe are scaling is impressive.

In China, we drove improved momentum in the back half of the year as Sam's Clubs and eCommerce experienced strong results. We're managing the issues related to the Coronavirus daily. Our primary focus is of course on our associates and our customers. Judith and Brett will share more about our thoughts and actions, a little bit later.

Now Brett will give you the detail on the quarter, the year and our guidance for this year, then I will come back up and tell you more about our plan going forward. Brett?

Brett Biggs {BIO 17414705 <GO>}

Thanks, Doug. Good morning. Great to be with you here in New York city and thanks for everybody just joining us on the webcast. As always there a lot of exciting things going on Walmart. This is my 20th year with the company, and I've seen it evolve and I've seen it adapt, and I've seen it grow in remarkable ways. And even as I start my fifth year in this role, I'm still amazed at the number of things we've accomplished over the past few years.

Walmart remains nimble. We're focused on building the world's greatest omnichannel platform, and we continue to position this business for long-term success. There are several things, I hope you'll take away from this morning. We achieved most of our full year financial goals, and while we didn't hit on all cylinders for some of the fourth quarter, we had a good year.

Our ability to operate with lower costs provides competitive advantages and ensures we continue to gain market share. We're leveraging expenses at levels not seen in a while, and a sustainable. Our investments are paying off, and you can see this in reduced associate turnover, store innovation, high eCommerce growth rates, strong private brand growth, and I can name anymore. The productivity loop is alive and well.

So in recent years we widened price gaps. We've increased sales. We've leveraged expenses, and we've grown operating profit in Walmart US at Sam's Club, Walmex and other markets. We're leveraging our scale, our unique assets and financial strength to ensure structural competitive advantages. Our company's foundation is extremely strong.

So, let's discuss the fourth quarter. As Doug mentioned, sales were good through Cyber Monday as well as in January, and February has started off well, but the few weeks leading up the Christmas weren't strong. Doug mentioned a few reasons, but we believe also the compressed holiday season impacted stores more than e-commerce. Adjusted EPS was within our guidance, but operating income was lower than planned due to sales misses in a few GM categories and soft sales in a couple of key international markets. We still leveraged expenses by 25 basis points, but we could have been sharper in some places.

We also invested more heavily in technology during the quarter, which we expect to continue this year. The technologies we've talked about is a key part of our strategy, and will continue to accelerate progress on back-end activities on associate tools and key customer facing initiatives. And I have great confidence in our technology teams to invest aggressively, but also intelligently.

Adjusted EPS for the quarter was $1.38, however, adjusted EPS would have been about $0.05 higher except for two items. First, as mentioned when we gave guidance at the end of Q3, the unrest in Chile had an estimated negative impact on operating income of about $110 million. We weren't able to quantify this, when we gave guidance at the end of Q3. So nothing was included.

We experienced significant disruptions in nearly three quarters of the stores at one point, with some of them completely destroyed. And now, given the extent of the disruption we don't expect the business to fully recover this year, which has been considered in our guidance today.

In addition, we also recorded an unexpected legal accrual in the US of approximately $75 million. As Doug mentioned earlier, we understand the factors that impact the results for a few weeks in the quarter, and we're addressing them. The core business that remains very, very healthy, and in particular the food and consumables business around the world is strong. And in fact in Q4, Walmart US grocery comps on a two-year stacked basis were among the best in the past 10 years, and we continue to take market share according to Nielsen.

So let's turn to sales for the quarter and the full year and you'll be glad, I'm not going to go through all the various numbers live. So please reference the press release and the presentation this morning. And I'll give you some highlights here. Total net sales in constant currency increased to over $140 billion for the quarter, and reached $524 billion for the year, which is growth of nearly $14 billion. Walmart US comp sales excluding fuel grew 1.9% in the quarter with roughly balanced contributions from comp transactions and ticket.

As a reminder, these results include a 50 basis point headwind from lapping last year's SNAP benefit adjusted for the 53rd week this year. On a two-year stacked basis comp sales increased 6% putting two year stacks at 6% or more for six of the last seven quarters. For the year Walmart US achieved a 2.8% comp and a 6.4% comp on a 2-year stacked basis. So, Walmart US sales grew by more than $9 billion in FY '20, eCommerce sales were also strong, up 35% for the quarter. Grocery remained strong, but we also had sales, good sales and several online GM categories. For the year growth was 37%, which is slightly higher than we had guided.

International sales increased 2.2% for the quarter with strength in Mexico and China and India, and it was offset by the unrest in Chile and some continuing challenges in the UK and Canada. For the year, international sales increased to solid 2.8% in constant currency. At Sam's Club solid comp sales continued this quarter, increasing 3.8% excluding fuel and tobacco, now eCommerce sales grew 33% on top of 24% last year, in Q4 last year.

So let's turn now to operating income and EPS. For the quarter adjusted operating income declined by 3.7% on a constant currency basis. For the year adjusted operating income decreased by 1.9%, but excluding Flipkart adjusted operating income would have increased for the year.

Consolidated gross profit margin declined 40 basis points for the year and that primarily reflects a merchandise, channel mix shifts, price investments in various markets, including in the US are things we've been talking about this year, and also the inclusion of a full year Flipkart versus a partial year, the previous year.

The Walmart US gross margin rate was only down 14 points for the year, and even with lower than anticipated sales we leveraged expenses of the company by 25 basis points, excluding adjusted items in the quarter and 24 basis points for the year. Walmart US operating income declined 3.8% in the quarter, but stores, US stores operating income growth would have been slightly positive, if not for the legal expense I mentioned earlier.

Now the eCommerce gross margin rate increased, and they leveraged expenses however as e-commerce grows, it changes the mix of expense and margin rates for the segment. For the year Walmart US increased operating income by 2.6%. International adjusted operating income increased slightly for the quarter and constant currency, but excluding the unrest in Chile adjusted operating income would have grown by nearly 10%.

The International team delivered really solid expense leverage on an adjusted basis in the fourth quarter. The dilution from Flipkart was as expected. Perfect[ph], I had a great visit to Flipkart and to PhonePe a few weeks ago, and I always come back impressed with the energy, the management depth, the financial discipline and entrepreneurial spirit that I see here -- see there and Judith will talk more about that later on.

In Sam's Club solid membership trims contributed to an operating income growth of 8% for the year, so solid performance there. Now FY '20 adjusted EPS excludes a few larger items that are noted in our release this morning. Adjusted EPS was up[ph], slightly versus last year, which is within our guidance.

We finished the year in good inventory position with Walmart US and total company roughly flat year-on-year. Operating cash flow for the year, continue to be strong over $25 billion, and the company returned $11.8 billion to shareholders through dividends and share repurchase. The operating cash flow was down about $2 billion year-on-year about half of that difference is due to the Asda pension contribution that we made during the year. So here's the scorecard for the year compared to our guidance to start the year. Now despite not finishing a strongly as we would have liked from a sales standpoint, at the end of the year, I'm really pleased with what we accomplished for the full year.

Now over the past several years, we've made great progress as we transforming to win with customers and with shareholders and we've made strategic choices, and the payback on those decisions is becoming more evident. And we're glad that investors have been rewarded over the past several years.

You can see how the company has evolved by looking at the composition of sales and CapEx versus just a few years ago, we used to open 100 of stores each year in the US, but we struggled to gain traction on comp sales. Today we're opening very few new stores in the US, and we're driving more efficient growth with solid Walmart US and Sam's comps.

We used to have a global eCommerce business with just over $8 billion in sales. This year we estimate global eCommerce sales will approach $50 billion, and that's doubling just over two years. Now, while some of that come from acquisitions, we're changing the nature of how we interact with customers. $50 billion in revenue would put this well within the Fortune 100, even just on its own.

Just a few years ago we had no stores, no US stores with online grocery pickup and we didn't deliver groceries. Now we have about 3200 stores with pickup and 1600 stores with delivery. We've added a great deal of new technology such (inaudible) Sam's Scan & Go, Automated self scanning robots and a whole host of tools that help customers and associates. So a lot has changed in a short period of time, while we've been delivering solid financial results.

This is such an exceptionally strong company and I don't want that to get lost. There just aren't many companies in the world like Walmart. Total revenue approaching $525 billion, an incredibly strong balance sheet with a AA credit rating, a diversified asset base, physical digital assets and the most important markets around the world.

More than 265 million customer transactions a week, a 2.2 million strong associate base and a strong stable cash flow. And this financial strength gives us the ability to win now, and in the future. Most companies have to decide between protecting its core business, or growing new businesses. But we can do both. We continue to be guided by consistent financial framework, which you've seen, and if we execute in these areas we're going to win with customers and with investors.

In the year ahead we'll continued to focus on the most productive growth opportunities. We'll prioritize comp sales and eCommerce growth. Walmart US has had more than 5 consecutive years of positive comp sales and transactions. In addition, eCommerce growth continues to be strong and we expect that to continue. We expect total sales growth on a constant currency basis to be around 3% that represents over $16 billion in growth. We expect the momentum to continue this year with Walmart US segment comps of at least 2.5% and that growth fairly consistent across quarters with each quarter expected to be at least 2%. Now, this growth would imply two-year stacks well over 5%. We expect US eCommerce sales to be growth to be around 30% with quarterly growth ranging from the mid-'20s to the mid-'30s, and as you can see here, we expect eCommerce sales to represent more than half of our total global sales growth.

In International, we expect to see solid sales growth around 4%, with strength in Mexico and India, and will have some continued softness we believe in the UK and Canada. Our China business also continues to operate well, and in particular, Sam's

Club. Now, certainly, the Coronavirus tempers our expectations some and I'll discuss that more shortly. We expect Sam's Club to continue to have good sales momentum with comp sales excluding fuel and tobacco of at least 3%.

One of the areas I'm most proud of is the team's work around operating discipline and expense leverage, and last year we challenged the team with an enterprise-level goal of 20 basis points of leverage and we exceeded that, excluding adjusted items. The Walmart US stores team has leveraged expenses for 12 consecutive quarters. The investments in training and technology are helping sales and they're helping efficiency, and I'm very passionate about getting our expense rate down even further in a smart and sustainable way. If this business achieves SG&A levels of 20%, or hopefully, even lower we will continue to have options other competitors don't, and as you can see, we are bending the curve on expenses.

Over the past couple of years, we've implemented smart spend initiatives across most of the organization and you can take a lot of small projects. You can scale them across the business and they can lead to impressive savings. We have hundreds of opportunities underway and in the pipeline, but let me give you a few examples.

One example of combining a new technology with a new process is a type of store automation called the FAST Unloader, some of you have seen it. Two years ago, we didn't have any of this. Today we have them in more than 1,700 stores. If you haven't seen it before the FAST Unloader automatically scans and sorts items coming up a truck and it takes about a third of the time out of the truck unload. It makes the job easier, requires less time, it automatically prioritizes product to fill gaps in the floor. Now since inception, these FAST Unloaders have prioritized more than 25 million cases of merchandise that would have other otherwise results now to stocks. So you can tell, when we find technology and process that makes us better, we are moving quickly to scale it.

We can also improve the business and the environment at the same time we're investing in new technology that gives us enhanced visibility to the energy usage of store equipment, so think Internet of Things. By centralizing the monitoring and the maintenance of equipment, we expect to save around $100 million annually over time, improve the customer experience and help the environment. So this kind of initiative really demonstrates our save money live better purpose.

We're also seeing cost savings in goods not for resale or GNFR, we were doing okay in this area before, but we weren't leveraging our scale as much as we should have. For instance, just by changing our buying process and better utilizing our scale for shopping bag, we anticipate saving more than $60 million annually.

Another example is, we're going to save 15% on the cost of associates vest. They're made with recyclable material, which is more comfortable and it's more sustainable. In Mexico, we're increasing the use of e-auctions in areas like transportation and supplies, and last year we saved about 15% on a spend of nearly $300 million.

So these are just a few of many examples of how we're doing business differently than we've done in the past and small changes can have a really big impact in this company. We've made good progress on expenses and we expect to achieve around 20 basis points of SG&A leverage again this year and over the next few years, assuming consistent levels of comp sales.

As I mentioned earlier, the nature of our CapEx spend has changed dramatically over the past several years. This year we'll continue to invest the vast majority of capital in store remodels, eCommerce, technology and supply chain, to ensure we give customers the convenience shopping experience that they expect.

We'll also invest more this year in technology to upgrade legacy systems and lean into customer-facing, technology and technology of the future. However, quite a bit of this spend will have OpEx versus CapEx. For the year, we expect CapEx to be similar to last year at around $11 billion with slightly more going towards the US versus last year.

I'm really proud that over the past 10 years we've returned close to $130 billion to shareholders through dividends and share repurchases. In fact over the past 10 years, we've bought back roughly 30% of the outstanding shares at average prices well below the current stock price, this has been a good investment.

That's in addition to investing nearly $120 billion in CapEx over the past decade to grow the business and the ability to do all of this makes Walmart a truly unique story. With our announcement this morning, we've increased our dividend for 47 consecutive years and we also remain committed to our share repurchase program. We have approximately $5.7 billion remaining on our buyback program and we intend to complete that this year.

So here's how all this comes together and you can find a complete listing of guidance metrics in this morning's press release, you probably already seen. I've mentioned, our sales and capital guidance focus it's little more proper guidance. Now as always, we have several assumptions in our guidance, including general consistency and economic conditions, currency rates and tax in the regulatory landscape. The consumer environment is pretty healthy in the US and our competitive position is strong. We are also performing well in a number of key international markets like Mexico, China and India, while the UK and Canada remain challenging in some respects. Based on currency rates today, FX would have limited impacts on sales and operating income for the full year, but some slight negative impacts earlier in the year. Of course rates can change. So we encourage you to update your models as we go through the year.

Also, we have not included any potential future changes in the value of our investment in jd.com. We're going, -- we're continuing to monitor the ongoing tariff discussions, and we'll continue to actively manage pricing and margins with customers and shareholders in mind. We're also monitoring conditions in Chile and our guidance assumes a relatively stable environment there.

We're also continuing to monitor the Coronavirus situation. Our first priority as you heard Doug say is ensuring the safety and well-being of our associates and our customers and we're taking actions in that regard. Currently, we do anticipate some financial impact of the China business in Q1, and potentially into Q2. Due to the current sales mix landed heavily toward food and consumables, as well as some increased expenses related to the outbreak we could see a couple of cents negative impact in Q1.

We also continue to monitor how this might impact our sourcing operations. As of now we aren't seeing major impacts, but if there are any longer term shipping issues, it would likely impact our business. Because the situation is still so fluid, we haven't included any specific impacts related to the Coronavirus in our guidance, which I'm going to discuss next.

We expect FY '21 EPS to be in a range of $5 to $5.15 which implies a growth rate about 1.5% to 4.5% versus this past year's adjusted EPS. And this growth is expected despite the increased tax spend, which I mentioned previously. We expect operating income dollars to increase by similar growth rate as EPS and we expect Walmart US operating income to increase by an amount of the upper end of that range. We also anticipate Flipkart's dilution to be relatively consist with FY '20s adjusted results.

Now, with regards to Walmart US eCommerce profitability, we expect losses this year to be flat to slightly lower versus last year. We've seen improvement in contribution margins as well as variable fulfillment costs, and we expect that to continue this year. We'll also benefit some from the recent reorganization and consolidation activities.

Now to consolidated basis, we expect the quarterly cadence of EPS growth to be in the low single-digits in Q1 and Q3, and in our near mid single digits in Q2 and Q4. That is cadence is primarily due to the impact mainly due to the impacts of Chile unrest, comping expense timing in the US segment last year and the timing of increased tech spending, which actually accelerated in this past quarter.

As a reminder, fairly small shifts in the timing of expenses and other factors can change this quarterly cadence. And again, to be clear, none of the guidance I just mentioned includes any potential Coronavirus impacts, including the couple of cents potential impact from the China business that I mentioned earlier. N Now typically EPS growth is higher than operating income growth due to share repurchase. In FY '21, we expect the growth rates to be similar, what you've seen due to lapping some tax rate benefits from last year, leading to a slightly higher effective tax rate this year as well as increased costs related to the Asda pension plan, which hits below operating income. We don't currently expect these headwinds to continue past this year.

So as I close, I hope you have a sense of why we're so excited about the future. Our core business is really strong, and we're performing well. We are rock solid financially. We're leveraging our scale. We're leveraging our unique assets and paybacks from recent investments are helping fund future innovations. Expense leverage are sustainable, and the cost culture is strong again. And our guidance reflects continued progress and solid performance. This is really special company. 20 years here, and I'm so proud to be a part of this team and this company's transformation. I'm confidence our strategy and our financial strength are going to make us a winner in retail for many years to come.

And with that I'm going to ask, Doug, to come back and we thought we would go ahead and just take some questions on guidance and year and Dan, you want to start us out?

Daniel Binder {BIO 1749900 <GO>}

Yes. So we are going to have, as I mentioned earlier a separate Q&A session at the end of today's program. So this Q&A session is really designed for Q4, and guidance. We'll stick hopefully to that, and get through the next 30 minutes, if we have that many questions, if not we'll continue the program sooner. We have our mics. Karen right up here.

Brett Biggs {BIO 17414705 <GO>}

Oh, there is Karen (inaudible) in front row.

Karen Short {BIO 7215781 <GO>}

Hi, Karen Short, Barclays. Thanks for this. So just want to talk a little bit about eCommerce growth. I think there is a view that or there has been a view that the growth rate needs to slow much more meaningfully because you've been much more reliant on the grocery aspect, and that you're lapping the growth in terms of units and also the overall growth rate for click and collect.

So can you talk a little bit about the growth rate in -- if you could parse out a little bit the grocery component and the discretionary component of the eCom growth?

Doug McMillon {BIO 3063017 <GO>}

Yeah, sure. I'll start and Brett you can add in, if you want to. I think we've got room to run on both. If you look at the grocery side of things, the first thing that goes through my mind is product quality and what we're doing in the supply chain to make sure the stores look great. Not only is that product, what we put in front of customers every day in the stores, but it's what we pick and it's what we deliver. And our pickup business as we've lapped anniversaried stores that we've rolled out has continued to show strong comps and we have the opportunity to add more stores and then we're layering delivery on top of that. And while we're up 1,600 stores with delivery, we still got a run rate to go there to add stores and we've got comp numbers that we can drive just on delivery from store to store.

So there is so many dimensions that we can build on to grow there and the stores increasingly can start to pick general merchandise. So you will start to see a basket that it looks like it's broader than just food and consumables. Big GM assortment in stores, a lot of items that are of tremendous value to customers and layer that on. At the same time, we've got the walmart.com opportunity and with the action that Mark and the team took earlier this year to expand the number of next day items that we have, we've got that growth opportunity that number SKU count wise will continue to go up and you'll hear more in a little bit about what we're doing with marketplace and fulfilled by as a service. So there is a breadth of opportunities to drive growth there and we think the number that we guided towards today is a number that we can deliver and there'll be a combination of both.

Simeon Gutman {BIO 7528320 <GO>}

Hi. Simeon Gutman, Morgan Stanley. In fiscal '20 you return to profitable growth. At the beginning of the year, you did it with a little better sales and margin, and then we ended a little soft. Going forward, we have next day food seems to be outpacing the mix of other categories. How do you maintain this balance going forward and given that the stake seem to be rising, was there any debate whether to lean back into investments?

Brett Biggs {BIO 17414705 <GO>}

Well, we'll continue and we'll talk about this in a little bit as well. We'll continue some level of price investments staying on the offense and driving the productivity loop is our mindset around those things. I'm not forgetting the fact that we make money in food and consumables, and that with the mix of fresh there is profitability there and we're starting to do some membership sales, which are interesting. But there is a particular focus in the company, especially after the fourth quarter on general merchandise. As we walk our stores, we think we've got room to improve in several different general merchandise departments, as well as just adding brands and SKUs like we've been doing so feverishly on walmart.com. So we've got to execute the GM side of the box in addition to the food side, but we're very focused on it.

Doug McMillon {BIO 3063017 <GO>}

And Simeon, as I went through the presentation this morning. The thing that so great about this business. We have so many different pieces of the business and so many different levers to pull that as we make these decisions, it just gives us a chance to prioritize in a way that is always in line with the customer and still get profitability where we needed to be over a longer period of time.

Daniel Binder {BIO 1749900 <GO>}

Hey, Bob, next.

Bob Drbul {BIO 3131258 <GO>}

Bob Drbul, Guggenheim Securities. Brett, you talked about just in the overall guide increased tax spending. Just wondering, if you could just give us a couple, the projects, -- the focus areas, exactly where that money is going in?

Brett Biggs {BIO 17414705 <GO>}

Yeah, if you wait just a little bit longer Suresh is going to come up later and talk a little bit about it, but where there's a number of things, Bob and its some of its back end those be things that you would have never seen there, we talked about before, as a company you're always got some tech[ph] debt and we want to accelerate some progress around that.

Several initiatives underway, and with things to help our -- associates, be more efficient. John will talk a little bit about that later on. And then what's the customer going to look like in the future? How do they want to shop in the future, and Suresh and his team along with Marc and others are really focused on that, and again we will talk about that a little bit more later on (inaudible).

Peter Benedict {BIO 3350921 <GO>}

Thanks, Dan. Peter Benedict of Baird. Just back to the online grocery discussion. Can you give us a little more detail maybe how many more stores, you think you'll be able to add this year? And this is the last year of roll-out from that initiative? And then, Doug, you mentioned that you are seeing strong growth, I mean the comps in this business as you get in years 2 and 3. Can you maybe frame it, as a, how strong, a strong, is it double-digits? Just how it seems to be scaling at its point?

Doug McMillon {BIO 3063017 <GO>}

Yeah, I don't think we quantified the number on comps for grocery pickup and delivery, but they are really strong and now we're to the point, Peter, where we can see some stores that are in their second and third years. So that's also really encouraging to see. I mean, a little bit we'll talk about the expansion of store numbers with the specific numbers for pickup and delivery, but it's a combination of adding some stores and driving that comp growth and then putting everything together with the membership fee that's on our mind.

Kate McShane {BIO 7542899 <GO>}

Hi, Kate McShane, Goldman Sachs. I just wondered if you could talk a little bit about apparel, how much of the gross margin pressure during the quarter was due to some of the weakness in that category? And how we should think about apparels contribution to both comp and gross margin 2021?

Doug McMillon {BIO 3063017 <GO>}

Yeah, it was, as we mentioned earlier, one of the areas where we fell short and what we think happen is we get really focused maybe even more so on opening price points inside the stores and also very focused on Christmas seasonal apparel. We looked like red and green, and could have been more basic and could have had some kind of middle price points as suppose to opening price points and so we're focused on that.

There is a ton of work on SKU count, presentation that's been underway for a while now, and we're optimistic that we'll be able to improve the in-store assortment of apparel and in parallel, grow our apparel business online. We have a really big opportunity to sell a lot more apparel online, and we're adding brands. We've had some success this last year with some of the brands that we've launched including Scoop, but there's a lot of upside for apparel online as well we need them both. It's a really important category not only from the customer experience, but from a margin mix point of view.

Brett Biggs {BIO 17414705 <GO>}

Yeah. And Kate, I mentioned about contribution margin increasing in eCommerce, some of that is because of increased apparel sales, and we're doing better in apparel online. We should say for just walmart.com apparel is growing faster than the total. Apparel and home are both performing well. We just need even more from them.

Unidentified Participant

Thanks. And you guys mentioned the $50 billion eCommerce number that's for, that's what you think for fiscal '21?

Doug McMillon {BIO 3063017 <GO>}

Global.

Unidentified Participant

Global eCommerce. Is that a GMV number or does that include --

Doug McMillon {BIO 3063017 <GO>}

Net Sales.

Unidentified Participant

(Multiple Speakers) So Doug, I think in your comments in the third quarter, you mentioned doing more with the marketplace or 3P business. Can you -- how is that in the fourth quarter? And what are you guys seeing in 3P?

Doug McMillon {BIO 3063017 <GO>}

Yeah, it was good, but we don't think that we've done everything we must do, and should do to support marketplace sellers in terms of the tools and services that we have available. And we've grown a marketplace business over the last few years. It's a pretty good size, and it's helped us a lot with the assortment and being top of mind for customers as they're looking for items. There's a lot of upside for us, and

Marc is going to talk a little bit more about that later. So, let me let him elaborate on it.

Unidentified Participant

Can you tell us (Technical Difficulty) US 3P business?

Doug McMillon {BIO 3063017 <GO>}

Not big enough.

Daniel Binder {BIO 1749900 <GO>}

We've got Greg Melich. We have got Greg Melich upfront (inaudible).

Doug McMillon {BIO 3063017 <GO>}

Hi, Greg.

Greg Melich {BIO 1507344 <GO>}

Hi, Greg Melich with Evercore ISI. Brett, just to make sure I got the numbers right. Given the EBITDA growth in the US. Should we assume that gross margin rate is down 15 bps, 25 bps. That would be the corollary?

Brett Biggs {BIO 17414705 <GO>}

Yeah, I think the way we've guided, you can see that we expect operating margins to be fairly flat with what we've had here, and so when you look at the expense leverage of around 20, that's a pretty good algorithm.

Greg Melich {BIO 1507344 <GO>}

And where is that gross margin pressure, if you were to put it and see price investment or eCommerce investment or mix like, what's your shrink or where is that coming from? And then Doug, I had a follow-up?

Brett Biggs {BIO 17414705 <GO>}

Yeah, it's a little bit of both. So we'll continue to invest in price globally. We've made, John again, I'll talk about this more in the US. We've invested quite a bit in food and consumables, you'll see a little more price investment coming in general merchandise over time. And then globally, we're making price investments. Well, I think we're, I like how we're doing. I think we're smart about it. We're strategic about it. So, I feel good about the pace of price investments, but there is a mix shift as eCommerce becomes bigger, you do see some mix shift if you saw some in the fourth quarter.

Greg Melich {BIO 1507344 <GO>}

Got it. And then, Doug, I think it was five years ago we had an Analyst Day here where you talked about the imperative of invest in margin to get traffic growing again and clearly that's worked. Right. So where traffics consistently positive et cetera. As we take away from today where do you think will be 3, 4, 5 years from now? Is this the trend we should we should learn to expect that hopefully EBIT margin stay flattish and the goal is keep driving traffic up one or two. How do you think about that balance as you think about the business out a few years?

Doug McMillon {BIO 3063017 <GO>}

Yeah. I think growing traffic in that range would be a good accomplishment. But I'd like to see more than that, especially when you think about it in an omnichannel fashion and the combination of choices that we make we'll manage from quarter to quarter and year-to-year, we can make investments at store level and price to help drive the productivity loop. We can make investments in eCommerce to help drive eCommerce and as we see eCommerce losses improve, it gives us some room to make choices to do things like this year. The choice that we're making to accelerate our modernization of technology, which we'll talk more about in a moment.

So the team works together in a really fluid way to set these priorities to make sure we're balancing all these things, including driving traffic growth, but overall, I would expect that we can transform the company while maintaining a level of profitability that is in the range of what we're talking about for this year, but we only set guidance one year at a time.

Greg Melich {BIO 1507344 <GO>}

I understand.

Daniel Binder {BIO 1749900 <GO>}

Sure. We're going to go to Michael Baker.

Brett Biggs {BIO 17414705 <GO>}

Did I do okay?

Greg Melich {BIO 1507344 <GO>}

I was going to end with that. Yeah.

Brett Biggs {BIO 17414705 <GO>}

Did well coached.

Daniel Binder {BIO 1749900 <GO>}

Could state your name in --

Michael Baker {BIO 22312031 <GO>}

Sure, it's Mike Baker from Nomura. Hi, how are you? One bigger picture question, then a couple of quick hit ones if I could. But, so it seems like eCommerce was a little bit better in the fourth quarter. Stores, not quite as good. Is that a function of the shorter selling period you think? Or is there something bigger, going on to think about into next year? And then I'll just run off the quick ones, if I could real quick. How much is Chile going to cost you next year in the guidance? Layaway what happened there?

And then finally, I'll give this excuse to you even though you don't use it. Did the weather hurt your apparel at all in the fourth quarter?

Brett Biggs {BIO 17414705 <GO>}

This reminds me of Dan Binder's old questions that were (inaudible).

Doug McMillon {BIO 3063017 <GO>}

You may go first.

Brett Biggs {BIO 17414705 <GO>}

Let me start with Chile. So what we've assumed for Chile is clearly had a big impact to the business last year, and certainly our associates and our customers have gone through a lot in that market. We're assuming in our guidance that the market remains relatively stable. We don't expect the business to come back in full because of the unrest and the damage that we had, but we assume basically how we came out of the year is how we're going to go into next year.

Doug McMillon {BIO 3063017 <GO>}

So yeah, eCommerce was ahead of plan and stores were behind plan, and some combination of 6 fewer days, channel shift to eCommerce maybe even that weather, where do you mentioned all those things factored into what happen and we wish we could tell you precisely how it weighted out. I don't think we're going to be able to tell you exactly what happened. But we do know that we've got room to improve in terms of store merchandising and assortment, not to say that there aren't a lot of strengths there. I mean we've called out the specific categories, I can't remember a year where there wasn't a hot toy, the hottest toy this year was under 5 bucks many brands these miniature mayonnaise jars and ketchup bottles I still don't completely understand, but it didn't really drive a lot of volume.

There is not really another hot item. That's unusual. The calendars every few years this happens, and I didn't feel very good the last time this happened and I'm getting old enough to remember several articles now. So I'm not sure how to weight all that out for you, but we do know we've got to keep getting better at eCommerce and we got to run great stores and that's where our focus is on tactically.

Daniel Binder {BIO 1749900 <GO>}

We go to Michael Lasser, and then Oliver after that.

Michael Lasser {BIO 7266130 <GO>}

Michael Lasser from UBS. Thank you for having this day and we should get together for all your earnings releases, we appreciate it. Formulating guidance for this year is probably particularly tricky of an election, Coronavirus all these uncertainties. And you just came off a period where sales didn't necessarily meet your expectations.

So how did you factor all of that in as you were coming up with your Walmart US sales plan for the year? And as part of that did you assume that you can have to invest more in price in order to drive the traffic recognizing that you already said that more of the price investments will go to general merchandise versus consumables this year?

Brett Biggs {BIO 17414705 <GO>}

Yes. So we put a lot of thought into it. As you can imagine, and it's really the result of a lot of work that goes on with this team over here and how we think about trade offs around the company. When you look at, we talked about sales through Cyber Monday were good, sales in January were good. We started off the year well. The food business around the world continues to be strong.

Traffic was up nearly 1% in the US. So the underlying part of the business is in good shape, and I think that gave us confidence to give what I think is really healthy guidance for next year. There's a lot of pieces to the guidance, there are lot of things that go into that and where the year-end up every pace[ph] work exactly like we think it will, we know it won't, but within all those moving pieces, we felt good about the guidance that we're giving.

Doug McMillon {BIO 3063017 <GO>}

Low unemployment, relatively low fuel prices really no inflation in the business and which is interesting. The comps that we're driving unit result in a lot of tonnage. And so that's great. I think there is room to make the price investments that we need to make across the box, not just in general merchandise and the plan to drive this kind of comp. But we assume that the customers going to be somewhat in the same place that they're in right now.

Daniel Binder {BIO 1749900 <GO>}

Go to Oliver next and then we'll come up to Scott after that.

Oliver Chen {BIO 15320650 <GO>}

On longer-term eCommerce profitability and main drivers that you think about mix and shipping as well as the consumer pressures around shipping speed and the need for speed. Second question is on robotics and automation. You've been really a pioneer in this space and rethinking the store, what are some of the priorities in terms of automation? And how your balance CapEx both labor savings as well as labor savings opportunities?

Brett Biggs {BIO 17414705 <GO>}

We'll wrap up this morning talking about technology and give you some examples of things that we're thinking about as it relates to automation. But we do have an opportunity inside the box grocery picking on the side of the box, as well as back in our distribution centers to add even more types of software and hardware to make ourselves more productive and I'm excited about that.

Doug McMillon {BIO 3063017 <GO>}

On the e-Commerce losses, we're giving this year. But we're encouraged as I said, by what we're seeing in variable fulfillment costs, we're encouraged by what we're seeing in contribution margin as we see the mix change a little bit in that business. We're going to continue to invest in eCommerce, and again it's up to us as a management team to make sure all the pieces fit together in a way that makes sense for investors.

Brett Biggs {BIO 17414705 <GO>}

Does pieces include first party, third-party services that support marketplace sellers the way we manage stores and some of the other areas that were mentioned today? We're thinking about the whole system. Do we think that eCommerce losses will subside in time incrementally as we drive CP improvement and learn how to run a eCommerce business better, yes. But it'll be a mix of things that will drive the profitability of the company.

Doug McMillon {BIO 3063017 <GO>}

And you've heard me say this before, I'll say it again which is -- it gets more and more challenging to try to break these businesses apart and report it that way. I mean the business just becoming more and more omni as the customer becomes more and more omni.

Daniel Binder {BIO 1749900 <GO>}

Okay. It's Scott and Chuck next, and if you could just keep the questions to the quarter and guidance, that would be great.

Scott Mushkin {BIO 7138867 <GO>}

Scott Mushkin at R5 Capital. So I wanted to poke a little bit more at the US grocery business in particular, it looks like store sales -- well, I'll just say this. It looks like almost all the growth is being driven by omnichannel which put some pressure on your business. So how do you resist the temptation to what prices creep up a little bit, maybe take some store specific labor out things that got you guys in trouble, a little bit before, kind of the reset five years when Doug you took over.

Doug McMillon {BIO 3063017 <GO>}

We just won't let it happen. I mean we've lived through what that looks like, and we're in the stores all the time and paying attention to what hours and structure look like. I think that we would say that over the last year or so, our focus on grocery shifted the store managers focus and others focus to really executing in stock and grocery pick and deliver on the food and consumable side, and it may have contributed some to apparel presentation and general merchandise.

So in this business, you got to run the whole box, and we're focused on that and thinking about our staffing that way as we head in the next year. As we build new products, I think this is kind of embedded in your question, Scott, launch grocery delivery, charge a membership for it, and do other things. We've got to keep an eye on a pure store P&L and make sure that it's not inappropriately subsidizing new businesses. And we do think about that and keep an eye on it as we manage all these variables. Hope that answers your question. Yeah, it -- follow up.

Scott Mushkin {BIO 7138867 <GO>}

Yeah, just quickly. You guys were really committed to certain price gaps in the consumables business, which have been strong and we've seen continued investment on that side of the business. Is that's still to be expected or not?

Doug McMillon {BIO 3063017 <GO>}

We've made a lot of progress on those things. But maintaining gaps, and staying aggressive isn't our plan, just not exclusively.

Chuck Grom {BIO 3937478 <GO>}

All right. Chuck Grom from Gordon Haskett. Good morning, guys. On the Coronavirus, we're getting a lot of questions from investors, and what's going on over there. And I know a lot of the factors are just starting to reopen. Just what are you seeing over there? How big of an impact do you think it could be to your business in the back half of the year if there our backlogs? And I guess Brett, just on the $0.02 of a potential (inaudible) first quarter I guess just to clarify that's not in your guidance and I guess, where would that be within the P&L on the top line or in the margin front?

Brett Biggs {BIO 17414705 <GO>}

Let me start there, once you start--

Doug McMillon {BIO 3063017 <GO>}

Yeah. Let's start with store operations. I mean when Judith and her team wake up and maybe you are getting some sleep they are thinking first and foremost about what's happening with our associates? What do they need? Are the stores being run well? Are we taking care of customers to the extent that we can?And we do currently have a majority of our stores with reduced hours. Looking back over the last few weeks there have been a few times when we've closed the store for a little while, but we like to keep stores open customers need us. We do it with hurricanes in the US, we're doing in this situation in China. There is collaboration going on with the appropriate government officials to make sure that we're doing all the things that they would expect us to do. And our team on the ground is doing a great job managing that.

The mix shift happens. So if you could imagine yourself in that situation you're focused on fresh food, you focused on the staples that you need to have in your apartment, your home all the time. You're not thinking about toys or apparel. So that's occurred. And then another dimension that's change is delivery has gone up even higher as you would guess. And so this relationship that we've got with Dada for the last mile delivery or last few steps delivery from the store up to the apartment those kinds of things that's enabled us to pick from our stores into delivery and fuel some of that growth, but it will create a mix change to the P&L, and we don't know what's going to happen next. One of the reasons why we couldn't put in our guidance is because there are so many moving parts right now including sourcing coming out of China, not only into the US but into other markets as well.

It's important for everybody to remember in the US, we do about two-thirds of our volume with goods made in the United States, that other third comes from a combination of countries especially China, Canada, Mexico, a little bit from India, Southeast Asia. So how long will those shipments to be delayed? What can we do to buy goods that are already in the US or made in the US to supplement some of that, so we don't feel as much of it. All of that work is happening which makes it really difficult to call how it's going to play out the quarter. We're not even through the first month yet. So that's why we've made the decision we made.

Brett Biggs {BIO 17414705 <GO>}

We have try to make guidance as simple as we could, and so we got in discussions about do we include this, do we not include that, and so where we had a little more visibility was on the store side. Sales, I'm pleased that we can keep stores open to the extent that we have, and be able to serve those citizens, those customers. Sales have been okay in the market and this really is so far a mix issue. And it's an expense issue as we look at just how to deal with associates, and wages and other things we've got to make sure that we're taking care of people, and so it's led to increased expenses. So I want to give you the visibility we had right now, but keeping it out of guidance we felt was cleaner. We'll go to Chris.

Chris Horvers {BIO 7499419 <GO>}

Thanks, good morning. Chris Horvers, JP Morgan. First, -- and sort of a year question then the longer-term question. So, first on the year, you talked about mid-20s to mid '30s on the eCommerce growth rate around 2.5 or -- 2.5 or more pretty consistent over the year. What drives the variability around the eCommerce growth rate over the quarters? And then, I have a follow-up on Gen Merch.

Brett Biggs {BIO 17414705 <GO>}

Yeah, sometimes -- anytime we have variability for -- in eCommerce or anything, we have, it can be something that happen this year more times than not where we had -- it can be weather, it can be a week or two that were better than some, and so we are just curious, there is little bit of timing difference, and it doesn't take much of a change to move something from 25% to 30%. So, we want to give you as much guidance as we can along that, but it just doesn't take much impact to make a change. So, it's not as a variable as it seems when you just look at it, mid '20s to mid '30s.

Chris Horvers {BIO 7499419 <GO>}

And then does the sort of overall US comp therefore sort of follow that same flow. How do we think about the overall eCommerce growth rate, cadence wise?

Brett Biggs {BIO 17414705 <GO>}

It would be some, but eCommerce is still a fairly small part of that total segment comp number.

Chris Horvers {BIO 7499419 <GO>}

Okay. And then just longer term as you think about new Head of US, new Head of Merchandising, the push to grow general merchandise, remember meeting with you, Doug one time we talked about, hey, how can we grow gross margin rate, when we put general merchandise on sale, and we invest on price. How long does it take to turn to Gen Merch business to something more significant? Do you expect the gross margin benefit to sort of Ex-4Q[ph] comparison[ph] to increase throughout the year or is that more of a 2021 opportunity?

Doug McMillon {BIO 3063017 <GO>}

Yeah, I think it's more incremental and we wouldn't put it on sale, we have roll it back for at least 90 days, like it wouldn't be too temporary. We will be -- I think the way we're coming across is probably being too dismissive of the strength of the General Merchandise business in the stores. We have a lot of great merchandise and our teams do a great job across the board and hard lines in some departments in particular. So there is a strength there to build on. Do I think that GM needs to grow faster than the total in stores and online? Yes. Do I think we've got room to make that happen in terms of the product we select and how we present it, in store and online? I do.

So I would just expect over time, these things to get stronger as the team gets really focused on apparel and home and some hard lines categories and I think the opportunity both in-stores and online is clear and an exciting, but it won't be a one quarter switch and -- it's not that easy. If it was that easy, we would have already done it.

Daniel Binder {BIO 1749900 <GO>}

We'll go next to Kelly.

Kelly Bania {BIO 16685675 <GO>}

Kelly Bania, BMO Capital. Brett, I think you said US EBIT at the higher end of your range. So I think almost mid single-digit. Can you just help us think about how eCommerce losses do impact that for the year? And maybe just how the FC's versus groceries and the roll-out of delivery impact that? And if you can or maybe if you will today, just over the next couple of years, really think about just a candid discussion of how we should think about that?

Daniel Binder {BIO 1749900 <GO>}

Yeah, there is a lot of things in that US segment P&L. It's a really big business. And so as you look, one of the things is really important and underlies a lot of how we get that profit growth is what we've done on expenses. The business has been very disciplined. How about, how they think about expenses, but doing in a way sustainable, and doing in a way that helps customers and helps associates. So that's different than how we would have managed expenses, I think in the past.

Price goes into that certainly from a gross margin perspective. Transportation goes into that. Having eCommerce losses that are flat to potentially a little bit lower helps as we think about profitability growth in the US business, but it's really the combination of a lot of different things inside that business that allows us to grow profit at those levels. But you got 2.5% comp in Walmart US on that scale, the amount of leverage you can get from that business is pretty amazing.

I think we have two questions over here. And then I'm going to probably wrap it up.

Scot Ciccarelli {BIO 1495823 <GO>}

Scot Ciccarelli, RBC. Can you guys provide a little more detail on the associate disruption that you talked about this morning in today's release? And how much of the EBIT shortfall was due to that headwind?

Brett Biggs {BIO 17414705 <GO>}

I don't know that we've quantified it, but we changed our attendance policy and tied it to our incentive plans and people really showed up to work. And we of course anticipated that we would see that, but not to the extent that it happened.

Scot Ciccarelli {BIO 1495823 <GO>}

I guess the bigger question has to do with kind of like -- today's employment environment and this is something that could wind up kind of rolling into calendar 2021 et cetera -- based on where you are?

Brett Biggs {BIO 17414705 <GO>}

Yeah, I think those are two separate conversations, and a little while we'll talk about all the things we're doing with associates to attract and retain talent. So let's cover it when we look forward, but that fourth quarter issue was just as I described, it's kind of that simple.

Scot Ciccarelli {BIO 1495823 <GO>}

Thank you.

Daniel Binder {BIO 1749900 <GO>}

One more over here.

Craig Johnson {BIO 18288790 <GO>}

Craig Johnson, Customer Growth Partners. Could you speak -- I'd like to drill down on the traffic issue a little bit. And you showed 265 million customers assuming the transaction --. Question is do you understand your customers well enough to know whether you're getting same raw traffic, lower conversion, whether you're getting few more or less trip frequency of existing customers? And if you're losing share of trip missions do you know whether you're losing it to the all these in Costco and Trader Joe's of the world?

Doug McMillon {BIO 3063017 <GO>}

Yeah. Good question. We have a lot of data and have good visibility into where people are shopping. What's happening with us and you know, I would say and I'll say it again in a few minutes and the fact that customers that shop us both in-stores and online are so much more connected to our brand spending 2X and spending more in-store is a thing that we're really focused on. So we have a lot of data and we can gather even more data, but I think I know what's going to tell us at the end. If you win their most frequently purchased items you get the opportunity to serve impulse items online and in-store and our focus is in driving that sweet spot.

Daniel Binder {BIO 1749900 <GO>}

Great. That wraps up our Q&A session, our first Q&A session and we'll have a more transition here. And Doug will --

Doug McMillon {BIO 3063017 <GO>}

Thank you. Appreciate it.

Daniel Binder {BIO 1749900 <GO>}

Thank you. Well as the video remains us we're driving a lot of change across this business and I'm as excited as they've ever been about this company. The combination of our unique strengths and assets, the new ways we can serve customers and the capabilities we're building cause me to feel that way. From our frontline associates to our store managers, tech team and leadership, we have the mindset and culture to adapt. Innovation is happening across the company. We're pleased to see our people solving problems in new ways and with increasing speed.

In addition into our strategy to serve customers. I'll share some thoughts on how we're creating opportunities for our associates, our thoughts on technology and the opportunity and responsibility we have to serve multiple stakeholders that Walmart serves, shapes or influences. I'll start today by focusing on the US given how important it is, but you'll see that these strategic themes have implications for our markets outside the US. Our list of advantages starts with our supercenters. We have a strong assortment of the best-selling items priced at tremendous values. We're strengthening our fresh food offer and delivering strong pricing and in-stock across all of our food and consumables categories.

We have a large and growing pharmacy optical and OTC business. We're strong in seasonal hardlines. Our home business is performing well but we have room to improve with apparel. We prefer to sell brands for less, but we're also improving our private brands and they're growing faster than our overall sales, 18 of them do more than a $1 billion in sales and our largest private brand Great Value does more than $27 billion a year globally.

Just as with merchandising, we have foundational strengths and room to improve in store operations. Our team is focused on our people, our processes and our technology to improve the customer experience and increase productivity. We've improved associate education through our academies and we're seeing retention increase because our associates are better equipped and more confident to do their jobs.

We're empowering them with apps on their mobile devices that help streamline their work and put information at their fingertips. We're putting automation in place to help us improve side counter modular accuracy and in-stock. We're testing new technologies that will change our front ends work and how our distribution centers flow merchandise to stores. We have the best store format in the right locations and we'll keep making them better.

We'll keep improving our pickup experience and we'll build on that capability to further scale delivery for customers who want it delivery will extend all the way into their kitchen or garage as we learn how to keep them in stock on the items they buy all the time. The customer retention rate of our in-home pilot in Kansas City. Pittsburgh and Vero Beach is encouraging and the membership is $19.95 a month.

Our EDLP assortment with its strong opening price and private brand components underpins a strong customer proposition and when it's purchased as part of a big basket, which helps with pick and delivery economics, it's compelling for customers whether it's purchased in store, picked up or delivered.

No one else has that assortment so close to so many customers and having profitable stores that function as pick centers is an advantage. The capital is already placed and well positioned. There is a Walmart within 10 miles of 90% of Americans, within 5 miles of 70% of Americans and fully half the US population is within just 3 miles of a Walmart. That's a unique position and we're taking advantage of it. We didn't have a grocery pickup business a few years ago and now it's huge. We started providing same-day delivery for our customers two years ago and now it's available for more than 1,600 stores, covering more than 50% of the US population. We've been learning to sell memberships for grocery delivery and that looks promising. We've even built our own delivery platform for independent contractors to complement other delivery providers, it's called Spark, it is now available in 31 states and doing more than 30,000 deliveries a week. Over time, and as volumes grow, we'll learn how to pick and deliver locally with more automation. As you know, we've already started with our test of AlphaBot and self-driving vehicles.

As we're making the most of our stores, we're strengthening walmart.com. While our customer scores reflect the progress we've made on assortment delivery, we're far from satisfied. It's not only important because customers want access to a broad assortment delivered accurately and quickly, but we need the margin profitability of a large eCommerce general merchandise business and that includes a well run marketplace supported by fulfillment services.

Our interests are aligned with our customers and marketplace sellers. The losses we're experiencing today are necessary to build a business model that can compete and avoid being out mixed. Our data shows that a customer who shops in both stores and through our app or website spends twice as much as a customer who shops in stores only and they spend more in stores. It's obvious to us that people want to shop a brand in a seamless omnichannel way that has little to no friction. So we'll keep adding assortment and new brands online. We'll keep growing to leverage our fixed costs and look for ways to intelligently speed up the process. Our assortment acquisitions such as Shoes.com, Art.com and Hayneedle which came along with Jet for the home categories have added category volume and expertise to the company as they've improved customer choice. Jet has enabled us to attract new brands. As we described when we bought it, it's positioned as urban, younger and more affluent than Walmart. We haven't invested in it because the traction we're gaining with walmart.com and the efficiency of the investment in the Walmart brand versus Jet.com because we made that pivot combined it with strong eCommerce grocery -- grocery growth in the US and other markets and made the investment in Flipkart, we now have a global eCommerce business that should achieve nearly $50 billion in sales in the year we've just begun. We've invested a lot to do it, but we're now in a position to play offense to win an omnichannel game. Our opportunity is to weave all this together in a way that grows sales more profitably. We've got a strong set of chess pieces to work with.

Last year, I showed you this image of our portfolio. We're turning it into a set of mutually reinforcing businesses that create a stronger flywheel. We see the opportunity to build a next-gen Walmart productivity loop that serves the customer more holistically. The biggest customer funnel end of the flywheel will be through those items they buy all the time. But regardless of how they initiate their interaction with our brand, we'll make it easier to experience all of Walmart. As they do, it will enable us to continue growing advertising and financial services. We think we can learn how to drive alternative revenue and profit streams by building on our core businesses, learning how to build and launch digital products will be key.

Beyond advertising and financial services, healthcare looks like a big opportunity. Given our large pharmacy and optical businesses and our experience with flu shots and other in-store health events, we have something to build on. It's another omnichannel opportunity that takes advantage of big boxes and big parking lots close to people. The early results from our two Walmart health clinics in Georgia have shown us that customers welcome us to participate in healthcare services. I don't want to get too far over my skis here because we're just getting started and we have a lot to learn and do. But after spending time in both of these health clinics, I think there is something here. Our doctors and healthcare professionals like the incentive structure. They're not being rewarded for sending people to a specialty that they may not need, they're being rewarded for caring for patients and it shows. That's a small sample size, but our NPS score related to wealth cared for is in the mid 90s.

We're learning how to equip these clinics with the right people. We will learn how to support them with the right technology. We'll try various pricing structures, we will be experimenting with the size and lay out and we'll be exploring opportunities to add digital capabilities that extend outside of the clinics and eCommerce to round out the experience. Our opportunities with healthcare, financial services and advertising will take time to sort out and scale. But it's clear to us that in an omnichannel world where people can complement, our people-centric physical businesses with new digital businesses, our opportunity to serve customers holistically and profitably expand beyond what we've done before.

Now, let me take a minute to look further into the future. I think we're headed towards a time when customers won't really think about buying their routine items very often. They'll tell us once or less frequently anyway and we'll take care of it. As a teenager, I remember my mom leaving our house asking is there anything you need from Walmart? It's apparent to me now she didn't say I'm going shopping, what do you need? She wasn't shopping around. Walmart was the default. And then so many of our customers do today, she bought her big basket from Walmart and filled in from elsewhere. Well, the next generation of that is Walmart InHome. Customers will start to think of us like a membership service where we make sure the items they use all the time are available in their homes, whether it's that service, the way we design our store offer, or the growth of our pickup business, we're out to win the big basket stock up trip that's delivered on time at an everyday low price. When it's our job to forecast their demand and keep them in stock, it's not as important to deliver in a day or an hour, it's just required that their items will be there when they need them. Price will matter. Our supply chain will support that strategy.

We'll have a human relationship with customers as they interact with our associates, but we'll have a stronger digital relationship that saves them time and makes their experience with Walmart more enjoyable. To create these digital experiences that marry our people, our stores and clubs with our site and app, we're changing how we work inside the company. We're adopting agile, working in small teams to design experiences and solve problems. This change is an unlock to deliver seamless omni, to drive innovation, become more productive and pick up speed. Working this way won't only help us improve our core offer, but will also help us build and launch digital businesses that eventually form a new business model.

Sam's Club provides an early and good example of the benefits of working this way. It's become an innovation hub within the company. The Sam's team has created time-saving innovations like Membership Express, which enables us to sign up new members in less than a minute. New apps like Sam's Garage allow members to buy tires in a fraction of the time it used to take and the Ask Sam voice app gets our associates needed answers fast.

The technologies we're using to assist our associates and members at Sam's are getting results. We've seen 16 consecutive quarters of comp sales growth in Sam's excluding fuel and we have more members now than we had before we closed clubs two years ago. Our overall membership count and renewal rates are up year-over-year.

As I mentioned previously, a lot of what I've described for the US is relevant across the world. We all want to save time and money. We all want to be pleasantly surprised by finding an exciting new item. Outside the US, Judith and team are working together to drive innovation. We offer grocery pickup delivery or both in nearly a dozen countries. We've got some strong well-positioned businesses in Walmex and in Canada. Flipkart and PhonePe are scaling quickly with a ton of runway ahead of them as we work to build platforms that support (inaudible) and small businesses. It's helpful to a built expertise with our cash and carry business in India too. We have strong leaders in place. They and their teams are being aggressive. We're learning from them as they build out our ecosystem in this important market.

In Mexico, we offer same-day delivery of grocery, consumables and thousands of general merchandise items. (inaudible) and the team are building e-commerce capabilities and becoming a digital enterprise. We opened 134 new stores in Mexico last year, bringing our total for Walmex to more than 3,400. We're set up for omni in Mexico.

Our business in China, particularly in Sam's Club, has been strong. With respect to Walmart in China, we drove e-commerce growth of 95% as we continue to expand. Walmart Daojia and JD Daojia. Daojia, by the way, means to the home and that's where we're going with an average delivery time of 40 minutes. We own about 10% of JD.com and have an investment in Dada, which provides delivery from our supercenters. Along with the US, Walmex, Canada, India and China are our priorities. Beyond those markets, we'll be working to set of other businesses for success. We've shown we're open to alternative ownership structures. If you've seen us take action in Brazil and attempt to merge our business in the UK, we'll be thoughtful about the portfolio, make the right decisions for our associates, our customers and our business. We'll be disciplined about positioning and where we invest and not just geographically, we're making choices as we transform the company.

One choice we've made is to get more aggressive with regard to legacy technology. We've been operating and innovating on top of a complex set of global systems. We've decided to speed up the modernization process and do it in fewer years than we had planned even a year ago. Doing so will enable us to drive more innovation, speed and productivity.

We'll wrap up our session today talking in more detail about those plans, the implications of which are in the guidance that Brett shared earlier. And we aren't a tech company, we're a people-led tech-empowered company, but we're out to put tech and data to work. As we do, we'll keep people first. It's our humanity that differentiates us. Our associate success is the company's success and we have an opportunity and a responsibility to prepare them for the future of work.

The impact of technology on the workplace is amongst the most pressing issues of our time. We design and manage holistic set of benefits that support our associates, including a fully loaded hourly wage that's now over $18 an hour including part-time associates, quarterly bonuses that totaled $730 million last year and were earned by a majority of our US associates. A 401(k) match where we invested more than $1 billion last year for 650,000 associates, an enhanced parental leave policy that can provide up to 16 weeks of paid time off for a birth mom, a $5,000 adoption benefit and flexible healthcare plans that start as low as $29 per pay period. Working with partners like the Mayo Clinic and Johns Hopkins, we've created centers of excellence for serious health procedures to ensure the best care.

We developed educational opportunities enabling our associates to be prepared for their current role and prepare them for promotions. We will be a springboard for them. More than 12,000 associates are enrolled in Live Better U, and as of last year, they've completed more than 88,000 course credits, which have a total worth of more than $42 million and it costs our associates about $1 a day.

Over the past five years, we've made incremental investments of more than $5 billion in training, education and higher pay for store and club associates in the US alone. Without question, investing in our associates is the right thing to do and we continue to see how our education offerings are paying off. Our commitment to supporting and developing associates isn't limited to the US. In fact, the academies we launched in the US were copied from the UK. In China, we have a program called Retail University that helps associates build new skills. In Canada, we offer tuition reimbursement for associates and their families at accredited colleges and universities. We're bringing our workforce into the future with us. And we're not just focused on customers and associates. We take a multi-stakeholder view. For many years now we've taken action to benefit the breadth of stakeholders that we serve. Of course, our shareholders are our priority and we know they benefit over the long term as we serve customers well and create opportunities for our associates, as we find win-win opportunities with our suppliers and marketplace sellers, invest to strengthen communities and take action to protect our planet. Without a healthy planet and strong communities, there is no business. If associates aren't happy, our customers won't be.

When the Business Roundtable updated our statement on the purpose of a corporation in August of last year, I was surprised by the reaction from some. I'm so accustomed to how Walmart practices stakeholder capitalism that it didn't feel like news that company's balanced the interests of all of our stakeholders. We believe in creating shared value. We're certainly not perfect and there's more we can do as a business community, but there are plenty of companies taking action with tangible plans to do more, and it's the same for us at Walmart.

We've accomplished a lot, we've set big goals and there is still more that we can do. We're leading one of the largest private sector consortiums in the world taking action on climate change. The goal of Project Gigaton is to avoid 1 billion metric tons of emissions from our supply chain. To date, more than 2,300 suppliers are participating and they report having avoided more than 200 million metric tons of greenhouse gas emissions. Within our own operations, we're on track to meet our commitment of an 18% reduction of emissions by 2025 and 28% of our current energy needs are being provided by renewables. In the US, we're diverting more than 80% of our waste from landfills and incineration and we recycled more than 250 million pounds of plastics last year.

Our work isn't just environmental, it's broader. Our purchase orders provide inclusive economic growth opportunities. We foster community resilience through disaster recovery. We were included in the Bloomberg 2020 Gender Equality Index for the second year, which is a recognition that we're helping to set an example through measurement and transparency of women advancing in the workplace.

In short, stakeholder capitalism is good business.

Behind me you can see the talented leadership team that I get to work with every day. Let me wrap up by saying a little bit about those who are in new rules or new to the company and I'll start with Walmart US.

Greg Foran did a great job and we are grateful. During Greg's leadership, we strengthened our foundation, delivered strong results and build momentum Air New Zealand is going to be happy to have him. If you want to have a little bit of fun, follow him on social media, he is upfront with a pilot, he is serving drinks down the aisle of the customers, and he has been washing airplanes and moving luggage, classic Walmart applied to Air New Zealand.

Now, John Furner is going to take that foundation and build on it. He has a depth of experience from his 26 years with the company that includes time as a Walmart US store manager, market manager and buyer. He has worked in all three operating segments of the company. He led merchandising and marketing in China, and he led Sam's Club here in the US. He knows the details of our business, and yet he is a forward-looking innovator. I've enjoyed watching and embrace new ways of thinking about our business, and I'm excited about the innovation and speed he'll bring to Walmart US. Succeeding John at Sam's is Kathryn McLay. Most recently, Kath has been leading our Neighborhood Markets business in the US, which is performing really well. She's from Australia, where she worked with -- for Woolworths with Greg Foran and Roger Corbett, our former Board member before joining us in 2015. Kath has supply chain internal audit and operational experience. She's a strong leader and she will do a great job at Sam's Club.

Suresh Kumar joined us from Google in July as our Global Chief Technology and Development Officer. He has 25 years of technology leadership experience that includes 15 years at Amazon plus time at Microsoft before Google. We're excited to have someone of his caliber in this role, and you'll hear more from him a little later.

Our newest addition is Donna Morris, she joins us from Adobe, where she had a 22-year career. She'll increase our digital acumen and help us accelerate our transformation. We have a deep bench, but we also understand the benefit of bringing in talented people from outside the company for their expertise and new ideas.

As I said before, I'm as excited about this company as I've ever been. There is more opportunity ahead of us than anything we've experienced in the past. We have a meaningful purpose, a set of timeless values and a special culture. We inherit a DNA from Sam Walton that embraces change. We're adapting and we're doing it from a position of strength with great people and great assets. Our core is strong. We're increasing innovation and speed while demonstrating the ability to execute and deliver results as we transform. We're ready and able to take this company into the next generation of retail and we thank you for being part of it.

Now it's time to hear from our other leaders and we're going to start with John Furner.

John Furner {BIO 19351533 <GO>}

Good morning. Look, I'm happy to talk to you this morning about the US business. It's an exciting business and exciting time and I've been learning a lot in the past 100 days to say the least. But it's been great just to see firsthand all across the country how far the business has come in just the last few years. And it's been a while since I've been in the business, but it's exciting to be back and see the momentum that's going on.

So you saw our results and we had a good year. We grew sales, we leveraged expenses, we grew transactions, we grew ticket, we added same-day grocery pickup to more stores and we're going to continue to do that this year. Overall, we had a strong year with significant momentum in both food and consumables and we've got an opportunity to expand that momentum all across the rest of the stores. Now, last quarter, as an example, we talked about some of the misses we had in general merchandise and those were in toys, apparel, media and gaming. You heard about that earlier and I'll come back to that again in just a few minutes.

But I first want to say this is a really, really healthy business. We've got momentum to build on and we've got a lot to do that we can do with a -- lot we can do to enhance the customer experience and the way customers use our brand all across the business. And as I look ahead, I am mindful that we've got to do three things. Now, first is, we've got to build on our strengths. Second, we've got to manage our results. And third, we're going to innovate for the future. So I'm going to talk about all three of these.

So let me take our strengths first. And as I said earlier, and I'm really, really appreciative of what so many great associates that have been in on a stage like this before me build, all across the country and throughout the business. And I grew up learning about Walmart and our core values at home. My dad worked for the company. So I heard about those values at the dinner table and those values things like serving customers, respecting individuals, striving for excellence and then always acting with integrity, I learned about those home and it's been great to see those in associate how how they play out throughout the business.

But as I said, I'm appreciative of what's happened in the business in the last five years. A lot has been done to help us get back to the fundamentals of retail, things like cleaner stores, fresher produce, we've got great quality private brands and we've got more efficient processes that are helping us with in-stock and inventory flow. And I'm thankful for the investments that were made in the last five years, things like lower prices, e-commerce capabilities. I'm thankful for the investments we made in wages, scheduling, training and the other things for our associates like benefits. Now, these are big investments and the associate investments in particular, they put a lot of pressure on our financials. But I want to tell you that those investments they are paying off. Now first, turnover is down 15% over the last five years. Associates are more productive, they're engaged, and we've leverage expenses each of the last 12 quarters, and we've also seen 22 quarters of straight, positive sales comps and that's getting our productivity loop turning again. And this is the model that the US business has always been based on, growing sales which allows us to leverage expenses, then we can invest back in the business, grow more sales and that helps us keep growing our profit.

And throughout Walmart's history, we've seen that when we get this productivity turning in the right way, that's how we get results. Now regarding the everyday low price component of the model, as a former merchant, I know the value of getting this thing right. So we're going to be really disciplined about EDLP. We've got more price investments planned for this year and we're going to deliver EDLP in a very sustainable way focusing on everyday low cost.

And as you heard earlier, there has been a lot of progress in the last few years to help us become more efficient leverage expenses. But I still see plenty of opportunities ahead. We're looking at areas like signing outside services and we've done some tests where we reduced the amount of signing in-stores to give the customers a more clean view of the store and associates a more clean view of the back room. And you can see by this photo of what we're calling the war room, we're taking a look at everything, we're putting everything in one spot, we're testing things in front of customers and making changes like this while it enhances the customer experience on our scale, saves tens and millions of dollars.

Now another strength that I want to talk about is the Walmart Supercenter. And the Supercenter is a really, really important part of our future. And as I step back and look at the Supercenter, I see, arguably the greatest format in the history of retail, and it's a competitive advantage. We've got the most 100,000 -- most productive 100,000 items ever aggregated into one location and we're now working to deliver the entire store same day in the customers' homes.

And the Supercenter, it's a place that in many communities, it's center of the community, like the heartbeat of the community. It's often one of the largest employers in town, it's one of the largest grocers in town. And its shopping format is powered by one of the most extensive supply chains in the world and that includes both fresh and general merchandise.

Just last year alone, we shipped 8.3 billion cases of inventory and we did that while being named the safest large fleet in America for the sixth consecutive year and then when you add in our neighborhood markets and our discount stores, that's over 4,700 locations putting us -- plus within 10 miles of 90% of the US population. So that leads to how we're managing results.

Yeah, I know we can take this format to the next level. And to me, the next level is finding ways to serve all of Americans a truly comprehensive in the end shopping experience. That's an experience where they can come into a store, they can stop in a parking lot, pick up a pickup order, they can have anything that they want delivered to the doorsteps or they can even have their refrigerator stocked and for many customers we know it's going to be a combination of all these things.

So that's scale that gives us a unique advantage. We serve all of America including people who are looking for new services that can help them save not only money but save time and we've got an opportunity to get customers to do even more shopping with us. So while I'm committed of course in making our stores better. I want you know I'm just as focused on improving our digital relationship with customers, getting the different shopping options we have to complement each other and work seamlessly and we're something like same-day pickup, I see areas we can get better and make the experience much more seamless for our customers.

Just the other day, my team and I, we decided we try to put in order and that would reflect the way many customers shopping the Supercenter. So we tried to order something from sporting goods, apparel and the meat department and what we found is we had a lot of friction. We've got multiple apps, and it's hard to do and it's hard to understand how you pick those things up and we're going to solve those problems and we're going to make shopping in the Supercenter across-the-box very seamless for the customer. But all that begins. We know with the relationship we have with people. When it comes to grocery. Grocery IS essential to the customer relationship. Now we're delivering strong sales in grocery and we're gaining market share but to make it any more quality experience we're going to continue to focus on even lower prices, fresh innovation, private brands, and then, convenience.

Now (inaudible) I'm seeing in produce, we talked about the improvements over the last few years. And it's several times in the last quarter. It's exciting to hear Martin, who leads the produce department talk about another record sales day, they've got momentum and you can feel the energy when you talk to the team when it comes to items and the way they're taking days out of the supply chain.

In the Deli and we've got a new Deli concept out on the street where we pull the Hormel solutions up to the front of the store that makes it easy for customers that come in and get dinner for the family. The meat department, another area where we've really invested in quality and we've seen the comps accelerate.

Private brands l,ike Doug mentioned, we've got many brands over $1 billion and the brands are improving. A couple of other things we've done in food in the last couple of years, we've opened a plant in the milk area and dairy, we also open a meat plant and these are helping us think through ways that we can provide even more quality to our stores and to our ultimate consumer.

Now, when I look at general merchandise, I see enhanced quality and value in several places around the store. We've got new private brands like (inaudible) electronics and their quality levels typically you only find in a specialty channel and we also heard we've got a lot of strength in home it's been exciting to see how our store team and our eCom team and home been particular have really worked together to bring customers the best experience, the best items, the best prices and it's paying off. I'm particularly excited about the investments we've made in our electronics department. We've been successful with televisions and other big consumer electronics categories. But, we also mentioned, as the fourth quarter showed we've got some categories where we've got to do better. And, I'll just talk about those for a second. In toys, we started the season with features that we decided were too high on price points, and then our Layaway business was soft, and we're thinking -- rethinking about the way we go to market with Layaway all across the country.

And then in Apparel, as Doug mentioned earlier, our floors reflected too much holiday. We've got work to do with our brands and fashion basics and when I think about brands like Time and Tru that's on the floor today. We've got to make sure that as we've narrowed our brands that every one of our brands has a proper place for the consumer.

So, we've done a lot of great work over the last couple of years narrowing the brands, but we've ended up pushing into these brands, a really wide range of quality levels, price levels and sizing and we're going to rethink the way we go back to market to make sure our brands are really clear to the consumer and we've got great gift items that people can buy and give us, best gifts as season coming up.

Which leads me to our new Chief Merchant, Scott McCall. Scott, some of you probably know, Scott's been with the Company for 25 years and his entire career has been in the merchandising area, and Scott lead areas like consumables, health and wellness, home, lawn and garden, entertainment, and Scott just lives and breathe these items. Scott was telling me the other day, he can't walk through an airport without noticing the color of people's luggage or the accessories that they're wearing and he's always thinking about what else we should be doing to drive sales.

But the other thing you should know about Scott is, Scott's been a really big driver of the omnichannel experience, and he believes in a digital relationship with customers. And Scott just going to help us accelerate that. And as I mentioned earlier, when we talk about price we're going to continue to invest in food and consumables, but we're also going to consider places to add price investment in general merchandise categories. Now with both Grocery and GM, we want to prioritize pricing, but we also want to make sure that we're sourcing in the right way. We know that our customers expect us to make a difference on key global issues, and the increase in care about how items are produced.

Now, as I look outside the store I'm just going to start with curbside. The US team has built an impressive business with the same-day pickup operation. They've got high NPS scores, we are now in about 3,200 locations and we'll be expanding to about another 500 locations this year. And we'll continue to see healthy comp growth, not only from the new stores we're adding, but we're seeing healthy comp growth from the stores that have been open for more than one year. And the work that's been done in this business is what's made same-day delivery a reality. You know it's essentially the same process for delivery the same process for delivery as it is for a pickup order, it's just the associate is putting the order in a delivery driver's trunk instead of the customers' trunk and we're now offering same-day delivery in 1600 stores, and we expect that to be in about half the fleet by the end of the year. In same-day delivery is what a lot of customers want and we love our position there.

We already have over 100,000 items forward deployed within just a few miles of millions and millions of customers homes and we've got different options for delivery, things like third parties, associated delivery and we have also launched our own Spark delivery network, and you're going to hear more about that from Dacona Smith, just later today.

And when we started our pickup business, we made a really deliberate decision to only pick food and consumables. Most in our merchandise -- general merchandise items had to be ordered on a separate app, it have to be picked up in a tower or they have to be shipped to home and we're now ready at the point where we can start to combine these experiences and pick the rest of the store and add more general merchandise selection to the pickup for curbside and same-day delivery. And we know our customers are asking for that as well.

So as we pick more and more of the GM and the Supercenters for same day that's going to help us do things like expand the size of the basket. It will help us with margin mix in the basket, and it just be great for our customer to be able to order their groceries and also pickup an HDMI cable or a sweater or something they can top off the entire basket, we're going to make that happen. But we think this also help our perception as a destination for general merchandise, which leads to the longer tail in the eCommerce business that Marc will talk about in a few minutes.

So we know we can increase our market share, our wallet share on the head of the assortment, and then we can walk all the way through the assortment as we get into the eCommerce. Now, as I look ahead I want to prepare our business for the future. And a lot of time and the team we say that loyalty in retail is the absence of something better. So we're in a race with everyone else out there who wants to provide something better for consumer and we want to be best positioned from now and into the future to win with the customer. And as you've heard the US team, they built a lot of tools that have helped us reach new customers, they have helped us to become more efficient, and they move quickly to scale a lot of these new technologies. At the last Analyst Day, for example you heard about some of the concepts around just a few stores, things like self scanning robots, autonomous floor scrubbers and you heard about the FAST Unloaders earlier this year.

Well, by the end of this year, we'll have the self scanning robots in over 1,000 stores and the FAST Unloaders will be in more than 2,000 stores. And I'm also excited about something you've heard mentioned that's the AlphaBot technology. We're testing this in (inaudible) in New Hampshire and this technology eliminates the need to handpick individual items from store. It's made our associates in sale are more productive. It's greatly increase the number of same-day orders can be processed at a certain time and this year we're going to expand that to a couple of more sites. In the last few years at Sam's Club I learned the power of new technology tools, and a good example that you heard about is Ask Sam, and Ask Sam let's an associate open a single app speak questions into their phone things like what else (inaudible), or who is working in the bakery today to get answers.

It runs on voice and voice is a big idea, not only for associates but also for customers. So associates in our stores today they're working across a site that's over 4 acres in size. So there's a lot of time spent going back and forth getting answers or getting something that you need to complete a task, and by using voice, and mobile, we're able to get the associates the information they need to save a lot of the time they spend walking back and forth. And this is going to help them free up more time that they can serve our customers.

But I don't to miss the idea of voice, because voice is a big idea that can help customers and associates and everything from maps, finding items, shopping list, all across eCommerce, it's a really big idea for us, and the reason that I think Ask Sam was so successful is it was designed from the very start to serve the end customer. In serving the end customer, that's something we want to refer -- that refer to as having a product mindset. And when I say the product mindset, I don't mean product like an item like a soccer ball or pair of socks, I mean product like a technology product that helps us identify points in the experience where there's friction. Friction for customers, friction for associates and then we go back and work on processes and technology and then we iterate on that, so that we can ensure that we're eliminating the friction, and making our experiences for both of those key end users, very, very seamless. And this is a big opportunity for the Walmart US business.

So whether in our stores, the distribution centers, the corporate offices, we need to be even more customer-driven. We need to think in ways that make the end user have a better experience. So we can look at the things we're prioritizing, how we're working and even some of the cultural behaviors we have inside the business.

Now, we're still going to run one great store at a time. That won't change, but it's clear that great stores are an important part of the solution, and we've got to expand our thinking to think about the entire solution and all the different ways that a customer wishes to be served in today's market. And we're going to keep the customer at the center.

So we'll also be looking at new profit streams. Ideas like services, and things that help leverage the popularity and the power of the Walmart Supercenter. We're testing partnerships with FedEx, -- rental car, Build-A-Bear, veterinary clinics, esports gaming areas and you've seen our experiments with health and wellness, you've seen the things we've done in pharmacy, we're working on our optical business to modernize the look and feel of optical, and then the full service health-care clinics in Dallas and Calhoun, Georgia. We want to be able to learn quickly how we can deliver quality medical, dental, optical and even mental health services that in affordable price. And we think this is especially great idea in communities where healthcare is lacking and out of reach for many.

And finally we can't run a great business without our people. Our associates are the key to our future and our associates are our competitive advantage. And I see that every time I'm in stores, distribution centers, corporate offices, fulfillment centers, all around the country I see what an advantage our associates are for Walmart. And we want our associates to have a great experience, while they work, the ability to learn and grow career, opportunities to get an education, things like Live Better U in academies, and in past positions I've learned the value, investing in key positions things like senior merchants, technologists, store leadership teams, department managers those investments are important, and we're going to be targeting specific about the way we invest in our people because we've got to not only attract, but retain the very best talent for our customers.

So that's what I'm seeing in the first 100 days. And as I take on this responsibility with over 1.3 million associates, 4,700 locations, I couldn't be more excited about what lies ahead. But we've got opportunities where we can do more. We've got opportunities to serve more customers in the way they wish to be served. We've got opportunities to bring more momentum to the entire store including delivering general merchandise same day. We've got opportunities to build technology and keep the end user mind as we design solutions that solve their problems. So I think there is a ton of upside. I'm really excited about the customer experience we intend to build, and the results in the next few years and months.

Thank you for your time.

Marc Lore {BIO 3597588 <GO>}

Good morning, thanks for being here. Here's what I like to cover this morning. First I want to recap FY'20 and share what we expect for this year. Next, I'll share an update on our strategy especially how we're leveraging our unique assets to play offense. And finally I'll walk you through a couple of projects we're excited about that have the opportunity to shape the future of retail.

So let's take a look at how we did last year. We said we grow sales about 35% and we exceeded that by growing 37% nearly tripling the size of the business over the last three years. We also improved contribution profit margins by about 150 basis points year-over-year. The shift in product mix toward categories like home and apparel, lower variable cost per unit and fewer packages per order all helping us make progress here.

We're at 35% growth was strong in Q4, we know we need to do more with delivery speed in merchandising. A top line growth was better than expected and that put pressure on fulfillment and ship speed which led us to back off our shipping promises was left sales on the table. This year we'll be laser focused on delivering faster and longer into the holiday season, and we'll continue to improve our merchandising.

We had a lot of brands and we'll continue to go assortment and gifting categories in addition to more home and apparel and looking ahead, we expect to go eCommerce sales by about 30% this year. Quarterly growth is expected to range as Brett said between the mid '20s and mid '30s.

So now let's take a look at our e-commerce strategy. At a high level we'll continue to focus on three areas. Knowing the fundamentals, leverage our unique assets to play offense and innovative for the future. Over the last few years you've seen how the pieces of this puzzle fit together, and it's still how we think about the business today.

We look at narrowing the fundamentals in terms of how we perform across the five (inaudible) metrics of the CVI. We've made good progress across all five metrics. We're most proud of what we've done to improve delivery speed. Three years ago the average Walmart.com package took five days to arrive. Today it's two days. We've done a lot to make this happen.

We started a few years ago by offering free two day shipping and most recently we launched next day delivery. We're able to offer next day in a cost-efficient way by mirroring inventory in our warehouses. Our cost to delivery next is lower because the inventory shipped in one box and it's close to the customer. And we could reach 75% in the US in one day with a broad and growing assortment.

At the same time both on-time delivery and in-stock rates have increased dramatically over the last three years. We've achieved all this by overhauling our supply chain and building out a new team. This is why the CVI score keeps going up. We increased more than 20 points since FY '17 which in turn has improved each element of the customer value prop. And to keep improving this score, we'll have to continue the progress we're making in other fronts, like expanding our first party offering. That's really our habit metric and we're doing a lot here.

Over the last three years, we added 7,500 new brands, acquired companies like Shoes.com, Moosejaw and Art to quickly help expand our assortment of Walmart.com, and we're adding more all the time. We now offer about three quarters of the top 500,000 items in the overall retail mall.

In addition to first-party, we're also expecting to improve CVI by expanding our marketplace. The assortment on Walmart.com has grown to about 80 million SKUs including marketplace as we remain focused on keeping the quality of items high. And as a result, the marketplace businesses grown by 2.5 times since FY '17.

However, this is an area as Doug mentioned where we still have a lot more work to do, while customer and seller NPS scores are improving, we also want to make selling easier. Sellers are telling us they want more options and not all sellers have the same capabilities, especially when it comes to fulfillment. So that's why we're introducing Walmart Fulfillment Services.

We shipped our first WFS order in August last year. The tech on the back-end works well, our merchants are excited, and we like what we see so far. Sellers want as many channels to sell as possible, and WFS gives them another option and it gives customers faster delivery, more assortment and better pricing. We're really proud of the experience we've built and something we plan to scale over time.

The fundamentals of our eCommerce business are improving, but as you heard today, it's not enough to do the basics right. We need to leverage our unique assets and start playing offense. Take our 4,700 stores, as John said, this gives us a huge edge and being able to do delivery in efficient way. Our existing footprint is already within 10 miles of 90% of the population and we have fully deployed inventory which is the really expensive part.

In this case, stores already operating as warehouses. They're profitable and there's a low marginal cost for someone to pick the items. That's our existing assets like our stores that allow us to offer a service like same-day delivery to customers at such an incredible value.

Customer can pay $98 a year and get unlimited Fresh Frozen Bakery, pantry staples, consumables and select general merchandise delivered to their door for free. Our 1,600 stores that are doing delivery already reached half the US population. And what we're finding is that delivery customers spend more overall with Walmart just like our pickup customers. So now in terms of long-term growth, we've seen opportunity to hook customers on the convenience of services like same-day delivery as they come to rely on them we can expect to see them by more general merchandise, health and wellness services and more. At the same time we're making shopping with us even easier. For example we're combining the Walmart.com grocery app and Walmart.com and the grocery app into one. Today we have what's called the Blue app and the Orange app. The Blue app is the traditional Walmart.com direct-to-home eCommerce app, although the Orange app is for online grocery. With two apps we're not able to leverage the traffic from the head of the assortment, the relationships we've built with the customer through grocery to sell more long tail items, plus we're spending marketing dollars to send customers to two different places.

So later this year, we'll bring these two apps together. So the customer sees and interacts with One Walmart. Walmart is playing offense. We're leading with grocery and same-day delivery to become the primary destination for all weekly shopping. We see this as a critical step to in a greater share of wallet. So what's next, the third piece of our eCommerce strategy is about innovating for the future. We're exploring opportunities around conversational eCommerce, augmented reality, virtual reality, delivery into the refrigerator and incubating digitally native brands.

As you heard, we've innovating to define the retail experience of the future, to anticipate it, to shape it, take InHome Delivery. It's our latest innovation aimed at giving time back to busy families, by delivery fresh groceries and everyday essentials directly into their kitchen or garage. After initial testing approve the concept, we rolled out a larger pilot in Kansas City, Pittsburgh and Vero Beach in October.

We're on the leading edge is something really big here. InHome is a powerful and effortless experience we want to grow it. We're exploring enhancements like delivering items automatically before even realize you're running low. For customers who spending hour or week shopping for food, this could be save a ton of time.

And we're looking at ways to leverage this new InHome relationship with customers like No box delivery and returns. All our customer having to open a box and we have something delivered, and then have to discard it or recycle it, but instead of getting a product in a cardboard box imagine Walmart leaving the item on your kitchen table, or you can leave item you want on your Island and we'll pick it up, when we bring in your groceries. No need to print or return label or put the package in a box.

Needless to say, we're just starting to unlock the possibilities what the service can be. Customers who've tried it already love it. InHome graduated from our innovation incubator story is now part of the customer organization led by Janey Whiteside, our Chief Customer Officer. An innovation mindset is taken hold at Walmart. And we're dreaming of concepts, we're testing them, we're piling them and iterating. We're speeding up the time between concept and delivery. Not all these things are going to work and that's okay. We're going to learn, we'll pivot. Another area we're investing is conversational commerce. What has surprised me in 20 years is the majority of shopping is done by text and voice, but the machine needs to know the right questions to ask, so you can get the right answers. When you ask your voice assistant or send a text to order diapers, needs to know that your preferred brand is Hello Bello, and that it's size 2.

We began building this engine with Jetblack and tested it here in New York City. We're learning the customers really responded and love the ability to text. In fact, members use this service nearly 10 times a week. It allowed us to understand what types of items people want to purchase by text, groceries, birthday gifts and things like that.

We're building machine learning capabilities that can help understand the message you said and make recommendations in one, two or three best answers. As we build capabilities like we have in Jetblack, we're presented with strategic options. We did consider spinning it out and there was great interest from the investor community. We also thought about investing more in the New York offering, but the real opportunity for customers and shareholders is when we can scale these innovations with the mothership Walmart and walmart.com.

So what's next? While we're going to take those insights and leverage them against the store base in a way that's scalable and sustainable. We've infused our learnings from Jetblack into our customer -- or within Walmart US and we'll be taking these learnings to Bentonville, Pittsburgh and Kansas City in the coming months. Think same-day shipping from a supercenter or next day from walmart.com, we all text, it's shopping in a way that's completely natural to customers and that's an exciting opportunity for us.

We also have a startup called Inspirience [ph] tuning up ways to integrate virtual reality into retail. VR has the potential to transform the shopping experience. Imagine shopping without space constraints and being able to experience products before you buy them. That's what we call v-commerce. All it takes us is a headset to instantly transport a customer to a world where they interact with merchandise in a natural environment, like being in your living room while you design it.

Let's take a look. (Video Presentation) Possibilities very exciting. We're moving quickly and you could expect to see experiences like this in a few of our stores really soon. As retails improve speed, assortment and price leave the game, we'll need to shift to original proprietary content, has been one of the main differentiators between retailers. Customers want amazing products and those products will influence their choice of retailer. Early -- earlier I mentioned how we acquired a number of brands to quickly grow our assortment like shoes, (inaudible) and art. Those helped us add assortment on walmart.com, but beyond growing our assortment, we also acquired a few digitally native brands like ELOQUII and Bonobos that help us differentiate our assortment.

These aren't just private label brands. They have a soul, a social media following. They give us the DNA to create these digital native brands in-house. You've seen us do it with the launch of Scoop in Fashion and with Allswell. Allswell is a mattress brand that offers products at a price point that allows us to put them on walmart.com and in stores. We started off with just a little bit of capital and we think it will approach $100 million brand this year. Allswell was the Aha [ph] for us we realize that we can create these brands and incubate them in a way to make them successful across stores and online. We're integrating our digitally native brands like Allswell into the company and we're going to keep moving in that direction.

As I wrap up today, there are lots of reasons to be excited about e-commerce at Walmart. Our team is aligned on a winning strategy and the response from customers shows that we're making great progress. We're working hard to monetize our relations with customers through a better mix by selling more long tail category. Building on the momentum from FY'20, we expect to grow about 30% this year and continue to improve CP margins as well as Brett mentioned losses for this year will be flat to slightly lower. We're delivering growth in building a healthier business overall.

Talked about a lot of initiatives today, some were tests, some were pilots, some were scaling. Walmart is an innovation engine and all the things I've talked about today are included in guidance. As I said, we're moving faster, gaining leverage, getting the fundamentals right and playing offerings to win primary destination, and while we're doing all this, we're working hard to shape the future of Retai.l I'm really excited about the year ahead. Thank you.

Daniel Binder {BIO 1749900 <GO>}

Great. Thanks, Marc. So that will conclude the morning session or the early morning session. We're going to take a 15-minute break and we'll be back with the rest of the program. Thanks.

(Music Playing)

Unidentified Speaker

Good morning, everybody. I'm really pleased to have a few minutes to talk to you today about Walmart International. I'm going to briefly cover last year's results, a brief look at our outlook for FY '21, but I want to spend most of my time talking about bringing to life strong local businesses that are powered by Walmart by talking about four examples of just that.

Walmart International is a $124 billion business, it makes us a top five global retailer in our own right. We operate more than 6,000 stores across 26 different countries and those stores are at the absolute heart of our business. But just like the US, omnichannel and e-commerce are becoming an increasingly important part of our growth. In fact, last year e-commerce sales as a total of International were 10% and are expected to reach 12% of our total sales this year.

Now across our markets, we operate a variety of businesses, banners, channels and formats. What I can tell you is that one size does not fit all. We will not be successful by thinking like a multinational business. We will continue to be successful by thinking like a multi-local business executing our strategy one country and one business at a time.

So let me reflect briefly on FY '20. Our sales grew at 2.8% on a constant currency basis, which was another solid year of growth, underpinned by strong performances from Walmex where the top line grew at 5.2% and China where we grew sales by 4.3%. Now Brett's already talked about some of the factors in our results for last year and he mentioned specifically Chile and that impact. All I want to add to that is my huge appreciation for our teams there who have done and continue to do some incredible things and an incredible job under some very challenging circumstances.

I was personally pleased to see around the world, all of our businesses displayed strong cost control last year and we leveraged 35 basis points of SG&A through innovation and through operational focus. And our Japan and China markets led the way. Now, I'm sure that you'll all be pleased to know as you heard from Brett that Flipkart performed in line with our expectations and was within the guidance that we gave to you, and just as a reminder, International has a December year-end and the ownership of Flipkart only annualized last year in August and that fact alone accounted for the majority of our year-on-year decline in segment profit.

But let me turn now to FY'21. There is no doubt the levels of volatility around the world are higher than they've been for some time. We faced some tough environments and tough trading environments, but our EDLP position, our low cost base and our ability to leverage innovation and best practice position is really well. As a result, this year, Walmart International expects to grow top line by 4% with profit broadly flat year-on-year. And those numbers do include the continued cost as rebuilds and again re-opening stores across our Chilean business. Now Brett and Doug have also mentioned and we talked about the Coronavirus. In addition to the comments that you've already heard, let me tell you this that Yuen Tan, our CEO there and his team are working extraordinarily hard to serve our customers with their daily needs while at the same time taking every precaution for our customers and for our associates.

Today, all of our stores remain open, albeit the vast majority of them with restricted hours and some have got restricted operations. The spirit and determination of our teams across our stores, our supply chain and in our home office is remarkable. And at times like these, our people really do make the difference. But in certain times, being a trusted retailer has never been more important and you earn trust -- you earn trust by standing tall in difficult circumstances, but you also earn it every day by providing customers access to what they want, when they want it and however they want it. And by innovating to make their lives easier. For me, this really comes to life at a local level. And let me give you four examples, strong local businesses who are doing just that.

I want to start with Walmex, it's one of our longest standing International businesses and probably one of the best examples of what a strong local business looks like. Walmex operates around 3,400 stores across Mexico and five Central American countries. Last year, its sales were $33 billion and it has an operating margin of over 8%. Listed on the Mexican Bolsa, it has a capitalization of just under $55 billion, and to put that in context, it's just slightly less than Target's market cap or if you want to think of it in terms of international retailers, it's more than the cap -- market caps of Tesco and Carrefour combined. In Mexico itself, our supercenters and Sam's Clubs adapted for the local customer as well as locally developed discount formats provides inclusion and access for all demographics.

And in fact, our BeData [ph] formats have reached the remarkable milestone of 2,000 units this year. The proximity and breadth of our formats give us own matched access, and for example, across Mexico's big cities, 85% of the population live within 10 minutes of a store, that's just one of the factors that's enabled us to deliver comp sales growth faster than the market there for 20 quarters straight.

But Gill Loureiro and his team are continuing to find ways to grow the business by leveraging our store network to increase access and reach with a growing omnichannel offer. And I'd share two examples of this that I really like. First is in our BeData stores. We're installing digital kiosks to serve customers who are looking for value that may not have easy access to the Internet or the ability to pay in-store. A customer can shop the full range of Walmart online general merchandise from the kiosks in the store, pay in the store and pickup from there later. And the average kiosk purchase is 15 times the average ticket in store. It's simple, it's effective and it's truly inclusive.

The second example of expanding reach is in our supercenters where we've expanded pickup and same-day delivery options for online grocery. Last year, the team trialed 12,000 general merchandise items picked in store available for same-day delivery in addition to the 33,000 grocery items that are already available. That expanded range is now live in a 167 of our supercenters and we have plans to add more by the end of the year. Moving forward, Walmex will build on its foundations developing its ecosystem, for example, through its Cashi payments app to expand customer access and loyalty.

But let me turn next to China. Similar to Walmex, Walmart China's foundations are built on a successful local adaptation of the Walmart and Sam's Club formats. Today, Walmart China is a $10 billion business with a quarter of those sales -- over a quarter of those sales coming from Sam's Clubs. We're fortunate enough to have a well-established brand with 26 clubs with strong brand equity. We opened three clubs there last year, and we plan to open five more clubs annually going forward. Now in

FY20 Sam's Club China delivered its second consecutive year of double-digit comp growth. And a little known fact is that our highest sales club or store anywhere in the Walmart world is actually our Shenzhen Club which is located close to our home office.

Now, we're really pleased with that level of growth. We recognize there is a need for continuous and innovation to accelerate accessibility. Land is at a premium, but we're finding asset light ways to supplement our bricks and mortar with new infrastructure that improves our ability to engage with members digitally.

The heart of our omnichannel expansion has been Sam's mini fulfillment centers, which we are calling Cloud Depots. Think of this as low cost mini distribution notes in high-density urban areas which extend online access to our members for about thousand at that most frequently purchased products. Their set up with the crowd sourced delivery last mile partner Dada and that allows customers and members to receive that orders in less than 1 hour. But the good news is that members still love visiting our clubs, but the clouds enable more frequent shopping mission, and today, we've got about 60 of them with plans for many more in the future.

Let me show you briefly, how they work? (Video Presentation)

So omnichannel is critical for Sam's in China, and today around 30% of our membership, shops both online and offline and encouragingly for us the renewal rights for those members are higher than the average. Sam's Club China is a great example of taking one of our formats, and building such strong local business through strong roots tailored to the local customer.

So, I've covered now two of our longest standing international markets. Let me move to perhaps our two most recently added Flipkart and PhonePe. We made our investment there 18 months ago, and we continue to be impressed by the business, both with the teams, their strong culture and the way that they operate, right. I've been to India five times last year, and I never seized to be amazed by the energy, the spirit and the entrepreneurship[ph] of the folks in our businesses. Now, just as a reminder, the Group consists of the Flipkart eCommerce business, which includes Myntra, which is separate fashion platform, and PhonePe, a digital platform anchored in payments.

At the last Investor Day, I talked to you about Flipkart. I'm going to give you a brief update on that today, but also talk to you a little bit more about PhonePe as well. We've been really pleased with Flipkart's performance, and Brett has even given me permission to share a few numbers with you at today's event.

I can tell you that the health of the platform is strong. Engagement with Flipkart is continuing to grow as Indian customers become more and more comfortable with eCommerce, and the access and affordability that it's providing. Flipkart is now tracking to over 1 billion visits per month. And last year monthly active customers grew by around 45%, and transactions per customer increased by 30%. What I really love is that Flipkart's heritage puts the Indian customer right at the very heart of the business. Their strategy is simple, it's democratize shopping by offering affordability, and access and they're using technology and data to solve every day customer problems in ways that are tailored specifically for the Indian market.

They're launching things like innovations such as voice assisted transactions, and vernacular capabilities in Hindi. That helps drive further adoption in tier 2 cities, which are at the very heart of middle India. They are also offering trade-in programs in which we buyback customers all devices and appliances when they purchase new ones. We also then refurbish those devices, and offer them to resale creating real value throughout the supply chain. They also look to offer value added services including demonstration and installation for large appliances. Only 10% of families in India own smart TV, a washing machine or an air conditioner, and when they are sold on our platform we use delivery as a moment to help teach customers, and give them confidence in how to use those new products. That in turn drives confidence in Flipkart.

And to help affordability for customers Flipkart provides access to credit including Buy now, pay later, low cost installment credit, and this year, launched a co-branded credit card with Axis Bank. Now in addition to those customer facing innovations Flipkart continuing to use data and insights to find new revenue streams such as through digital advertising, which grew strongly year-on-year. There a combination of high quality data, unique customer behavioral insights and a powerful tech platform mean that ad placement is specific and accurate, and that in itself creates value for advertisers, but it very importantly it protects the customer experience.

Flipkart's ambition is to set the next 100 million customers, and I love the fact that Kalyan, our CEO and the team continue to put the building blocks in place to do just that. But now let me talk about PhonePe. PhonePe's ambition is to be India's largest transaction platform anchored in payments. They build scale by offering person to person money transfer (inaudible), expanding use cases with merchants, and then adding services for customers to grow their M&A all in a single app.

PhonePe's DNA is to build open and intelligent platforms. It's an open ecosystem for customers, merchants and banks with the tech capabilities to automate and scale efficiency.That DNA is actually what's key to PhonePe remarkable journey. This business is just three years old, and in that time it's grown to almost 200,000 registered users 20 million of them are using the app on a daily basis and in total, those users are making more than 500 million monthly transactions.

Today, that's generating about $180 billion in annualized TPV or Total Payments Value. But PhonePe's has also expanded to merchants. 18 months ago when I first went to PhonePe they were accepted by about 30,000 merchants in India. Today they're accepted by 10 million from (inaudible) and pop stores to fast food chains and to rideshares. People like using PhonePe. Well, as a 90% of daily customers repeat within 30 days. The customers using that increased scale combined data science to reduce costs. One example is that more than 90% -- reduction in cost per transaction and person to person in recharge category.

But PhonePe is not stopping there. The team is relentlessly innovative. In January alone they had four new product releases. And one of those, I really like is PhonePe ATM product. It's a revolutionary solution, it's got the potential to transform access to cash in India. A customer can now request to cash withdrawal directly from their bank on their PhonePe App. Go to a merchant that's local to them, that merchant will then verify the transaction on their app and give them the cash that they've requested. The service is available today, and over 1 million stores across the PhonePe network. When you think about it, there are only 200,000 ATMs today in the whole of India.

So this product just scaled the capability to withdraw cash for customers by five times. It's a win for customers, the merchants and the banks. Sameer and Rahul, the CEO and CTO and the founders of the PhonePe, are building a business that continues to learn as it grows. And you're going to hear more about PhonePe and the creation of its powerful super app from Karthik on the panel later.

But I'm going to leave you with it. That having it's core PhonePe is a massive open transactions platform. It's took the business it's first two years of life to reach the 1 billion transactions mark, but last year it crossed 5 billion transactions. We've really excited about its future. So not only do those four business I've talked about continue to grow, but we continue to learn from them as well and to share best practice across our markets.

Their great examples all of them, a strong local businesses which earn trust by consistently delivering value by providing customers access to what they want tailored to how they want it. And they remain at the forefront of innovations that make the customer's lives easier. Our businesses make up a strong global portfolio, and we continue to be thoughtful about how to position each to be as successful as possible.

Now, that means we avoid a rigid approach to ownership. And we leverage strategic partnerships wherever they can make our business stronger. In some cases we're a majority owner in others we're a minority partner. Our businesses can be private or public, a path for strategic collaboration with strong partners such as Rakuten, Advent, JD or Dada.

Before you ask, I have nothing new on this to tell you today. Success in this environment for us depends on having a multi-local approach. And I hope you've seen our businesses everywhere look very different in different markets. What's really exciting in the way that we move forward is being powered by Walmart becomes a reality. From adapting formats and sharing best practices and developing talent to sharing and building and innovation of culture. What I can tell you is that our business is changing, along with the expectations of our customers everywhere that we operate.

This year, one out of every $8 of international revenue will come from eCommerce. In every market, our customers are pivoting to the future faster than ever before, and we're well positioned to make the most of that shift. We're building strong local businesses and we're increasingly unlocking the power of Walmart. Thank you.

Kathryn McLay {BIO 20989984 <GO>}

Good morning, and I appreciate the opportunity to be here today to talk to you about Sam's Club and why we remain excited about the direction of our business. So I've been involved for just under 100 days, and I've spent dozens of hours talking to our associates and our members to find out what's working in Sam's Club and what's not. And a few things came through loud and clear. First of all, our associates love working for Sam's Club; and secondly, our members are passionate about their Club. And we have real momentum in the business. But what I also learnt is that our people are ready to do more. Our associates want to get behind great items. They want to leverage even more technology, and they want to create the best member experience in the warehouse channel.

And our members passion for Sam's Club means their expectations are higher than ever. They've paid to shop with us. So they do truly expect something special. So while there is work to do, I am encouraged by where we are today. We have a strong business, and we are well positioned to win, but more on that in a bit.

First, let me briefly touch on our results. You heard us talk earlier today about our fourth quarter and full year results. So for the full year, our comp sales excluding fuel and tobacco increased by 3.8%, and our eCommerce sales grew by 32%. I'm really proud of the team for delivering comps of 9.5% on a two-year stack basis. We continue to be encouraged by our membership trends plus renewals and sign (inaudible) membership income to grow at 2.5%.

So overall strength of the top line and combined with an increase in membership income resulted in operating income growth for the full year of 8% including fuel. So what that means is we achieved a really healthy operating income growth, while at the same time strategically investing into people, price and technology.

So today, the business is positioned financially to continue to provide strong value and convenience, while transforming the shopping experience for our members, both in Club and online. And there is a good reason for that strength the Sam's Club model is pretty simple. And that's why it works. We offer great items at disruptive prices, and a seamless shopping experience.

That's what drives membership and membership is what drives Sam's Club. This basic formula is powered by our strategic focus on people, product and digital, as well as an obsession with serving our target member. A family with an income of around $100,000 and 2 or 3 kids. So that strategy won't change because it's working, but member counts and renewal rates are improving. But you will see us take it up a notch and focus on how people, product and digital come together to drive a great member experience both in club and online.

We've told our members to expect something special, and we will continue to deliver on that promise. With our people we fundamentally change the way work gets done in our clubs to provide a better member experience as well as opportunities for our associates.

Last year we organized our associates into four working groups member, merchandising, fresh and specialty to move towards a more team based approach. We've consolidated our job codes. We've simplified the work and we have cross training to ensure every associate complete the basic tasks of each team. So for example on the member team we no longer have associates who purely run the cash register instead, we have a front line member associate who knows how to sell membership, and now just had to work the exit and helping Club picked up.

We've also moved all of our overnight associates to work during the days when our members are actually shopping with us. And we've raised our hourly wages in more than a dozen key areas like team leads, meat cutters and cake decorators and we're seeing improvement in our results with reduced turnover and increased employee satisfaction. And we're giving associates tools to make their jobs easier.

I was in North Carolina, recently and I spoke to a bunch of associates in a club, and I said to them what's working in clubs and their answer within unison technology. Associates now have more information on their mobile device at their fingertips than ever before, meaning they can spend more time on the sales floor with our members serving them. Let's move to product. Sam's Club is an item business. We have limited SKUs, so it's critical that every single item feel hand selected to delight our members while delivering value and quality.

Before I talk about some of our specific products, I want to briefly touch on our efforts to reduce our SKUs and to further invest into price. As club merchants, it's our job to find the best items and make the right choices for our members. Members don't come into Sam's Club expecting to find everything. They expect to find value, quality or something that they just can't find somewhere else. And our members are busier than ever and they're telling us they have more choices than ever. So can see the curation a member -- a benefit of membership.

In the past year, we've reduced SKUs in about half of our clubs, and that might seem kind of counterintuitive, but actually our members give us better marks on breadth of assortment when we have less SKUs in the club.

Members actually perceive we have more items when we present them with less. It's good for business too. Our sales are open -- our labor hours are down. So looking ahead, our plan is to continue to refine our SKU count across the business. The other component of membership value is of course price. We've invested in price, in a significant number of our clubs. Traffic in those clubs is growing and our members are responding.

We're going to continue to assess price investment and target it over the next year. Moving to items. We have this great opportunity to make Member's Mark special and we are. But before I talk about that, I want to talk about some work we've been doing with our private brands. And I'll share with you two examples of how we partner with national brands to create unique items.

Our item obsession has led to increased innovation with our suppliers to bring new products to market, and suppliers are excited to partner because they're sharing in the growth with us. Let's take a look at our recent collaboration with Kellogg's that brought Baby Shark Cereals to homes across the country.

(Video Presentation)

Good luck, getting that song out of your head. We brought another example with us, our delicious popcorn partnership with leading Candy brands. So one of our merchants first discovered Candy Popcorn in an airport. It had no presence in grocery or mass retail and we worked with the supply to improve the formula and bring the first flavor, Butterfinger to the club. Our members loved it, and we've continue to innovate, every quarter by working with the supply to bring tweaks with and our latest OREO to market.

Sam's Club has exclusivity on this series for the first 13 weeks, and we have more amazing flavors planned. I hope you enjoyed this some on your table, I hope you enjoy it as much as our members have actually enjoyed it. Our Member's Mark brand continues to produce innovative items at a amazing quality and prices, while strengthening our overall assortment. We know that Member's repurchase Member's Mark a more likely to renew with us. So we'll continue to invest in the brand across the box.

Last year alone, we improved 383 items, and launched 334 new products. Take our updated of Patio sets, for example. Jonathan Odell is a Senior Merchant, who worked with Member's Mark team to completely reinvent our product line to appeal more to our target member.

John has deep experience in the outdoor category, and he knew our members wanted high quality construction and fabrics at a warehouse club price. All sets are hand woven by master weavers, who must apprentice for years to earn that title, and the weaver can take up to 15 hours to complete a single chair to ensure consistency and durability of craftsmanship.

We also upgraded to some (inaudible) fabrics, which are much more resilient and resistant to water and fading plus each set comes with the cover that would easily retail for hundreds of dollars alone. The quality rivals an upscale home furnishing store with similar sets would retail for about $10,000 or more. At Sam's Club our members pay less than $2,000.

We've also made significant improvements in fresh, which is a key driver for repeat traffic across the Club. You know people are surprised to learn that you can find prime angus beef and Fresh Alaskan Salmon in our clubs. This year we expanded prime angus beef to all clubs and we're now one of the top retailers in the prime category. And we've been deepening our relationship with our suppliers to find unique items that can't be found anywhere else. Our Grape soda Grape is a great example. Before I tell you about the product, I want to share a little bit about the Phil Macy is one of our Senior Merchants and he has been with Sam's Club for 27 years, always in our fresh business. For the last several years he has been focused on buying grapes and stone fruits. Phil truly an expert in his field and he travels to Spain, Chile, Israel as well as working domestically through nurseries to identify the next best thing for our members.

And you know what, this is no quick process. It can take up to 12 years to develop a new variety and a lot of taste testing. Phil estimated that he probably tastes about 500 grapes a year, that's a lot of grapes. Phil was behind the creation of the Cotton Candy Grape in 2017. And he worked with the same nursery in California to perfect the taste and texture of the grape soda variety.

Sam's Club has a trademark on the name, and exclusivity with the grower. We sold the grapes, soda grapes in select clubs last summer for two weeks and we are planning to expand to more clubs this year. So while we becoming known for the quirk and unexpected, our members are also talking about the quality too. Our fresh net promoter score has improved every quarter this year with a 230 basis point increase overall.

Now let's turn our focus to digital. Technology gives us the opportunity to empower our associates and our members, it simplifies work for the associate and removes friction for members and enhances the overall experience of membership. You probably, I hope you're familiar with Scan and Go. I believe it is one of the most delightful experiences, we offer our members at Sam's Club.

It's a great example of how we value members time and put control in their hands. Think of the typical shopping experience, as a member moves through the club he's mentally purchasing each item he puts into the cart. In fact he probably feels like they're already his own, but then we ask him to stand in line to bring up those items.

Scan and Go flips the scenario. It removes the friction and empowers our members to own their shopping experience from beginning to end. With Scan and Go members can scan an items barcode with their phones as they shop and then skip the checkout line and pay through the app. And members value the experience. We're seeing a repeat usage rate of about 85%. We're going to continue to innovate with Scan and Go, and you're going to learn a little bit more about that during the tech panel.

New implementations of technology, a great for associates too. You'll hear more later during the tech panel about Ask Sam, but I want to talk to you now that Sam's

Garage. You heard Doug mentioned, Sam's Garage before, but I want to talk about how it's driving sales. So Sam's Garage is a new application that's driving our tire and battery business. Associates who work in time and battery centers in the past, had to navigate bulky product works and massive paper works and five systems to simply sell products and schedule installation for members. Sam's Garage streamlines all of that into one single app, an average transaction time has dropped from about 20 minutes to less than 5 minutes, and it's improving sales. So when we combine the convenience of Sam's Garage with disruptive pricing during a recent one day event, we saw a 55% increase in transactions.

Sam's Club continues to focus on emerging tech and pilot new ways to simplify the business, which has in the use of computer vision to curb out of stocks and exit technology that can help reduce theft. We even have drones flying around in some of our clubs to help better manage inventory, especially items, housed upon in this deal.

And at Sam's Club now in Dallas, we're testing an enhancement to Scan and Go called Item Vision. Members can point their camera at a product added to their digital shopping cart, no searching for barcodes, the image of the item is all a member needs to make the shopping experience even faster than ever. So these innovations on in all clubs yet, but we think all of them have the potential to impact Sam's Club and enhance the overall experience for members and associates.

Shopping with Sam's Club should be seamless, and we have to be relentless about removing friction and providing an omnichannel experience. We give our members choice and convenience no matter, how they want to shop with us, options like Scan and Go, Same day Club pickup, grocery delivery and direct-to-home shipping, and remember direct-to-home shipping is offered free with our plus membership with no minimums for most items.

Part of our membership story is a huge growth we're seeing online. Our members love SamClub.com. Online sales at Sam's grew by 32% last year, which includes both Club pickup and direct-to-home sales. We successfully converted several former clubs to fulfillment centers to make our direct-to-home offering faster and more effective, while also reducing the cost to ship.

We've also recently started testing ship from Club for eCommerce orders. This test is in about 22 clubs and we're really happy with the early results. We're adding membership value through our website too with features like travel and entertainment, and home improvement services that have saved our members million since launching earlier this year. And we've just added this personalized perks portal, so members can see their individualized savings piling up.

Our focus on the target member and the value of the Sam's Club membership is working. We're seeing growth in total member counts, and renewal rates. Plus member penetration rates continue to see positive results, hitting an all time high during FY '20 and improving 170 basis points over the last year.

We expect more positive membership trends as we continue to improve in Club and online experience for our members while enhancing the value of their membership. I want to wrap up by highlighting a few key things I hope you all took away from today. First, the changes we've made to simplify the business have made us stronger. Our total member count, renewal rates and plus member penetration rates are growing and our traffic numbers and comp sales excluding fuel and tobacco remained healthy.

Secondly, we're in item business and we will continue to focus on bringing innovative products at amazing quality and value to our clubs. Thirdly, Sam's Club remains an innovation hub driven by associates and technology, we are developing tools to make shopping and working at Sam's easier and more delightful than ever. And finally, the focus on the target member is working and we will continue to push toward a more omnichannel experience that empowers our member.

Today Sam's Club is a great business and we're tremendously pleased with the progress we've made, but I know we're even more excited about where we're headed and the opportunities we see in the future. We tell our members to expect something special, and that's a promise I know, we can give keep. Thank you.

Daniel Binder {BIO 1749900 <GO>}

Great, thank you, Kath. So we'll have a 15-minute break as we transition to our innovation panel. And then that'll be followed by our Q&A session. So thanks. So, as I mentioned earlier, we have a innovation panel that we're introducing to the program this year, and we'll kick it off with Doug and Suresh. And I'll let you take the lead on.

Doug McMillon {BIO 3063017 <GO>}

Yeah, we're going to take a few minutes and try to give you some examples of innovation that's happening, that are happening across the company and we'll try to do that with some speed and maybe talk a little bit about how it's happening as well.

I mentioned earlier that we've been innovating and operating on top of a legacy tech stack that as you would imagine, through our acquisitions as we've grown internationally and built a business historically ends up being a series of systems and it needs to be simplified and modernized, as we do that we'll find our way towards more speed, more innovation and more productivity. And Suresh Kumar who I briefly introduced earlier joined us in July, came from Google. He's a type of leader who can lead that type of investment, and lead it well and we're really excited to have you.

Suresh, if you would start off with kind of that big picture question. Let's talk a little bit about what it means to modernize the technology that we have at Walmart today.

Suresh Kumar {BIO 21073281 <GO>}

Absolutely. So few pieces. Hiring the right talent, creating the right structures, and then creating the right architecture that will allow us to incorporate new technologies, whether it is vision or voice. These are the things that will allow us to develop innovative solutions on behalf of our customers or for our associates.

Now we have great engineers. We have great data scientists, and other technologies. We are creating structures to make them even more effective, so that they can drive leverage and reuse. We are creating deeper expertise, in areas like machine learning and the cloud. And in terms of architecture, the cloud is at the center of everything that we are doing. But we have not just taking our old legacy complex applications and simply just moving them to the cloud, we are rebuilding them so that they can take advantage of what the cloud really has to offer.

So for example, in the store associates, while building applications to be cloud native we can incorporate things like voice assistance into them. And this is something that the legacy architecture would never allow us to be able to do. And so these are some of the ways, in which we can go faster and be a lot more innovative.

Doug McMillon {BIO 3063017 <GO>}

I'm excited about the plan, and I'm excited about doing it faster. Let's go deeper into the architecture and talk a bit more about what a hybrid cloud actually means, what it means at Walmart?

Suresh Kumar {BIO 21073281 <GO>}

Absolutely. So we have built out a large and sophisticated cloud on which we are building all the modern stack in the modern applications. So we have got a private cloud that we have installed inside our data centers. We are partnering with public cloud providers, and we are building out it's computing in our stores. So this combination is a hybrid cloud architecture that is uniquely suited for what we want. So, we can take workloads and we can move them seamlessly from the private cloud to public cloud to make use of the flex capacity when we need, this is something that we did very effectively last holiday season.

We can make use of the specialized compute capabilities that the public cloud offers, so that we can run our complex workloads, whether it is training machine learning models, Big Data, these things run very effectively on the public cloud. And then finally, we can take our applications and use the edge, that we are building out to move them closer to where our associates and our customer are inside the store, so that we can improve the customer experience.

So it is, these three pieces that are coming together that form the underpinning of the modern stack that we're building out.

Doug McMillon {BIO 3063017 <GO>}

I hope this is starting to connect some dots for you. We want to get faster, we want to get more innovative. We know we can use technology to be more productive and in today's accounting world a lot of the tech that we build is more on the OpEx side than the CapEx side. So we mentioned earlier, in our guidance, we've got this increased investment in technology that in a period of years we can position ourselves to be even stronger and better. It's one of the governors that we can use as we manage earnings, how fast do we go? Does this happen in two years, three years, four years? It's not a lot more than that, but it's also not in a year. So it's one of the variables that you might keep in mind as you think about the guidance that we gave you earlier.

So, now imagine the tech stacks has been modernized and all these emerging technologies are now available to us to serve customers in different ways and you hear about all these various things, Marc mentioned, some of them earlier today which ones do you think are most relevant and practical to move the needle for Walmart?

Suresh Kumar {BIO 21073281 <GO>}

Absolutely. So, we are already incorporating a lot of the many emerging technologies, and new technologies, whether it is IoT, Internet of Things, blockchain, voice, vision, robotics and so on. But there is one technology that I'm particularly excited about because it has relevance and pretty much every single thing that we do, and that's Machine Learning, or ML. So with ML we can improve our customer experience. We can make our associates life's a lot easier and we can reduce costs by driving more efficiency.

So, let me give one example, this is a project that we call Smart Substitutions. So imagine that you are an associate, and you're picking items on behalf of our customers inside the store and as you are picking items, you'll find that one of the items, that the customer wants, just went out of stock it happens occasionally. So at this time you want to go find an alternate product, a substitute if you would, to offer to our customers, so that they don't get disappointed.

This used to be very error-prone [ph] manual it was a very difficult task. In fact, our associates used to have a piece of printed paper with a bunch of rules written on them. So that they could go find out what is the best substitute for that particular product. Well, this is where we leverage the ML to come and help. We train the model that extracted information from about the products that we sell in further relationships between them combine that with customer preferences.

Now the result is that we automatically figure out the best substitute and we direct our associates to go pick that, associates are very happy. They will not -- they don't need to stop, what they're doing and go on to trying to hunt for the product, but equally important, our customers are very happy because the product, that the machine learning algorithm picks up is unique personalize for what the customer wants, in that particular instance and so this is the power of ML that we want to leverage everywhere in what we do.

Unidentified Participant

There's a lot of focus on the accuracy of first time pick rate, but when we have to do a substitution it needs to be as seamless as possible. So we'll try to eliminate them and then the ones that we have will make better. Let's wrap up with data Walmart's used information for a long time to help us within stock replenishment, our suppliers have been very helpful in helping us manage information that we've had, but we've never really focused on customer data to the maximum of our capability and there are other places where we can monetize and use data more effectively personalize the experience for customers et cetera.

How do you view the opportunity in front of us as it relates to data?

Suresh Kumar {BIO 21073281 <GO>}

Absolutely. So Walmart is unique like I said, we have over 216 [ph] million people walking into our stores every week, around the world. That gives us a huge, set of information from which we can draw insights to help serve our customers even better and that's something that we want to do, that we are committed to doing. But we want to do that in a way that is extremely mindful of the trust that they place on us. I talked about personalization, I talked about machine learning. Let me give you another example, which is online grocery pickup. This is something that our customers love to -- love as a future because they can book a slot, drive up and we have the product loaded of into their vehicle. Nobody wants to wait for too long. They don't want to wait for the slot and they don't want to wait inside. So this is where data helps, right. So we looked at the data around how the slots are getting booked, and we predicting which slots are going to get filled up soon, put that in front of the customer, so that they could select with slot it is, that could work best for them.

Similarly, we started looking at not just customer information, but we also started getting data around how our stores are actually functioning, what the parking lot looks like, and we combine that information and data surrounding the stores, traffic patterns, construction, and so on. The result is that we can predict very very accurately when a particular customer is actually going to show up for that pickup order, meaning that now we can serve them just in time. Times go down, customers are happy, but it also ends up creating a flywheel effect where the better we serve our customers, the more deeply engaged they are with us, and that gives us more opportunity to serve them even better.

Doug McMillon {BIO 3063017 <GO>}

Got it. Suresh, really excited about your leadership glad you're here at Walmart. We're not going to wait to keep driving innovation until all of this work is done. These things will be happening in parallel, and we're going to give you some more examples of what's already underway. Suresh, thanks for coming up.

Suresh Kumar {BIO 21073281 <GO>}

Thank you.

Doug McMillon {BIO 3063017 <GO>}

I now want to ask Dacona Smith, and Jamie Iannone to come up for a few minutes. Welcome Dacona. Jamie, we'll start with you.

Jamie Iannone {BIO 16436526 <GO>}

Yeah.

Doug McMillon {BIO 3063017 <GO>}

Jamie leads Membership Marketing at SamsClub.com. At Sam's he drives the product mindset. He works closely with the technology team. He has been with us for six years now?

Jamie Iannone {BIO 16436526 <GO>}

Yeah, six years.

Doug McMillon {BIO 3063017 <GO>}

And before that was with Barnes & Noble, leading digital products and then at eBay for seven years leading search and some other areas there before for making its way to join us which we really glad that you did. Lots of cool stuff happening at Sam's. I mean for us to be able to stand up today and say that Sam's Club has become tech incubator is really cool.

Jamie Iannone {BIO 16436526 <GO>}

It's exciting.

Doug McMillon {BIO 3063017 <GO>}

Yeah. So thank you for your leadership as it relates to making that happen. Kath talked about Scan and Go. Let's lean into kind of the product itself, what the future looks like for it first, if you would?

Jamie Iannone {BIO 16436526 <GO>}

Yeah, Scan and Go really started from two associates entrepreneurs really who said, what if we could take one of the pain points or friction points in shopping, the checkout lines and avoided altogether by giving people a point of sale, right on the mobile phone they're already carrying. So they worked on this in late 2016 launched it and members fell in love with the product instantly ahead very highly rated high repeat rate, so we rolled it out to the whole fleet pretty quickly. And since then, nothing but really good feedback from our members about using Scan and Go.

We want to continue to innovate and push the envelopes to one of our big request was we'd like to be able to purchase adult beverages with Scan and Go as well. So we added that over the course of this year.

Doug McMillon {BIO 3063017 <GO>}

Did that come up at about 5 PM on one day or all the time, we have Sundae's [ph] before football. So that's been a big success and then they also wanted to integrated in the core experience. So we integrated it into one app the Sam's Club app if you went to the iOS store today it's 4.9 star, it's members just have the best things to say about it. So they continue to push the envelope on innovation what they're working on now is how do we eliminate the need to even scan the actual barcode.

So we've talked about Sam's Club now which is our tech innovation club in Dallas and there we're doing a test where you just point the camera at the item and it recognize it. So you just hold it over the avocados and it says -- Barcode or anything.

Jamie Iannone {BIO 16436526 <GO>}

No and it says would you like to add the avocados. They go right to the bag and people look at that and they think, well that's like magic. That's really cool and that's what our product and tech teams kind of live for is for a customer to say well, that was like magic, that's a home run.

Doug McMillon {BIO 3063017 <GO>}

We've talked a lot about our Sam today, but I would appreciate if you could go deeper into how that product was built. And when we get excited because we think about all these footsteps associates all over our clubs and stores running all over the place to get information and how efficient it is it's been fun to see how ask Sam has taken hold at Sam's. How did that story come about? How do you build something like that?

Jamie Iannone {BIO 16436526 <GO>}

Yeah, you know, it's interesting (inaudible) and John always talked about how do we make sure that our associates can be on the floor helping our members, all the time. We never want them to have to go get data in the backroom et cetera. And how do we make, it really easy that we come to work at Sam's Club. It's very intuitive how to work there. So, we thought well, if we could just take a voice assistant and have you talked in the phone and let answer common questions like, how do I cut a rib eye steak or how many plus [ph] members have we signed up today, that would make it really easy.

So that's what we did. Take a look at this video of our associates using ask Sams.

(Video Presentation)

Yes. So we're excited about this. We often talk about small empowered team. So engineers, product managers and designers designing a great product. This was 11 engineers over 5 months that build this product and what's great is it's a self-learning products. So we tell our associates, the more questions you ask it, the smarter it's going to get. So, they started to ask any questions like can you bring the sign for broccoli and it didn't have that capability yet, but it quickly learned how to do it and we included it, and now they're using it for things like printing signs when they're out there in the floor.

Doug McMillon {BIO 3063017 <GO>}

(Multiple Speaker) ask how to forecast sales in December, we barely work on that. It can tell you anything.

Dacona Smith {BIO 20980414 <GO>}

Yeah. Surest talked about AI and machine learning, so put it all in there.

Doug McMillon {BIO 3063017 <GO>}

Kath and I were in Sam's Club in Florida, a few weeks ago and there was this one section, that looked like it had too many SKUs for a warehouse club, and so we were wondering if the club had it set wrong and we asked the Club Manager can you show us the layout for this particular section, he pulled his phone out, asked the Sam's Club app, and it pulls up the exact layout, and sure enough, he's got it set just right. It was our problem, not his problem, and he was very pleased to point that out to us. We got through showing it to him.

Thanks, Jamie. So, you worked in Walmart for a long time, how many years with the company, Dacona?

Dacona Smith {BIO 20980414 <GO>}

Almost, 30.

Doug McMillon {BIO 3063017 <GO>}

30. And what was your first job?

Dacona Smith {BIO 20980414 <GO>}

Card pusher.

Doug McMillon {BIO 3063017 <GO>}

You come a long way.

Dacona Smith {BIO 20980414 <GO>}

Assembling bikes and card pusher.

Doug McMillon {BIO 3063017 <GO>}

And now when you show up at a store to go visit, what's the first thing you do? Probably grab a shopping cart push it inside through that garage.(Multiple Speaker)

Dacona Smith {BIO 20980414 <GO>}

It's exactly right

Doug McMillon {BIO 3063017 <GO>}

So you leave Walmart, you go Sam's Club and you spend about a year over there and you see how the team is working as it relates to products like this and now you move back over to Walmart US to run all of operations. Congratulations.

Dacona Smith {BIO 20980414 <GO>}

Thank you.

Doug McMillon {BIO 3063017 <GO>}

Are you going to steal the Ask Sam?

Dacona Smith {BIO 20980414 <GO>}

We're already doing it. Jamie, I don't know I'm meeting with his team regularly -- moving all of his stake over to Walmart. No, but Ask Sam is just a good example of many tech products that Jamie delivered to the Club's at Sam's. Ask Sam puts all of that technology right in the (inaudible). So you can only imagine all the modules that we set, all of the planograms asking for prices, locations all of that now can be done by voice. So, thank you, Jamie. You helped the whole Company Jaime, quite a deal.

Jamie Iannone {BIO 16436526 <GO>}

Love it. Love to see the impact.

Doug McMillon {BIO 3063017 <GO>}

I mentioned Spark earlier, the independent contractor platform. Would you tell everybody a little bit more about it, what's the future look like for Spark?

Dacona Smith {BIO 20980414 <GO>}

Yeah, Spark is our in-house delivery platform and basically, which -- it uses cloud source, drivers, basically what you do is, you go to drive4spark.com, you can sign up to make deliveries, you have to pass a few checks, of course, so, but you pass a couple of checks and you can download the app. In the app will tell, take everything you need to do to complete a successful delivery. So if you're in -- I don't know, New Orleans or Nashville on vacation and you need to make a little extra money, we can help you out. You can go to Drive 4 Spark and we can put you at work, but it giving us a lot of flexibility. It's going to give us some flexibility to understand the Indian use of delivery, more options to serve our customers. And as you know, Doug, for over the last couple of years, we've been expanding we've launched and really scaled our same-day grocery delivery, and we've used last mile delivery partners to help us with that.

So, if you think about Spark it can help us provide flexibility and some learnings. So that's, it will be really positive.

Doug McMillon {BIO 3063017 <GO>}

Just one of the ways, we'll solve last mile. Because we're working on autonomous vehicles, we're working with partners in the case of in-home, we want it to be our own associates. There is a menu of ways for us to solve last mile for customers and we're working on that. Thank you both very much. Appreciate you coming up. I will invite a couple of more folks to come up.

Karthik Raghupathy leads Strategic Development and Business Development for PhonePe. Karthik and Kathleen McLaughlin, our Chief Sustainability Officer. Karthik, I'll start with you. We've covered PhonePe to some extent, but you've been there for a -- the beginning and you understand this better than anybody else. In your own words, how would you describe PhonePe to this group?

Karthik Raghupathy {BIO 19795229 <GO>}

So Doug, we are a technology company. And we are on a mission to unlock the flow of money and access to services. So in Hindi PhonePe quite literally means on the phone. And we use the English connotation of the word Pay to create that connection with everything to do with money on the phone.

Doug McMillon {BIO 3063017 <GO>}

Got it. So there is a use case that starts with payment in India and then it expands from there. We've all seen what happened with WeChat and how Tencent led that. These use cases as they grow, did they result in what some people call a super app?

Karthik Raghupathy {BIO 19795229 <GO>}

Yeah, let me start answering that question, with a short video.

Doug McMillon {BIO 3063017 <GO>}

Anticipated that one.

Karthik Raghupathy {BIO 19795229 <GO>}

(Video Presentation) So the short answer to your question, Doug is yes. But in a much more broad and powerful sense than the traditional notion of a super app. So at PhonePe, we are driven by technology to offer everyone an equal opportunity to access money and services. And specifically, we think this manifest in three dimensions of what we would call a super app, consumers, merchants and banks. So firstly, on the consumer side, we believe in enabling equal access regardless of location or socioeconomic status and we take great pride in the fact that more than 65% of our nearly 200 million users are from small towns and villages all over India. I think this is a testament to the power of technology to really democratize access. So secondly, on the merchant side, we work with about 10 million merchants. the majority of whom are small and medium enterprises and we are actively working on driving their growth by connecting them to our consumer network.

So, for example as Judith mentioned earlier, we recently launched the PhonePe ATM which is a revolutionary first in market innovation, that is totally transformed the ATM landscape in India. It's simultaneously solves for a consumer paying point to have access to ATM while also driving more footfall to our merchant partners and thereby drives their growth.

And then thirdly on the banking side, when you connect consumers and merchants together money lies at the heart of this intersection and all our used cases are aimed at unlocking the floor money. So PhonePe users can use us to transfer money to each other, to pay their bills, to spend money both at online and offline merchant and manage and grow their money using financial product like gold, insurance and mutual funds.

So yes, we are a super app.

Doug McMillon {BIO 3063017 <GO>}

Got it. So some people might be a little confused about the ATM reference. Actually what's happening is India's generation skipping ATMs.

Karthik Raghupathy {BIO 19795229 <GO>}

That's right.

Doug McMillon {BIO 3063017 <GO>}

It's digital money disperse frequently occur on us [ph]

Karthik Raghupathy {BIO 19795229 <GO>}

That's right.

Doug McMillon {BIO 3063017 <GO>}

That's another example of how innovation is occurring in India and innovations occurring within Walmart, we're really excited about PhonePe that's why we've talked about it so much today, but we're just as excited about Flipkart, Myntra and the way this as I've mentioned to you in our last meeting the way these pieces fit together to create a mutually reinforcing ecosystem is super interesting --, business models are changing. The retail business model has changed and is changing and we're learning a lot due to from what's happening in India and applying that across the company in an increasing way and really appreciate of you and the team. Please thank everybody for us.

It might surprise you to know that in my job sometimes things get announced at Walmart that I've never heard of until I've read about them in the news. I know that's not supposed to be the case, I'm supposed to hear about everything internally. But actually today there is so much happening across the company that it's true that we're solving problems and innovating in ways that I haven't heard about sometimes until I've read about it and actually love that. Now I try to be careful not to ask too many questions when that's the case, because it will slow people down and they'll want to clear everything with leadership and we don't want them to do that. We have common values, we have a culture, you know what problems you need to go solve and go solve the problems. That's an important ingredient as it relates to speed. So when we were talking about telling you some innovation stories in tech stories, it was exciting for me to hear Kathleen McLoughlin her story and what her team has been doing to take technology and put it to work to tackle some of the biggest problems we face as humans. Kathleen as a global shaper as it relates to thought leadership and policy and we're really thankful that she's part of Walmart helping us all become Chief Sustainability Officers. And if you would Kathleen tell them about how we're deploying to tech to help with things like climate change?

Kathleen McLaughlin {BIO 18336643 <GO>}

Yeah, well, climate is one of the biggest issues that we face in the whole environmental and social landscape and what we're trying to do at Walmart is take issues that are relevant for our business for our customers, our associates, communities and address them through our business assets in a way that not only helps the world move quicker to transform to address these issues, but it's also good for business and climate is a great example.

We've been working, Doug as you well know, since 2005 in earnest on our own emissions from operations, we've doubled fleet efficiency, we're on our way to 50% renewable energy, powering all of our stores. We're working on energy efficiency on refrigerants, all of these things, but of course for a retailer and in the consumer goods industry in general 90% of the emissions are not in retail operations. They're in the supply chain.

And it's things like agriculture, waste food, waste packaging waste, they design the consumer products themselves, deforestation and things like this. So a couple of years back, we set a Science Based Target for emissions reduction. We were, I think the first retailer to do so, and we said okay scope one, scope two, we've got it question is how do we tackle all of those emissions in the supply chain. So we launched an effort called Project Gigaton which is powered by a digital platform to help our suppliers engage and work with us to accelerate emissions reduction all across supply chains.

And there is three things that are pretty exciting about it. One is it science-based, but it's very practical. So we worked with World Wildlife Fund, with Environmental Defense Fund to develop a bunch of super practical interventions that suppliers can take in supply chains and translate them through calculators into emissions reduction. So it's very easy for people to engage in this and get started, and start working on emissions reduction.

Second thing is because of that it democratize access Karthik, you talked about this, that's a theme that runs throughout Walmart. We want to democratize access to things and this is no different. We now have 2,300 suppliers working on this signed up working on initiatives to reduce emissions and I think you mentioned this earlier, Doug, we're over 200 million metric tons of emissions avoided is actually north of 250 at this point, just a couple of years in. So that's great, well on our way to that Gigaton target.

And the third thing is the way we set it up with the platform and incentives and help for supply it's a bit of an escalator in terms of ambition and impact. Right. So people can come in, it's very easy to get started. But then we ratchet them up in terms of their own ambition and what they're able to achieve. So we've got incentives from what we call Giga-Gurus. These are upto 2300 suppliers the hundreds that have smart goals, that have reported results and so on. And we're excited about that because it allows us to keep the standards high of what does it really mean to be making progress on this, but have a broad (inaudible) to get people in and move them up that escalator toward that goal.

We just received an A from CDP on climate action, which are really proud about, I think it makes us one of, I don't know, 30 companies out of 8000 that submitted to CDP to get that score. So I'd just say watch the space, you know we're going to continue to innovate here and with our whole ESG agenda to try to drive impact in a way that really does create value as well for business.

Doug McMillon {BIO 3063017 <GO>}

I mentioned earlier, this idea of business serving multi stakeholders, I think you gave us several good examples of how reaching out to suppliers or thinking about the planet or communities is actually really good business because eliminating waste helps us fulfill our purpose of saving people money so they can live better and sometimes that waste takes the form of carbon, sometimes it's plastics and we're trying to work across the whole system. These systems thinkers and drive an overall optimization of our business model, not a sub-optimization. And I hope through these examples you can see that culturally we weren't there, our mindsets there and we're doing good work and we know that we can do more and Kathleen appreciate your leadership and making that happen.

Kathleen McLaughlin {BIO 18336643 <GO>}

Thanks.

Doug McMillon {BIO 3063017 <GO>}

Thank you very much. Karthik. Thank you.

Karthik Raghupathy {BIO 19795229 <GO>}

Thank you, Doug.

Doug McMillon {BIO 3063017 <GO>}

We're going to pivot now to the Q&A portion. And I'm going to invite the team to come up and join me up here, and Dan will help facilitate and we'll open it up for any question on any subject that you all want to ask and Paul's hand went up first.

Daniel Binder {BIO 1749900 <GO>}

Yeah, saw that.

Doug McMillon {BIO 3063017 <GO>}

Dan, he's early.

Daniel Binder {BIO 1749900 <GO>}

He's not wasting any time. Again, if you could state your name and firm name (inaudible) webcast.

Paul Trussell {BIO 20732173 <GO>}

Paul Trussel with Deutsche Bank. Thank you for all the information provided today. Wanted to maybe first focus on the US operation. One of the keys to success is the collaboration between John and Mark's team. Maybe let's just dig into that a little bit and speak about that collaboration and maybe even that friction as we think about balancing growth and being a more profitable company. And as a part of conversation, maybe just bucket for us what are the omni-channel initiatives really in this year's guidance and then if we were to think about if you were actually providing a longer framework what are those items from a omnichannel standpoint that aren't yet at scale today, but will absolutely be a factor of the coming two to three years? Thank you.

Doug McMillon {BIO 3063017 <GO>}

We are probably all want to weigh in on that one. John, I want to go first, Marc and (inaudible) and others can jump in.

John Furner {BIO 19351533 <GO>}

Yeah, Paul. Thanks for the question. First, I think it's important that between Marc and I, there is a lot of collaboration. We spend a lot of time working together, thinking about how we serve customers, whether it's in-store, pick up, channels and really the lines are pretty blurry between eCommerce stores and how we think about omni. And what I'm most excited about and energized by is thinking about putting the customer at the center and then building everything in our ecosystem around the needs of the customer and then between all of our businesses and the tools that we've got available being able to serve the customer. Anyway they want to be served, whether it's at home or direct-to-home, the refrigerator other services like health and wellness. So thinking about it for us as we look forward, it's all about the customer, finding ways that we can create new ways for growth and then layer on top of it innovation that works across all the channels. But I'm really excited about the work we've been doing.

Marc Lore {BIO 3597588 <GO>}

Yeah, I know, as John said, the lines are blurred. We think about the business is, one is one US business and like John said, there is one customer at the center. We've been on a journey now the last couple of years. We brought in the Chief Customer Officer, Janey and brought the customer altogether. We recently brought together the supply chain under Greg Smith. And so the (inaudible) are starting to come together and I think it's working well both the Chief Customer Officer and Greg went in supply chain, it's really helped us create a real true end-to-end omni experience and I think merchandise is sort of the next area that we're focused on and looking at right now, but even still underneath the people running both areas of eCom and stores like the GMs, of those businesses are working very closely together more so than ever before I think.

Doug McMillon {BIO 3063017 <GO>}

In the late '90s, I was the General Merchandise Manager for electronics, books, sporting goods, stationery and some other categories and could see what was happening with eCommerce with e toys and Amazon starting to sell books and those kinds of changes and going way back then we were even thinking about spinning out Walmart.com and having it be a separate entity separate from Walmart to create speed and the investment. From the late '90s all the way through until kind of these last few years, I've seen fits and starts with Walmart, trying to get really committed to e-Commerce and make it happen, and would love to do some of that over again if we could do it over again and kept some separation between stores and eCommerce, because I had seen a large profitable established business in large and small ways diminish the emerging business, if I can call it that and Clay Christensen's [ph] both the innovator's dilemma influence me a lot and having had conversations with him and read the book and studied it. I concluded. We got to keep this separate for a little while. But the issue is the customer keeps pulling it together. They want one experience for the brand. And so what we've got to have as we got to have a leadership team that gets omni and believes in omni and supports the whole thing people that work in e-commerce that want to help stores people who work in stores that want to help e-commerce and over time, this ends up being one business and one thing.

So, Marc mentioned the customer -- in the supply chain or there'll be other changes that come along. But we've got a set ourselves up, so that the whole thing can innovate and move with speed in omni fashion, and I really do appreciate how everybody has worked together these last few years, but there is a whole another gear to get to make this happen in a faster way and I think it's time to really this next year and maybe a little bit beyond kind of finish that off and have one omni still with a great diverse team thinking about how we solve these problems. But in the end, one customer proposition that seamless and you asked about what does that unlock looking ahead, we just think about how easy. We can make it to do merchandise returns when somebody wants to do a merchandise returns. Now think about how we can connect our payment. I think about how we can use data when we have one version of the customer.

We know who they are, and we know what they've consumed across the channels, there are lots of little unlocks that will occur as we get even better at that and I'm really excited about it. (inaudible) I think even across formats. Because I'm thinking about my member base. What are the things that John doing really well with Mark that we can then import across to Sam.

So if you think about even what you're doing with spot delivery. I mean that is great as we are leading into ship from Club. So I think as you think about your format, what are those things that we're working in other formats from an omni perspective that you can just steal and go fast way? Next to Ed, on the far side.

Edward James Yruma {BIO 4940857 <GO>}

Hi, thanks. This is Ed Yruma, KeyBanc Capital Markets. Quick question for you guys, you seem like you're starting to test and lean more into services in the superstore. I know you've always had some service component, restaurant and things like that. What's different this time and what filters are you're looking for in order to determine whether you do a broader roll out. Thanks.

Unidentified Speaker

I think the first one that I would speak about is, are the initiatives in health care and it really goes back to what customers need. And our ability to serve customers and call it 5,000 communities all around for just the second gives us an interesting ability to be able to help a lot of customers with the things that they need another area when they're in the store and they need to or on the website and they want to finance an item they're buying, we can -- we can help with that, whether it's us or our partner or some combination thereof. But there are a number of ways the customers need to be able to close all of their transactions and -- and I'm excited about both those opportunities as Doug said, we've got a big base. We've got a lot of data and there things we can do to make people's lives easier on their behalf and Walmart we'll see to do that.

Unidentified Participant

Guggenheim, Bob Drbul.

Bob Drbul {BIO 3131258 <GO>}

Just a question on the Walmart --it's Bob Drbul from Guggenheim. Question on the Walmart apparel offering, you know some of the learnings from December, but as you think about the mix of business opening price points versus brands, I'd be curious to hear from both you guys, if you could talk about the importance of brand and apparel in the mix and like what you're doing online with branded apparel, being able to maybe move some of it into the stores and sort of how you're working together on making the apparel business better?

Doug McMillon {BIO 3063017 <GO>}

Yeah. Traditionally, the way that, the merchants would think about apparel is, and I mentioned this earlier, is called that the Fashion Pyramid, we've got basics, fashion basics then we've got fashion at the top of it and in-store assortment, in the last year or so, it's been focused at the lower end of that even at point where we need to expand up, but having an aligned team between the (inaudible) and the Bentonville working together, we can use the website for different things that we can use the stores for and they'll complement each other.

And I think, it's important to just, think of that thread that goes from the fashion business into the basics and then there are different items that we can share across and others that, you may be able to do online that we don't do in the store.

Unidentified Speaker

Yeah, for example, SCOOP. It's a great example of Sofia Vergara, both those brands, were online, first and now in stores and we see that trend continuing. There are opportunities for branded assortment that we create that's proprietary going into across.com and stores.

Doug McMillon {BIO 3063017 <GO>}

I think both home and apparel are examples of the two teams, working closely together and then they can extend assortments in ways that they couldn't own their own, and home we're talking about apparel but home in particular has had a lot of success early. And Anthony and Jeff, the two people that lead the business have done a really nice job pairing up, what's in the stores the core, and then they complement it on the site with the long tail, and customers are responding really well.

Daniel Binder {BIO 1749900 <GO>}

We've go to Chris next, and then Michael Lasser after that.

Chris Horvers {BIO 7499419 <GO>}

Thanks. Chris Horvers, JP Morgan. Can you talk about the fulfilled by Walmart vision a little bit more? How much of this is the tails of the assortment versus say that first 1 million SKUs that you've talked about that drive 80% of all the transactions. Is this sort of a recognition that, you're not getting the coverage as fast as you want or maybe you're not getting the access to the brands as quickly as you want and this just broadly, what's the puts and takes of 1P versus 3P?

John Furner {BIO 19351533 <GO>}

Yeah, Walmart for women services is a critical part of our strategy. You mentioned, it's definitely brought it in assortment. So there are a merchants on third-party that we want to have that simply don't have fulfillment capabilities, and so we're not able to get that assortment on the website.

So that's really the first priority is to really focus on those brands and getting assortment for customers also just having the stuff in our warehouse, allows us to offer a better customer experience, it allows us to co-mingle the product in the same box when we ship it out with first-party which helps the economics. So there's lots of reasons to like the business. We're feeling good about the start, we've built the technology. We've got a handful of sellers using it, they like it. We're seeing good results. But it's something that we're going to take slowly, make sure it's right before we really blow it out.

Chirstopher Horvers

Just as a follow-up, it seem like initially it was well, if we get coverage up to that 1 million SKUs, we don't necessarily have to go beyond. So I guess what I'm trying understand is what's changed now that you're doing it was more of like, okay. We're good at this. Now, when we're moving to the next level or was there something that you felt like the strategy wasn't addressing?

Unidentified Speaker

You know it was always part of the strategy, its just a matter of getting too it. The top million SKUs is definitely an area of focus to get those in our warehouse because it does represent a large percentage of sales, but the goal is still to carry everything. So we definitely want to carry everything that a customer might want when they come to walmart.com.

Unidentified Participant

And we may have failed to communicate clearly at times and including me about the 1 million or 2 million being first party versus everything. We never thought 1P plus 3P was million or two million SKUs. We were focused on 1P as we were answering those questions. So it will be a much bigger assortment, when you put 3P with it.

Michael Lasser {BIO 7266130 <GO>}

Michael Lasser, UBS. The markets' perception is that Walmart has been on, especially in the US Walmart has been on been on this journey over the last few years, whether it's been an investment in price, whether it's been an investment in people and now the company starting to harvest those returns. So at the same time it's eCommerce profitability stabilizing such that the totality of the US business. The margin there is stable and can continue to be stable from here. A, is that a reasonable expectation. And B, what are the 2 or 3 factors that might have to -- that might arise to motivate the company to say, we have to make further sizable investments and bring down our profitability from here.

And then, totally unrelated to that before Kerry takes away the microphone. Have you won the war against the hard discounters or could the battle reemerge such that those price gaps are going to shrink and you'll have to as all the (inaudible) just get bigger and have more stores and you're more competition that we're going to see flare-ups of that over time. Thank you.

Kerry Kotouc {BIO 20989993 <GO>}

Michael, I'll kick off. So we look at the kind of the profitability, excuse me, the profitability of what you saw last year. In particularly the US business and you see the guidance we've given this year pretty similar. And so I think we feel good about this, can tag on a little bit. We feel good about that kind of algorithm so to speak for the Walmart US business. We're always going to invest in the business first, and if we see opportunities for things that we think give us a long-term benefit. I think Doug said this morning, but might have some short-term pressure. We're going to be upfront with you about that. What we're seeing today with the guidance is we think we've invested in the things that we feel like we should to make sure we're there for the customer now and in the future. But the customer is going to continue to change, competition will continue to change and we've got to make sure that we have the ability to evolve with that.

Doug McMillon {BIO 3063017 <GO>}

Is the reason we only give annual guidance, it is a fluid environment and we're making decisions all the time and when I look ahead and think about what more we want to do, would be things that would help us secure the future of the company. So if we see a window to play offense on something and we think speed is really important, we've been more aggressive in that way. We would like to pay our people more, and we have been and we'll continue to be focused on people that will be important. But we have put a lot of this on the board, now we've got a lot to work with, a lot of variables to make decisions around, and so I think we've described it earlier in today and just now sufficiently.

Unidentified Participant

I think the sales number as Brett said earlier, that's about $9 billion of growth which is a great number for the total business. And inside the box and online will always be watching what competitors do, and I wouldn't underestimate any competitor any time. We're constantly scanning and looking and making sure that whatever we've got out to offer is what a customer wants and it makes sense in terms of value. So we'll always be looking, and we'll decide as we go.

Doug McMillon {BIO 3063017 <GO>}

As it relates to like card discount, we don't underestimate them or anybody. Our opening price points are going to have the right spec and the right size and priced competitively and then we have this whole other assortment that we can work with to make sure that we deliver profitability for the business.

Unidentified Participant

And I might just add on, having competed with hard discounters pretty much my whole retail life, one of the differences for the US is that the price position is much stronger already and that gives you the ability to compete on everything else. That's not necessarily true in every market around the world, whether the price gap is much wider. So you're already starting from a better position here, then I think you would see in other markets.

Daniel Binder {BIO 1749900 <GO>}

Go to the center right here?

Caroline Conway {BIO 22189855 <GO>}

Good morning, Caroline Conway from AllianceBernstein. I just wanted to ask you about the supply chain support for the omnichannel efforts in stores. It sounds very clear that the Supercenters are going to be the hub for pickup of course and then home delivery. Just curious if there also investments that you're considering for things like each -- picking at the DCs or dark stores or pickup points or anything along those lines? And then a separate second question for Judith, I just wanted to get your perspective on the regulatory environment in India? And how that's looking for Flipkart?

Unidentified Speaker

Hey, let me take the first part. We showed in the presentation earlier this idea of something called AlphaBot, and that's one experiment that we're learning from as I said, we're expanding in a couple of more stores this year and that in similar technologies can work in distribution centers as well. So we are internally rethinking the way that we would define supply chain. Historically, we might have thought about supply chain as the part of the business that brings something from a supplier to the back of the store.

But with all the -- all the things we're doing today, including Walmart and Home, the supply chain goes from point of supply all the way to the refrigerator. So, every one of those pieces has to be put together and optimize the right way. And there are several different types of technology that we'll be testing experimenting with the fund, the best way to do that. We've got some -- a market where we're running automated vehicles for example, then we've got Spark. Spark is our first multi-tenant platform that we've built inside the company.

We're tenant, number one, Sam's Club will be tenant two and that's a platform that can be expanded. So just think of it from the point of -- that something is growing manufactured, packaged all the way to the customer's home is the way we will optimize this how whole -- entire supply chain.

Kerry Kotouc {BIO 20989993 <GO>}

I was going to add one thing. Another way to think about how integrated supply chain is starting to get. Imagine we have regional distribution centers that supply stores in full truckload. Could you move product in truckload from fulfillment center to RDC to the store and then ride the rails of last mile delivery to someone's home. We're already delivering groceries in the GM package just rides. So there's just things like that we're thinking through right now. It's certainly very sort of fluid process.

Kathleen McLaughlin {BIO 18336643 <GO>}

So for the regulatory environment in India, what it say is sometimes people forget. We've been operating in India for over 10 years. This is not something that we've got used to 18 months ago when we made the investments we've had a strong cash and carry business there, throughout that time and I think actually payments, eCommerce, legislation around the world is shifting and changing everybody has these businesses grow is learning different ways to think about how to look at them and in an emerging market like India with such a fast growing part of the business that's no different either.

We continue to work with the Flipkart and the PhonePe teams very closely. That focus on the customer, ultimately, I think is the right thing to do keep doing that, and then we work with the government. From a perspective of how playing a seat at the table to talk about these things into work away through them, but it's something we knew that was there when we made the investment and seeing the results we're seeing, not just for the business itself but in the impact, making on broad two communities creating jobs, really thinking about how those to support small micro businesses, Kirana shops as well. I think it's all part of that one.

Doug McMillon {BIO 3063017 <GO>}

(inaudible)

Simeon Gutman {BIO 7528320 <GO>}

Thanks. Simeon Gutman, Morgan Stanley. You've always done a great job with your core customer typically in that demographic they spend a large part of the disposable income and you're probably getting the lion's share. The key is breaking into different demographics that's the future, you're doing it, your eCommerce business is growing, but can you rate your success maybe for you, Doug, John and Marc, breaking into new customer demographics, have you -- any specific examples.

And then a second question for Judith on Flipkart, maybe for also Judith and Brett, when will dilution moderate? We always talk about losses are consistent with what you expected, I don't think we know exactly what you expected. Should they moderate given that it's such a volatile environment? Thanks.

John Furner {BIO 19351533 <GO>}

Yeah, let me start with the first question. Customers and demographics and as far as the specific example, so I mean, I want to talk about grocery pickup. We've had a large successful grocery business for some time and over the last few years, quality is improved, the assortment range has improved and you've seen the business accelerate and share go up, and when you can get into the baskets of what's being shopped in grocery pickup, we see more Choice beef, we see Prime beef, we see Wagyu beef show up as a higher percentage, organics and produce in grocery show up. So it appears at least part of this growth is coming from other channels and places, because we've been able to marry the assortment with a service that appears -- that aligns well with some who's number starts and has a higher income level.

So inside the pickup business really encouraging to see what's happened and I think those quality levels then enable us to be able to appeal to that consumer across other channels like the work that Marc, and the team are doing online, but some really great examples inside there item-by-item.

Marc Lore {BIO 3597588 <GO>}

Yeah, we've been pushing up AUR each year on.com as we start to break more premium brands, and we're definitely seeing new customers come in especially with the proprietary brands with ELOQUII, Bonobos, all the brands that we've formed. Scoop is a great example a lot folks are new to Walmart and Walmart.com there.

Simeon Gutman {BIO 7528320 <GO>}

And then Sam's also made a pivot Kath to a higher income, remember a few years ago, how's that going?

Kathleen McLaughlin {BIO 18336643 <GO>}

Yeah. So, that's going really well. So, the move to a member his income is about 100,000 a larger family and what we're seeing is that's driving membership growth, and it's also driving traffic.

Daniel Binder {BIO 1749900 <GO>}

Go and then I'll go next. How about that?

Judith McKenna {BIO 4806787 <GO>}

Just want me to answer on the Flipkart piece of this. The way that I would think about this is we've been really clear the dilution next year will be roughly in line with the same as you've seen and I think that's the guidance that we are giving. Well, I'll tell you about the business is no different to the US, we are thinking about where we invest, we are thinking about where we grow, we are thinking about where we stay, we thinking about new revenue streams and the great thing about both Flipkart and PhonePe is they both got lots of levers that they can pull be really thoughtful the ways that they do that. Both of them, for example, I thinking about ad tech revenue and they've got this amazingly powerful data engine that sits behind that and I'm really encouraged by some of the results, I'm seeing from it.

Doug McMillon {BIO 3063017 <GO>}

Peter next and then we'll go to Karen after that.

Peter Benedict {BIO 3350921 <GO>}

Peter Benedict with Baird. First question on kind of the services around the supercenters. When do you think you'll be ready to talk about the cadence of the roll out for the health centers. Is that something that we should expect this year, next year. And how does that impact if at all, kind of your optical strategy, and what you're currently doing in the stores. That's my first question.

Unidentified Speaker

Yeah, I think we'll -- let me first talk about what we've got open. We've got two centers open in Dallas, Georgia. We just opened our second Calhoun a few weeks ago and I think we're encouraged by the demand we are seeing. The number of consumers are looking for options for health care that's quality and affordable it's encouraging. Now what we've got to do over the next few months is learn how the model works and the right mix of services and how we price services. So that's worked to be doing, but we want to be able to get through this and get a clear understanding of where we're going with it over the next few months.

In addition to just those two services. We also got, we have a big pharmacy business where we think there's more opportunity to serve patients in ways, other than just filling prescriptions. So think about the ability in the right places for our pharmacists to practice up in their license and help with mile diagnosis and other opportunity that we can, we can explore over time.

And then the second part of your question.

Peter Benedict {BIO 3350921 <GO>}

So just how would it impact if it all kind of your current optical strategy that optical --

Unidentified Speaker

Yeah, okay. Optical is an important part of it, we've got a good optical business. So we've got to remodel program that's very encouraging optical re-modernize the shop and things inside it, then we've got a -- where we're learning about, checking your vision from remote locations and using technology to streamline the consumer experience. But both businesses are quite encouraging. We know there's a big demand for it.

Peter Benedict {BIO 3350921 <GO>}

And then Judith maybe one for you, just your latest thinking around the monetization path for the Indian assets and as you think about assets like Sam's Club and great value, maybe use those assets in markets that maybe you don't want to operate in as a -- as a corporate entity is -- are there ways to kind of maybe swept those assets a little more.

Judith McKenna {BIO 4806787 <GO>}

Yeah. So I think I've talked about the monetization path within the Indian businesses. It's a really interesting one in terms of those learnings skills in new areas, but also thinking about use cases that can create some profitability as well for those. The one that's interesting is actually the question on Sam's Club and how do you think about that, you may remember that we did a transaction last year with Brazil and one of the things we're doing in Brazil is we're still supporting the Sam's Club, although Avant [ph] is the owner of those and they run and as part of that, we still provide some of our Mamber's Mark products into that. We still talk about how the operation runs. We still provide some training expertise to it as well. So it's a really interesting one where we're learning how we could support that in a market where we already have a 20% stake within it. So no further plans, other than to learn at the moment, but it's an interesting experience for us to make sure that we can operate something in a way that can be externalized.

Karen Short {BIO 7215781 <GO>}

Yeah. Karen Short, Barclays, John, so you mentioned that there was, you did a click and collect order, and you noticed there were some friction that you think you can work through. So, I'm wondering if you could just provide a little more color on that?

And then with respect to the InHome tests that you're doing now, can you give an update on how many customers you have? And then what would be the gating factor on really aggressively more aggressively rolling it out?

John Furner {BIO 19351533 <GO>}

Yeah, let me talk about the shopping figures the first. First the grocery pickup business that we've built is a great offer for customers. It's got a really clear way for customers to shop in food and consumables and offers a little bit of general merchandise in the operations done a great job of growing not only with new stores, but the comps have been encouraging for the stores have an open for more than a year and some over two years.

And then on the other side, we've got an application that's, we call the Blue app, and it has general merchandise and it mostly comes from the site or from the marketplace, but inside that are embedded some really great applications for in storage, things like maps, list and customers use those and they like us --a lot. So what's going to happen over the course of the year, we've already got about half of our users in an environment where they've got both apps in one place and then, we'll be building out an experience where you'll have search that helps you look across the portfolio, a basket where you can ring at multiple things and then we've got a simplified Karen, the experience when you go to the store to pick up or when you have something delivered to home.

It's just hard for a customer right now that time, you have to flip back and forth between the app and then you have to navigate different fulfillment option. So we want to bring that all together and make it more seamless.

On InHome the retention rates are high, we haven't disclosed how many customers that are using at this time. It's only in three markets, but we're very encouraged by what we're learning the NPS scores are high, and the customer satisfaction and come along within the comments feedback are outstanding. And it's just one more way that a customer can decide to have Walmart as a brand take friction out of their lives and whatever is on your shopping list the most important thing is they come home and those are in the refrigerator and constantly stock. So we're encouraged by what we're learning so far.

Doug McMillon {BIO 3063017 <GO>}

And we didn't take it to every store in Kansas City or in Pittsburgh. It's a small number of stores. So it's a pretty small sample size right now.

Karen Short {BIO 7215781 <GO>}

Any color on the demographics of the customer base?

John Furner {BIO 19351533 <GO>}

Not yet that we, I don't think it's big enough that we would be able to tell you any that their insights as far as demographics, but just generally speaking, it's pretty encouraging to see the number of people who are loving the service with it -- and with every delivery business, whether it's in-home or Spark delivery. One of the challenges that we'll work through over the next few months is getting density in the area, because the more customers you can deliver to in a neighborhood or a suburb then it brings the efficiency of the delivery process in the cost down per delivery.

Unidentified Participant

Also encouraging to see the percentage of customers that are due Walmart as well. That's very exiting.

Unidentified Speaker

One of the things that I learned when I went to visit the Kansas City test a few weeks ago is that our own associates are using the service, it's 20 bucks a month. While our sample size are small, our associates make up a small percentage of that small pool, but a bunch of them are delivering into each other's homes and they love it. So all kinds of people are going to use this service it's been fun to watch them deal with each other dogs and things like that.

Daniel Binder {BIO 1749900 <GO>}

(inaudible) go to Scott first and then we'll go to Kate in the back.

Scott Mushkin {BIO 7138867 <GO>}

Thanks, Dan. Again, Scott Mushkin from R5 Capital. So I wanted to, about 70% of your business is consumables there are pharmacy in there, it's clear that you guys with omnichannel becoming bigger in that business, have a lead with what you've done on click and collect and now delivery. I guess sitting back though, the race is on to improve economics got Kroger partner with Kaddo [ph]. Amazon that now is cut all their fees and doing it for free. So how do you guys defend your lead and use whether it's micro fulfillment I'm a little surprised. There's only a couple of more of those how do you continue this lead and maybe even grow share in an environment where your competitors look right now that maybe they're going to have automation sooner.

Unidentified Speaker

Well, step one is you have to run a great operation. We're really proud of the progress that's been made in the stores and Suresh talked about something early called the substitute ability engine, which is great. But the best way to do substitutes as you should be in stock, the grocery areas we've got to stay in stock and what's exciting about learning how to manage this pickup business in addition to the way we manage stores over time is we've got an interesting inflow of information from customers telling us all the things they want to buy and how they want to buy and which is going to lead us to a better way of designing modulars and assortment store by store.

So pretty excited about being able to put this customer into everything we do inside the store. The second is, we've got more stores to go and I don't want to say that that's where all the growth is going to come from. But that will help that more markets that we can cover and get the service out and then third adding on the ability to be able to fulfill this and a number of ways that seamless is probably the thing I've said this a couple of times of understating against what I'm most excited about. Is bringing these two apps together and having a customer-centered view of how we think of all the things in their lives, whether it's a busy Saturday and they're trying to get refreshed it's for the soccer game or it's a birthday party or the weekly grocery shop or daily that we can have either one of our associates go into or a service pickup and run dinner home. We've got a really great portfolio there. We've just got to build it all out, so that the customer thinks investors default, the way that Doug has some other thought about when she went shopping at Walmart.

Doug McMillon {BIO 3063017 <GO>}

I think the speed of automation is important. It's also important to get the right kind of automation and when you think about the stores as we've done with Alpha bot having the same inbound freight and some of the last mile being shared with this automation on side of the box instead of some huge center that does grocery automation. That's an interesting choice that Tom will tell which one was the right one.

Daniel Binder {BIO 1749900 <GO>}

Over to Kate, next.

Kate McShane {BIO 7542899 <GO>}

Okay. Kate McShane, Goldman Sachs. My question is on gross margin. It sounds like you're implying that it will be down this year. I think that was answered earlier. But what would have to happen for gross margins to be stable to up even if it is a continued area of price investment?

Unidentified Speaker

We want gross margins to be stable or because we want to drive the productivity loop. We just have to get the SG&A savings to be at a faster rate than the gross margin investments that we make Kate. So I don't think there is necessarily a place where we rest on gross margin. I think we're constantly going to be trying to find a way to give a better value to customers.

Kerry Kotouc {BIO 20989993 <GO>}

Yeah, I think I talked about it earlier the sustainable way to drive everyday low price is by bringing the cost down in the best way to bring cost down, is to sell more because cost is a denominator and then if you can continue to chase SG&A down the line by line expense management and I talked about a few of those earlier, we'd like margins to reflect the decrease in SG&A, because we want to give customers a better value.

Kate McShane {BIO 7542899 <GO>}

Thank you.

Daniel Binder {BIO 1749900 <GO>}

Greg Melich (inaudible) front and then we'll go to Kelly right after that.

Greg Melich {BIO 1507344 <GO>}

Thanks. Hi Greg Melic, Evercore ISI. John maybe to follow-up on that, if we went back at Sam's a couple years ago, I think the decision to refurbish 60 clubs as fulfillment centers and really move ahead on omni channel now that you've had a few months in the Walmart US role. Do you see a similar shift in how you use those assets to optimize for productivity going forward or is it a totally different kind of shift in the US?

John Furner {BIO 19351533 <GO>}

Well, we're still thinking through the entire supply chain from end to end and so, I don't think I'd be ready to say today the right way, is on the supply chain, whether it's the fulfillment centers, distribution center stores or number of nodes. We've got to work through and make sure we're serving the customers, the best way we can and the stores -- our stores people shop in that also fulfill. So I don't want the message to be that we're thinking in the stores as fulfillment centers where you shop. There are stores that can fulfill and what we've done in the business I think is quite helpful is maximizing and optimizing the number of slides and then creating the minimal amount of disruptions of the stores can be great supercenters with the great produce department bakery and have a really high functioning general merchandise theory all throughout the building. But we can still fulfill orders at a pretty high rate.

Kerry Kotouc {BIO 20989993 <GO>}

Sorry, John I just going to add to that, which is if you've got, we've got a business in the UK, which is home shopping business which is online shopping, which is 15 years old. They've got some high densities already high pick rates, they've been at this a much longer period of time and there is still, they don't have a completely different layout in the stores, but the density of pick in many cases will be higher.

So I think there is still a lot of learnings that we can do through that China if though the other way they starting to lay out stores slightly differently, so that they can respond much faster as the time to deliver is coming down rapidly. You know that we're trying to sell some of the deliveries out in 40 minutes, so it evolves as well with the customer offer and we've got this benefit seen around the world how different people are doing do it. Learning from how you drive density. So you don't have to go to dark stores, but equally, if you do have to change that I-out [ph] a little you can do that without disrupting the customer experience.

Doug McMillon {BIO 3063017 <GO>}

And Kath we are pleased with the eCommerce fulfillment. It's happening out of those clubs that we're using?

Kathleen McLaughlin {BIO 18336643 <GO>}

Yeah, we are. So we've seen over the last year one had helped us grow so it gave us extra capacity, but it also helped us substantially would use our shipment costs as well our fulfillment cost side of it as well. The other part that I think is exciting is looking at ship from Club, which should gives you an a whole another 600 stores, which you can use as points to leverage as well and that -- if we look at Club pickup shift from Club direct-to-home and using these clubs that we've dark, it's really given us a great kind of network to go after the omni-sale.

Unidentified Participant

Doug, my follow-up for that and pass it off as you want. If we think about how we expand the addressable market for Walmart and also monetize all this great customer traffic and productivity loop. I think we bought Chat, we bought Flipkart as ways to expand Amazon built on $11 billion advertising business.

I think in the past you've talked about. (Technical Difficulty)

Doug McMillon {BIO 3063017 <GO>}

And I think it's more organic than through acquisitions, there may be periodic acquisitions obviously can't rule that out, but the opportunity to build Digital Products, which is part of the point of the panel you've now got a situation where across the company, we're learning how to build experiences that you can monetize and tack on to the core business. I think I said something earlier about we're attaching digital products and businesses to the people and physical core businesses that we've built over time, that's a big opportunity and it can relate and will relate to financial services, we have a financial services business now in the US, obviously we've talked a lot about PhonePe today there is an opportunity in Mexico. That exists across the company, in all these different markets. In the US you can (inaudible) with payment more successfully than we have so far, other use cases that help drive financial services wheel, then their healthcare services. Advertising has grown faster than sales. We want to be thoughtful about how we grow that advertising business and not have it pollute the customer experience, either online or in-store. So there's kind of a management and governor on how big and how fast, we want to make that, but it will grow faster than sales. We've got a great opportunity to do that.

Are there others -- yeah, there are. We are choosing not to make a big investment in digital entertainment. There is plenty of money being used by others to do that, we can use ours to do something else. And so, there will be an opportunity for us to have partnerships in the digital entertainment space, and as we've described to you before, we do think about what strategic and core that would cause us to lean towards can we build it, as it relates to acquisitions can they bring speed and expertise that would be better than building and then with what's left. How do your partner to create open-systems where people win-win.

We have a history of enabling people to win, by doing business with Walmart. We think that, it can be done in the future with all kinds of people beyond just product suppliers.

Daniel Binder {BIO 1749900 <GO>}

We're going to Kelly, Next.

Kelly Bania {BIO 16685675 <GO>}

Kelly Bania, BMO Capital. Couple of e-commerce related questions. In terms of the initiative to map the general merchandise more for the same day of availability, what's the timing and expectations for that, because it assume that can have a big impact on gross margin there, and then we've talked a lot about in home, but not as much as grocery unlimited and just curious how that's going. What kind of incrementality you're seeing, are you seeing people kind of your customers trade up from pick up to delivery or is that a new customer, just any insights on that.

Brett Biggs {BIO 17414705 <GO>}

Yeah, let me take the second one first, it's a mix. There are our customers who are shopping in the store, who go straight to delivery others, who have moved from the store to pick up, others we've gained from other places, either a pickup or delivery that are now using the service so, it's only been a few months but encouraging results so far.

We're happy with the number of people who have signed up monthly, and then annually. So, we're happy with that, and then the first part of your question, just to make sure, I heard. So we've got a percentage of the store now, that's available for pickup in what we call the orange app and no priority one is to get the apps merged together so that we can start expanding assortment and we can do things like aligner catalogs that we know our customer and with knowing who the customers are shopping that will help us understanding intent, they can emerge -- aligns us with the catalog of products across the entire store and then beyond the store. So that we can be more predictive and serve them in the way they want to be served, but we're working on it every day, and being on it every week, a lot of progress in picking GM and store during the course of the year. So just to repeat something that John said, you can today go out on the grocery app, the Orange app and you could buy back to school, and moms love it. So, just take their list from the school and it populates. That's a great example of the fact that we can already do it, and how much they want it, but we do have to stitch these two together as soon as we can and obviously do that well.

Unidentified Participant

I'll just add on One app and I think it is super important as John mentioned, but as we start to bring these two together, we're not asking customers to have to download two apps and so we could really start to leverage that relationship, we've built on same-day delivery and delivery unlimited and pick to then sell more long tail GM on Walmart.com.

We've already now -- we've got about 50% of the traffic on Walmart.com that seen the grocery app and we're seeing a nice lift from that. So, hopefully, when we do it the other way around we actually show Blue app at the Walmart.com to grocery customers. We see a similar type of bump. So yes, it's a very important part of our strategy.

Doug McMillon {BIO 3063017 <GO>}

And I think that's an important point -- I think what's interesting is, there are customers are only using one app or the other and unaware of the other one. So we merge them together seeing customers who were using Blue, Orange vice versa has been encouraging so far.

Unidentified Participant

Before I get corrected, I think I said moms, can use it dads can use it too. I just said moms because it's been moms, that have liked hugged my neck literally. When I go to a store, I almost always go out to the pickup area and for two years in a row, when I've gone out to that spot I've seen moms that have a grocery order with their back-to-school list and they say things like I don't have to throw elbows with the other parents to get my school supplies. Do you know how great this is. And one of them literally hugged me. So moms and dads will both love it, I'm sure.

Daniel Binder {BIO 1749900 <GO>}

We're going to go to the other side of the room, Chris, and then we'll go to Oliver after that.

Christopher Mandeville {BIO 19724977 <GO>}

Yeah, Chris Mandeville from Jefferies. Just on Sam's, so a lot of positive comments today. Renewal rates improving, membership count accelerating or MFI accelerating year-on-year, but I'm curious with respect to the guide, how do I square the fact that comps are maybe looking to decelerate a little bit on both the one year, two year, is there something that I might be missing? And then I got a follow up. Thanks.

Unidentified Speaker

Sorry, so that I can understand so did you say that comps are decelerating?

Christopher Mandeville {BIO 19724977 <GO>}

Correct. Yeah, so the guide is basically 3 for this coming year whereas it was 3.5 last in two years sales growth as well.

Unidentified Speaker

Okay. Yeah, so I mean, we still saying there being growth. We still saying that we are investing into may be remember where they want us to from an omni perspective and also driving traffic. So, I mean it's down a little bit, but I'm not saying it decelerating.

Christopher Mandeville {BIO 19724977 <GO>}

And separately, just long-term strategy with respect to capital allocation, you've made a few efforts in pushing upstream and the supply chain? How critical is that on a go-forward basis? And just any early color with respect the returns that you're seeing thus far? Thanks.

John Furner {BIO 19351533 <GO>}

Yeah, the way we're thinking about supply chain and I'll talk about the stores first as, we've got a number of experiments going on in the supply chain and one we're working through a product called Symbiotic[ph] in Florida that helps us palletize items for neighborhood markets and for Supercenters so that they can be delivered on pallets by (inaudible) and we're pretty, we're pretty excited about the results we've seen so far. But then -- associates in the store and was a result help me associate helps the customer because we're in stock and as things come in from the back of the store on to the sales floor, it's much easier for the product we taken straight to the (inaudible) and put on the counter.

So all these things we're doing whether it's in the dry supply chain, the perishable supply chain, the meat plant or the dairy plant. We're thinking about the end user in mind and it's not just to point of assembling something to pull cost out of the Silo because we don't want to suboptimized, and we want optimize the entire network from top to bottom.

Oliver Chen {BIO 15320650 <GO>}

It's Oliver Chen, Cowen and Company. Regarding machine learning part of the opportunity is scale and the training set. What do you see happening across the connected data set as well as inventory management as you transition to prescriptive analytics and an emerging topic for younger customers is also privacy transparency around data? So would love your thoughts. And I had a follow up.

John Furner {BIO 19351533 <GO>}

Let me start with ML and the supply chain. We are working on processes upstream to help narrow down the positive rate of forecasting in other words eliminate some of the component errors because the supply chain starts with the forecast, and then as product moves from start all the way to finish variability and things like receiving times or traffic patterns weather can create these rates. But as you narrow the tolerance down transaction-by-transaction and work all the failure points out, we can get to a point where inventories more real-time, there's less extra inventory in the store and I'm pretty excited about some of the work streams that the team between us Suresh and a person in 3 and you're working on so forecasting is a big piece of it.

And then we're thinking about, you've heard us talk about perpetual inventory before we've got products that work in the stores that help us correct on hands if they're wrong but we're also trying to serve solve the reason they're wrong with from top to bottom. So the store associates have a better experience with on hands being right, which helps us again within stock.

Doug McMillon {BIO 3063017 <GO>}

Anything more to add on the customer and data. I think Suresh is still mic'd up. If you would stand up.

Suresh Kumar {BIO 21073281 <GO>}

Like you said the main thing about (Technical Difficulty) I'm mic'd up but I'm not -- the mic is not turned on. So in addition to what John was saying one of the things that we are trying to do with ML is actually make use of the data that we have already that we had already collecting right, it is a little, a bunch of data that we can bring it together in such a way that we can train models on it and one of the things that we are really excited about is that areas where we can -- where we can draw influences about customer behavior in such a way that we can actually help the customer experience. Are the areas where we believe that there is great exponential. Okay. Whether it is, I mean I talked about substitutions that's one example, but there are many areas where we can take the information that we have about our customers, train models on it. So that we can go back and improve the customer experience and that takes up the positive flywheel [ph] that I was talking about. Supply chain is just one area, but there are many, many of these customer experiences were ML is actually going to continue to enhance the customer experience.

Doug McMillon {BIO 3063017 <GO>}

Back to the bigger picture of trust and privacy. We feel like we've earned certain amount of trust from customers over time and we just want to build out. We certainly don't want to lose. Rachel if you wouldn't mind grab a microphone. Rachel Brand leads our governance area, compliance Ethics, legal. And Rachel, you recently created a new position within the company to help us think through all these issues. Rachel, Dan Bartlett and myself, we spend a lot of time thinking about how we set the company up to not only have an effective business model, but manage privacy in a way that accrues trust to the company even more so especially if we want to do things like being customers home servicing them and groceries -- they have -- they have to trust us and they have to trust how we're handling their data.

Rachel Brand {BIO 7234302 <GO>}

So, Data and technology is such an important part of the company, it was coming up in just about every conversation I was in. So I took my organization and pulled the existing privacy resources and created a new SVP level. We call it SVP for Digital Citizenship, which is a term that I came up with to convey that this is not just a legal issue. It's about building trust with the customer there a lot of issues adjacent to privacy like responsible use of AI. We want to do all of that in the way that fosters [ph] the notion that trust as a competitive advantage for Walmart.

So we hired, what I'd like to call a world famous privacy expert Nuala O'Connor who has recently been the President of an NGL. She is a real expert in both of legal and sort of policy reputational aspects of privacy and all this issue. So we think we're on the right track.

Judith McKenna {BIO 4806787 <GO>}

Can I just add on to that, to say, I think in the past two we've always used history whereas we're in a position where now we can look forward. So if you think about a forecast. It's always been, what do we sell similar weak last year. Now we can actually scrape other people's websites to see what they've got on promotion. We can have a look at social media and see what events are happening. And you also know the individual buying patterns of your members or customers. So you can anticipate what they're going to purchase. So it is flipping the world in regards to how you actually get in front of the purchase, and I think about it from a Sam's Club perspective, we're now also tailoring our offers in our Instant savings book. So on the back-page of the book we will actually create offers for individual members to start to draw them along that purchase path, because we know that there'll be more loyal and sticky. If we get them into Member's Mark. But we know, if we can actually get them to use optical that becomes a customer or a member, who is with you for a longer period.

And so how do we design offers that actually encourage them to participate with us even more than they have in the past.

Daniel Binder {BIO 1749900 <GO>}

Joe?

Joe Feldman {BIO 4772233 <GO>}

Joe Feldman,Telsey Advisory Group. I actually want a piggyback in that. Where are you were doing that at Walmart and like, is there potential for a loyalty program at some point at Walmart, may be, it includes the in-home service and some of the other things like have you thought about something more comprehensive, because at Sam's Club. You know the customer, you know exactly what they buy, but at Walmart, you don't really -- what masses of people do, but how do you get more tailored to that customer.

Unidentified Speaker

I think in today's world and tomorrow's, we have to personalized for customers and Walmart got to create one view of the customer and then put it to work. One of the key questions will be (inaudible) used cases. And we really believe in everyday low price for Walmart supercenters, the benefits of flowing inventory and an EDLP business model are significant.

So what we wouldn't want to do is start down the path of an old-school loyalty program and high low that creates all this disruption in the supply chain, but there are plenty of use cases, you bought that tie, you like this one. Are you bought this Nike top -- we don't carry Nike yet in the Walmart stores.

I hope they're listening, you bought this, so you want that. You bought a -- you bought a printer see you need ink, or things that you're buying cyclical many use cases that we can do using data that will help us earn more trust, drive the loop, and we'll do those things and we'll do it as quickly as we can do it. But we need to be really careful which use cases we adopt within the Walmart brand.

Daniel Binder {BIO 1749900 <GO>}

We go to Robbie next.

Robbie Ohmes

Thanks, Robbie Ohmes, Bank of America Securities. When -- lot of great questions on pickup and the app, just longer term, I think somebody was asking this before. Is there an opportunity to really meaningfully move general merchandise online fulfillment to the store level and could that start to make your gross margin improve in the.com business. Is there -- we obviously wouldn't see it in fiscal '21, but how important is that relative to being a comp driver.

And how much further, can you go in fulfilling from store using shipping partners as well. Is there -- are there real opportunities, over a five-year basis to dramatically improve the profitability of the US online?

John Furner {BIO 19351533 <GO>}

But we do a few things already, I think it would help answer the question. As we said earlier, we've got the pick business. We have general merchandise categories that we are in that during seasonal times of the year and we have the ability now and many stores to deliver from the store to the home. And then as we align these shopping experiences, then we'll be able to pick more and more of the Supercenters and deliver it same day. So we believe that's an important piece of the solution and should have all the benefits you just talked about, but again it's a part of the solution. I wouldn't want to say that delivered from store is the answer, because it's a part of the answer, part of the answer may be delivered from store and deliver from an FC depending on the order or move all of it to the FC. So we're conscious that think through the timing of all these changes and steps that over time, build out the ability to do all those things.

Unidentified Participant

And then on just keep in mind the marginal cost to deliver a GM item out of a store when it's already going with the grocery is very small. So that's a big opportunity, as we expand assortment just sort of leverage the basket, pharmacies is another good example of being able to get that in the basket to increased size, but ultimately, I think the real opportunity to drive mix is really in that long tail and we're doing that in home and fashion in marketplace. I think that's the really big up opportunity.

Doug McMillon {BIO 3063017 <GO>}

And increasingly happening with a membership fee that goes along with it. You're right. We didn't talk about delivery unlimited as much. That was not necessarily intentional. We have a membership program. We're starting to learn how to sell the membership and it's something we can build on it with same-day delivery from the Supercenters including GM.

Unidentified Participant

And then just on pick up a couple of times I think Brett said it first. So the stores that are comping pickup what is driving the comp? Is it the same people using it more? Is it new people still coming in and so therefore the pick ups are comping? What are the bigger drivers to stores that are pickup and already comp?

John Furner {BIO 19351533 <GO>}

It's both of those things over the last 3 years to 4 years as we've expanded we've seen more frequent usage and we've seen new customers come in to pick up, either from somewhere outside of the environment or from inside of the members. So just a mix of all those and really happy with the growth rates we've seen over the last few years.

Unidentified Participant

And last thing, are there stores where pickup is too high, where it's creating problems for the shopper experience and things like that? And how many stores? And how do you, what do you do in those situations?

Unidentified Speaker

We've got a number of things that we've been working on. First the time slot issue that Suresh talked earlier helping customer find a slot that is meaningful, it works for their schedule and ours as well. So u trying to do a nice a job of spreading our the picking in stores and then we've got a number stores in markets so if were thinking about a market like Chicago or Dallas where we've got multiple sources -- area and we are also testing waste to pick in stores while they're closed and then move the inventory either through a van that's driven by a person, they're automated van or autonomous vehicle so that we can move from place to place. So we are looking in all the ways we can try to spread the volume out.

Unidentified Participant

We do cap in, quite a few stores. The demand is higher than what we will fulfill, because we don't want to destroy the experience in a store which brings you back to how fast can you automate? Where do you automate? I think we probably have time for one more or two more. Rupesh and then Ed we'll make you the last one. After that --

Rupesh Parikh {BIO 15915617 <GO>}

Rupesh Parikh, Oppenheimer. So on the grocery delivery front, I was curious what opportunities do you see the [ph] lower grocery delivery fees. And then if you look at your consumer surveys, how important is it to your consumers grocery delivery close to zero?

Doug McMillon {BIO 3063017 <GO>}

What was the last part?

Rupesh Parikh {BIO 15915617 <GO>}

How -- as you look at your consumer surveys, how important is free grocery delivery for your consumers?

Doug McMillon {BIO 3063017 <GO>}

Free grocery delivery. We'll end up doing a membership in larger numbers and the fee itself may go down some over time as we figure out autonomous and how we pick, but our front foot will be on a membership fee.

John Furner {BIO 19351533 <GO>}

Yeah, that's right.

Unidentified Speaker

That's right. So you've got options today where you can pay by the transaction, you can pay monthly or you can pay 1 fee for the year. And so we're just now in the beginning of learning which of those customers like the most and it's only been a couple of months, but we'll learn.

Daniel Binder {BIO 1749900 <GO>}

Ed you get the lucky last question.

Edward Joseph Kelly {BIO 6360445 <GO>}

Edward Kelly, Wells Fargo. So just a follow-up on grocery and as it relates to pick up. You've clearly led the market in this strategy. What do you think the biggest drivers of that have been. How much of it is the fact that you're not charging versus the fact that your peers are? How much of it is related to the fact that operationally the execution just seems better and then what happens when competitors eliminate their fate. And how does that impact your business? And then unrelated, I did want to ask you about supply chain related to Corona virus and the question there is, how much of what you're selling is on true replenishment. How much inventory do you have? How long before we need to start worrying about the fact that it could create inventory issues, if supply chain in China really doesn't begin to open back up more normally.

John Furner {BIO 19351533 <GO>}

Let me take the first question on pickup and I believe the question when you look across the operation we have which is don't charge and we're able to fulfill customers basket today what happens of others do it. I think the most important thing that we would always focus on and I think what we're talking about this next year and years to come is having the very best quality items in great values inside the store, if you get the assortment, right in the mechanism for delivery, it makes it much easier and much easier for us and the customer but and the reason I think the growth is, it's about the customer people are busier than they've ever been. We're all trying to tackle lots of things, and this is a great service that fills in a big void.

On the second part of the question. Like we said earlier, it's just early to tell. And we're first concerned about our supplier partners, our associates in the country, our sourcing associates, associates who work in Walmart China's. So we're thinking about them, first and foremost and as we learn more about what's going on, we'll be able to tell where the impacts I think some categories will be sooner than others, and it just depends on the lead time and how quickly the supply chain move in the categories.

Rachel Brand {BIO 7234302 <GO>}

It is was John (inaudible) on one of the things that we've learned over the last years through our global sourcing. But our merchants have got much closer to the detail as thinking about how the flow of products come into our business that they know exactly which orders around which factories were not due to come in and what that looks like. And I think that, attention to detail as we go through this, even though is such a fluid situation will help us understand better as things become clearer exactly what the impact for us would be in the future.

Daniel Binder {BIO 1749900 <GO>}

Great. With that, we're going to wrap up our Q&A.

Doug McMillon {BIO 3063017 <GO>}

Yeah, I just -- we'll close by saying thank you, Brett may want to say a word or two. We appreciate the relationship that we have with the investment community. We're trying to do the best job we can for you of laying out what our opportunities are. We've got a really strong team, not just the people that are represented in this room, but 2 million, plus they are working to make these things happen. And as we walk out of this room today we know yesterday. We're focused on driving speed, innovation and execution. So that we can continue to have strong results. We appreciate the engagement that we have with you.

Brett Biggs {BIO 17414705 <GO>}

Not that I need to encourage this probably, but keep giving us feedback on how we communicate, what we're communicating, how often we're communicating. It helps us get better as we think about these events and other things we do in the future, but I really appreciate all the feedback you gave us.

Daniel Binder {BIO 1749900 <GO>}

Thank you.

Doug McMillon {BIO 3063017 <GO>}

Thanks everybody.

Daniel Binder {BIO 1749900 <GO>}

So with that, the formal part of our meeting has concluded and our webcast has ended. As I mentioned earlier, we have lunch available upstairs where you can spend some time our executive team. Thank your for the interest.