

Bank of America Merrill Lynch Consumer & Retail Conference

Company Participants

- Charles Holley, CFO
- Robert Ohmes, Analyst

Other Participants

- Unidentified Participant, Analyst, Unknown

Presentation

Robert Ohmes {BIO 1541955 <GO>}

We're going to get started, I think most of you in the room are very familiar with Charles Holley, the CFO of Wal-Mart Stores. Charles has been in Walmart since 1994, several different roles including SVP, Finance and prior to that the CFO of the international division. Before Walmart, Charles worked more than 10 years with Tandy. He is also on the Dean's Advisory Board for McCombs Business School in Austin and an active board member for the Cancer Challenge of Northwest Arkansas. And Charles did me a huge favor, I could be -- he did me a huge favor making room and scheduled to be here this year to do a fireside chat format with me for this lunch. And I know all you in the room appreciate that he did this for us. I also want to thank Carol Schumacher, Head of Wal-Mart IR for making the trip here to host meetings today as well.

So I'm going to just sit down and let Charles make some very brief intro comments and we're going to jump right into Q&A.

Charles Holley {BIO 18024865 <GO>}

Thanks, Robbie. And we're not doing you a favor while coming here. This has always been a great conference. Why don't we flip the slide to next slide, the (inaudible) forward-looking statements. I'm not going to read it for you. But I do need to point it out that anything I say could affect your models and forecasting and you need to go and look at all of our filings with the SEC as you're doing your analysis of the Company. I will start a few brief comments. We have three big announcements. Hopefully, you saw our earnings announcement. You can go to our website and get that separate announcement obviously was wage announcement, which actually encompassed several things, not just increasing minimum wage to \$9 dollars and \$10 for next year also encompassed training and skills development for associates, also adding back department managers into our stores which are viable and really the core I think of our retail business and our stores. So that was a big

announcement for us and that then be about a \$1 billion investment this year is \$0.20 a share. Then the last thing is the dividend. We didn't talk a lot about that. I think it kind of got put under. But that's our 42nd year of an increase dividend and, which we're very proud of the \$1.96 per share versus a \$1.88 last year. So with that, we kind of open it up for questions.

Questions And Answers

A - Robert Ohmes {BIO 1541955 <GO>}

Great. I'll start off with the first question. Can you actually help the risk value. I feel like I have to do this sometimes with people. Can you remind all of us who the core Wal-Mart customer is and where that customer may be similar or different versus an Amazon or a target or even a Costco, because it's not entirely the same customer.

A - Charles Holley {BIO 18024865 <GO>}

Maybe I'll break it down this way. First of all, we serve all of the US -- all US customers. But we tend to index higher than most retailers at the income that would be below 50,000. We would index much higher than other retailers. When you look at incomes of above 100,000, you would see that we would probably index less than some of those other retailers, probably may be 10%. What's key I think for us is most of the majority of our customers two-thirds at least are really value driven and that's always been the case and that's why everyday low prices have been so important for us.

A - Robert Ohmes {BIO 1541955 <GO>}

And are there any differences in sort of preferred method of payment for your customers versus --

A - Charles Holley {BIO 18024865 <GO>}

Yes. But you hadn't changed the loss that's since 2008 in the financial crisis where we saw our credit come down and that was I think you saw that everywhere. Credit is actually not the major part of our -- of what we are using at the register. Debit card continues to be increasing and then cash obviously and it's kind of interesting I think is that you see with mobile and where mobiles going to mobile payment. I think that's definitely where the future is going to be going for our customer. How that all plays out. I don't think anybody knows yet. But we do know that's -- and whether it's going to be an Apple Pay or a currency which is a consortium of retailers or something that the Android devices do. It's going to be some combination of that thing.

A - Robert Ohmes {BIO 1541955 <GO>}

And sort of question you're getting all the time. Gas prices, can you just remind us the historical impact from gas prices and I think you guys used to do customer exit surveys. Do you still do that in any sort of --

A - Charles Holley {BIO 18024865 <GO>}

No. We stopped doing those customer surveys this past year. The reason why it didn't really change a lot. I mean the top of mind for customers towards gasoline, healthcare, cost of living and job and maybe they with one, two and three shifted slightly depending on what was the topic this year was and we felt like those are pretty consistent and those are not going to change. But (inaudible) further question.

A - Robert Ohmes {BIO 1541955 <GO>}

I'll just the historical impact from year-over-year gas price declines in --

A - Charles Holley {BIO 18024865 <GO>}

Yes, I mean obviously in the Fourth Quarter there is a very large impact I think on the business and especially in a positive way with our core customer, which would again be where we would index higher to lower income, because a lot of those customers aren't going to have 41-K plans. They're living paycheck to paycheck and when gas prices came down that's like an instant raise for them and they have actually more cash in the wallet more and more to spend.

Now I've seen questions on our surveys on where that money went, a lot of economists believe a lot of it went to savings. But I think with our customer, what we've seen is some portion they did use for saving, some wants to pay down debt. But they also use the portion to acquire food. Food was one of the top item that's what they use that savings for.

A - Robert Ohmes {BIO 1541955 <GO>}

I think we're going to have Greg Foran who is going to be here in New York in April. April First, can you give us any insights are previews ahead what he might say that might be different from a former heads of Wal-Mart US?

A - Charles Holley {BIO 18024865 <GO>}

I think pretty consistent with what you might have heard from Greg in the early days in October at the Investor Conference, he's got -- he is very focused on the core business right now and making sure that we optimize everything we have that would include inventory. I was talking to somebody earlier, inventory, you saw us have a very good result in the Fourth Quarter and that was for the Company and that was led by Wal-Mart US and that's been a focus of Greg's. I think there is more to be had with inventory. But it doesn't play out just in your working capital, it plays out on many lines of the P&L, whether it's shrink, whether it's marked down, whether it's a labor handling that inventory. That's a major focus of his. Another one, you probably hear is fresh, very focused on the fresh part of the business.

A - Robert Ohmes {BIO 1541955 <GO>}

Now, Doug McMillon has talked about the importance of driving same-store sales, other CEOs of Wal-Mart are talking about the importance of that. Is there any way we should think differently about the drivers to that in terms of -- they said price

investment. Are there -- is there more emphasis on changing the merchandising of the Wal-Mart US stores or marketing changes or?

A - Charles Holley {BIO 18024865 <GO>}

I think you could break it down into four distinct areas that are -- that we're very focused on right now, price, assortment, access and service. And if you look at price that -- I think that's kind of for a mass merchant, that's just become the ticket entry and with a customer and you have to have great prices and we will always be focused on that, that's kind of a core foundation you have to have. Assortment, the supercenter has brought 120,000 SKUs to a customer and I think now with the advent of eCommerce and what we're doing with fulfillment centers. We want to give out our access (inaudible) where you have hundreds of thousands of items that the customer might be able access at that store within an hour or two. I think that's where you're headed with this and very important. So assortment even though 120,000 seems like a lot. I think that assortment with online and what you can do with it, just add so much more for the customer and then beyond that you're adding millions of more items we'll end up with well over 10 million SKUs online by the end of this year. Then access and experience may kind of overlap. How the customer wants to access whether it's ordering or the ordering online on mobile, how they pick it up, what the experiences online and mobile, what the experience in the stores, is still very important and that's why you saw the \$1 billion investment, we felt like that was very key to making sure that we have the kind of experience we want our customers to have. So those four items I think are going to be a very big focus for us, especially Greg and his team.

A - Robert Ohmes {BIO 1541955 <GO>}

In the Fourth Quarter, your traffic comps rose I think it was 1.3% or 1.4% positive for the first time in nine quarters I think. Can you give us a little more insight on where that traffic improvement came from and also was there any spread between rural markets versus urban or suburban or --

A - Charles Holley {BIO 18024865 <GO>}

Yes. It's primarily you saw the biggest improvement in traffic in the rural stores. And I think you can tie that to the cost of gasoline for our customers. I don't think the customer sits down and gross out the cost of gas is going down I'm going to drive more, they just inherently know they have more disposable income they can use on gasoline or they go into the store, where they go into the store. So we definitely saw large pickup in trips in the rural stores and that requires more driving.

A - Robert Ohmes {BIO 1541955 <GO>}

(inaudible) with this team called the apparel (inaudible) but your apparel business in your home categories have been I think a lot stronger than other retailers especially more recently, what do you think the strategies are what are the two or three things in those categories you could point us to.

A - Charles Holley {BIO 18024865 <GO>}

We also talked about that earlier. I think that we probably win a little too far three or four years ago as you know, Robbie, with some of the fashion apparel that we had, what we're really good at, we're good at basically even if it's active wear. And I think that is continued and US continue to see that momentum this year. We had negative comps and apparel for a number of years until the last year or so and I would expect that to continue the positive comps. A lot of good things, lot of good brands we're bringing in and it's just -- I did a really good job I think with our assortment there.

A - Robert Ohmes {BIO 1541955 <GO>}

Making sure there's no question from the audience. Can you talk about the gross margin outlook for Wal-Mart in the context of being the low price leader and how we should think about that over the next three to five years?

A - Charles Holley {BIO 18024865 <GO>}

I don't think that it depends on the category you're talking about obviously and what you're looking at. We don't have a grand plan to drive down gross margins. But at the same time, we want to make sure our pricing is as sharp as possible in the market and that we're the low price leader in the market. So there is no plan to get it up high, there's no plan to drive it down quickly low. I think the market will dictate a lot of that. But we know that being a low price leader demands spread between us and some of our competitors. So we will continue to monitor that. We'll work with our suppliers are being more efficient. But also we use private label where appropriate. So we think that there is a good value -- that there is not a good value for consumers and being able to use the market side is that the great value brand if you get a question back there.

Q - Unidentified Participant

So if you can talk to us a little bit about the strategy in food. You mentioned fresh is a key focus but also you acquired the Waldo's brands and it seems like you want to do more in the organic debate, can you just talk to us about how you see the focus on fresh and natural organic for Wal-Mart playing out over the next few years? It seems like at this point not much happened frankly with the Waldo's, maybe just its prices. I'm just curious to understand what that trajectory will look like?

A - Charles Holley {BIO 18024865 <GO>}

Yes. It's still rolling out and different products with the Waldo at the store. But beyond just the Waldo, it's one of the things we know is that over 90% of our customers would like access to organic sustainable products in the food area if they are affordable. So are not really necessary to pay a high premium all the time, or at least core customers are not. And so that's the challenge for us to making sure that we can source. So we should be able to do a lot of that with our size, to lever our size but sourced sustainable organic products for our customer. And as far as the fresh areas is pretty obvious, you've got a lot of great fresh area if you're in the food business. But we also know -- we've got to do a better job in our daily areas and our bakery areas or meat areas all the critical. I think we've upgraded some of those. But I think they have a longer way to go. We need to -- not just satisfied customer day. We should be exceeding some of those. But I think Greg is very focused on that.

Q - Unidentified Participant

I chose -- I know Canada is not a (inaudible) part of your business. But I -- one of the thoughts on what your interest in the potential target leases that are up for progress 133 of them do most of those make sense for Wal-Mart or we should focused mostly on the ones that do not have food restriction. But another grocery store in the same mall as a target?

A - Charles Holley {BIO 18024865 <GO>}

I couldn't speak specifically on any one lease and we evaluate those in accordance with what our strategy is. Food is a big part of our strategy. So I wouldn't think that at least it doesn't have to permitting would be real exciting for us right now and as far as Canada is concerned. But I will say, we're very pleased with our Canadian operations where they are. They had one of the better years this last year. Very good profitability and their sales were very good. The food business continues to be on the uptick.

Q - Unidentified Participant

I had a question, a follow-up on Wal-Mart giving more to natural organic, as you guys (inaudible) getting more into the space. Is there enough supply out there in the US too. Basically have some of those jump in the pool with enough water in the pool. I mean, we're hearing about strength on these for a while for organic milk. If I buy organic (inaudible) I guess we need to have organic milk. So it's kind of like within even though raw inputs, have you guys done the work (inaudible) --

A - Charles Holley {BIO 18024865 <GO>}

I can't answer your question for the short term, other than tell you that, I think it takes working with suppliers over a period of time to order to lever the quantity to get the price down with affordable for our core customer. But I do think that most of the products that we sell to go a long way with sustainability organic by work with our suppliers. But it takes a volume and it takes planning and we do work with our suppliers on that.

Q - Unidentified Participant

Hi Charles. Two part question I guess. Greg focus on the inventory, I was a little surprised to hear that given there is still some issues without stock in the stores. And secondly and relatedly as part of the announced last week, where the store hours has been an increased allocation?

A - Charles Holley {BIO 18024865 <GO>}

Yes. We increased the hours in the Fourth Quarter for our cashiers. So that continues right now. And as far as the inventory, you don't necessarily equate, carefully equate the other stocks with having high inventory level. What that tells you, you're an efficient and we had our backrooms will backed up. And that is where Greg has been focused and you saw that, we had the best inventory working capital performance in

the Fourth Quarter I think that we had in four years. And I was extremely proud of our teams, especially in the US on that.

Q - Unidentified Participant

What happen with the labor hours to get that done?

A - Charles Holley {BIO 18024865 <GO>}

I don't know, that we change dramatically the labor hours. But I think we looked at what the department managers were doing and I think we could have over engineered a little bit of those department managers. One of the things we're doing in the billion dollar investment by the way is adding back some of the department managers that we're taking out and I think that will also help with in-stock.

Q - Unidentified Participant

We talked about gross margin, talked about wages. You've got investment in e-commerce. One of the questions, I always get recommending Walmart is, what do you think about this sustainability of the near 6% type EBIT margin you guys have? How should I think about answering that question to investors?

A - Charles Holley {BIO 18024865 <GO>}

I think your question is -- I think is can you sustain that long term? I think yes we can. We are making as you know some investments in the mid-term and e-commerce that we think are critical for our business and for our customer and need to be -- continue to be relevant for our customer. And those will last for a couple of years that the major investments. But we still have a lot of opportunity for profitability in international. Sam's Club is in the investment mode that they will come out of this year. So yes, I think overall long-term we feel further comfortable about the operating margin.

Q - Unidentified Participant

Can we get Walmart's update on port congestion and what it means for your Company?

A - Charles Holley {BIO 18024865 <GO>}

Yes. We're glad that it's getting to an end. But it's going to take a while to unclog the port. I think the bigger issues are the seasonal. But this isn't new to us, this is something that if you followed retail for any length of time you know it's happened before as where they have port strikes and so we do have a pretty comprehensive import plan that we've always executed and it doesn't rely just on the West Coast. So I think we've minimized it as well as any other retailer out there. Having said that, there are still some issues we're ironing out even as they come off the strike. That will affect mainly seasonal.

Q - Unidentified Participant

Hi, just two quick questions. (inaudible) next. Just two quick questions. First is on Snap. I think you'd called out in the Fourth Quarter that you now cycled some of the snap pullbacks and I'm wondering if you're seeing that -- if you're see that customer -- how you're able to disaggregate between what the lower gas price impact is on that customer versus the cycling of this Snap curtailment? And my second question is unrelated, this relates to the savings Catcher app that has been an incredible success from what I can tell and I'm wondering if you have an updated a number of sign ups I think in that 5 million people when you discussed that at the Analyst Day back in October?

A - Charles Holley {BIO 18024865 <GO>}

I don't have an updated number. But I tell you what Greg point is here April 1 to Carol assured and get that it's been incredible success and it's; if you don't have one, you should have one, you're losing money if you don't. Then your other one is on snap, one of the things you have to remember about snap, which we cycled through November 1 is we don't like a flip, it wasn't like you got the money back, you still have less money in the market from snap a year or later and so I'm not sure that had a huge impact on comp. I think fuel prices definitely had an impact on comp.

Q - Unidentified Participant

You talked about the key drivers of your improvements in apparel. But you also mentioned home. Can you drill down similarly there outlined, what changes you made and as you look forward how you intend to do more?

A - Charles Holley {BIO 18024865 <GO>}

I think at home, I think at brands if you look at what we've been able to do in the last two years with brands and home and then give real value to like the Lenin section and whatnot. But brands and just product development in some of the areas where brands may not be as important to give real value.

Q - Unidentified Participant

Charles its tax refund season, I think you guys have a new program direct to cash. Can you just sort of remind us what the changes versus how you usually would handle that and what you're seeing in tax refunds?

A - Charles Holley {BIO 18024865 <GO>}

The biggest change really from the last two years is that the higher risk and processing refunds is finally back to more of a normal cycle. In the last two years, it was delayed. In fact two years ago, it delayed several weeks back six weeks. And we see like we've never caught back up and then last year it was delayed. I want to say three weeks or four weeks. This year is a much normal cycle. We were able to pick up back on that. We try to make it as easy as possible with our tax partners for the customer to get the refund. Then of course we'd like to stay (inaudible) at the store. But I think the biggest issue was just getting their refund sooner than later in the last two years.

Q - Unidentified Participant

It's Schmidt (inaudible) lot of your competitors have loyalty programs, some of them are here talking about it and developmental loyalty programs and interaction with mobile devices and things. What do you think makes sense for Wal-Mart to do there? What are some of the things you guys are working on?

A - Charles Holley {BIO 18024865 <GO>}

I think I actually think savings catcher is a great example. We know that we're competing against companies that use a high-low tactics to try to get bring in a customer and that's just not what we want to do with everyday low price. We're not real big on couponing as you know but we have to compete with that and I think your loyalty comes from at least ahead for us historically offering that very low price, every day and having a savings cash to guarantee that the customer always get that low price. I don't think you can get much better loyalty in that. But that's been proven as we build out the program.

Q - Unidentified Participant

Hi, Charles. The international portfolio, if there any updates you can give us this to how you're thinking about long-term. I know you know there's a lot of debate around the future of China for example and we've built in to be permanently messy - I guess I'm wondering like how do you think about return on investment and hurdles that have to be met and time horizon for various markets?

A - Charles Holley {BIO 18024865 <GO>}

Yes, let me. But maybe it's the best thing to do is to give you a little quick view of the major operations international and what we think. I'll start with the UK, very solid operation. Many of you've been out there and seeing that another management very tough market economically right now. This is going to be a value to a very tough year for the whole UK market. Having said that, I think that we have the strongest operation of the four large retailers. But make no mistake, it'll be very tough for them this year. But they are very experienced in dealing with some of these things. So we're very confident that they'll do very well. They'll do as good as anybody can -- of the big retailers.

Canada spoke about. We're very excited about the momentum that they continue to have especially the food business. China, a little bit of a misnomer for some reason we make money in China and we have for while working where we didn't is when we went in with items like restructuring the stores.

Like what we did the year before last, which was very critical for us, we needed to create the platform where we can grow and feel good about that growth. In China, our best quality in the world in China. Our best Sam's Club in China, Shenzhen. And it's actually our very first club in Shenzhen. We didn't open up enough crops for lots of reasons early out now that's changed. We're very focused on getting those clubs open, if you look at the Wal-Mart supercenters, we have flag plan a little bit too much about all the provinces and we pulled back that with the restructuring was about a

year and a half ago, we pulled back so that we really focused on the southern part of China and the middle part of China, where we're very successful. We have some incredibly good super centers that have very high operating margins and so we want to leverage the core that we have there. In addition, we didn't have a centralized supply chain, which has been very critical to Wal-Mart's success around the world. We are now installing that and we think that will make a big difference. So we're very bullish on China going forward. Brazil still is a work in process or we better than we were a year ago. Yes or we anywhere near we want to be. No. We're not. We still need to integrate the three operations we have there. We also are still trying to get our hands around to make sure we can operate profitably and effectively and the tax on the labor environment they have there. It's very difficult, not unique to us, all the companies deal with it, just a very difficult working environment. Then Mexico, we're very pleased with what our self-service formats have been doing except for Sam's Club as you may know. But that is actually improved over the last 12 months. We have a new management team at Sam's. We brought down the head operator at Sam's Club US is now over the Sam's Club in Mexico. We're seeing definite improvement, very excited about where we're going with Mexico.

So that gives you little flavor of the major operations and as far as just portfolio we don't -- we're constantly as we always have looking the portfolio. But right now very focused, very similar to the US, get the comps, back where you want them, just to have a very good operating environment in your stores for your customers.

Q - Unidentified Participant

Okay. Any thoughts on when China's same store traffic is going to turn positive and what's kind of the strategic plan for (inaudible) there?

A - Charles Holley {BIO 18024865 <GO>}

It's good question. As you know, China has been going through an austerity program and everybody's been feeling the effect all retailers including us. And I think we've actually been better off than most retailers do that. But to your question of when I don't want to forecast when comps are going to go positive. But I would certainly help that you would see some of that this year as you cycle through some of this austerity programs.

Q - Unidentified Participant

Hi, Charles, the neighborhood market comps were I thought they were pretty impressive in the Fourth Quarter at 7.7%. Can you help us understand the outperformance of the strength of those comps versus I don't think grocery in the supercenters was a standout category in terms of comp and --

A - Charles Holley {BIO 18024865 <GO>}

I would -- the biggest question for Greg in April. But I really think a lot of it has to do with convenience. If you think about our history in the US with super centers, they do very well and always have with stock up trip of our customer, where they get everything they need. But what's happened with the US consumer over the last few years is about convenience also and we haven't had the alternative for the customer

of convenience and I think it's a huge upside for us and as we, it complements the supercenter and they take out the neighborhood markets take a little longer to mature into the supercenters. The first three years are very high comps, it takes a little while to get that customer attachment, lot of it happens through pharmacy and the (inaudible) that you have. But I think a lot of it has do, you're looking at a lot of new neighborhood markets who're still in growth phase in the first three years.

Q - Unidentified Participant

The return on invested capital from International has been a little disappointing. And now that you starting these ventures in e-commerce, I just wonder why it would be different? Could you just talk about the competitive advantages you have with Amazon. Why this effort will turn out better than the last one?

A - Charles Holley {BIO 18024865 <GO>}

Well I don't think there is same. First of all, one was about going into public new markets and trying to transfer what you had and we have that success. We have a very strong business in Canada, high returns same with Mexico. The UK's been pretty good actually. We would like better returns obviously and by the way we're profitable in China and have returns there and then Japan. For those I wouldn't call it as disappointing and maybe there are some in South America, like the Brazil and Argentina, God grant you that. I think the (inaudible) to stay relevant with the customer, you have to make investments and we are operating for the long-term, not the short-term. And I think it's critical as a Company that we continue to evolve and test new things. I think it's also critical to know when quit test and also went to accelerate something. But never good markets went for a long time as a test and the reason why is the supercenter if you do so well. But when it is ready then we started really ramping back up. So I think this integration of fiscal and digital gives us a huge advantage over just a pure.com play and how lever that. There are a lot of our markets, majority of our markets are very drive type markets, look at Dallas-Fort Worth Houston or whatever. You know, where customers are going to drive and being able to make that as efficient as possible, whether it's a pickup point or pickup in the store, I think is going to be a huge advantage for us and it's really important for us to figure these things out to how to do it well. So that you have an advantage over your customers, you have something that's convenience. I think it's about convenience by the way, that you could offer your customer.

Q - Unidentified Participant

There is a lot going on in the world of how customers are evolving the way they pay for stuff. You know Apple Pay et cetera. Also you guys have done things with like banking type things like Green Dot. Can you help us sort of what should we focus on, what is Wal-Mart focused on areas of pay and turn of the banking products and things.

A - Charles Holley {BIO 18024865 <GO>}

I think there is three things in my mind that are going to be important. And like I said, I think it is shifting towards mobile pay. It's just not clear where exactly is shifting and we need to make sure we're prepared to be a more of the leading edge of that

when it happens and we're talking to most of the players. We're trying to figure with these players and partnerships and even in our own apps that we might have. But it needs to be convenient for the customer, it needs to be safe and secure and it needs to be at a low cost. Those are three really important factors that we look at when we assess on mobile payment and if you can configure those things out, then I think that's what's going to win.

Q - Unidentified Participant

On this sort of alternative banking product side, I know there's been some announcements related that like Green Dot et cetera in the past. Any update on that side?

A - Charles Holley {BIO 18024865 <GO>}

No. I mean we continue to drive products that will help the customer that doesn't may be have access to traditional checking account and you've got that Green Dot now, you have that with American Express for their product. And we have Blue Bird that gives access to customers that just can't get a bank account. But it gives them access to some sort of a checking account, some sort of debit cards, some sort of credit card. I think that's really important for a certain part of our customer base.

A - Robert Ohmes {BIO 1541955 <GO>}

We have time for one more question if there is one.

Q - Unidentified Participant

How would you agree Sam's Club performance particularly with the comp spread versus Costco. We don't get to see your membership fee. But I guess I am just wondering like these things that it's in a good position where it is today?

A - Charles Holley {BIO 18024865 <GO>}

Yes, I don't know that you can -- there are both club channels. But those models are a little bit different. So it's hard to grade one with the other. Costco is a fantastic wholesale operation. I think what Sam's Club is doing with the plus memberships has been very good. We're still going through a lot of -- using a lot of cost into that cycling through it. But it's proven that it's been very good for our renewals and upgrading of memberships what Sam's is doing in merchandise side, you're going to hear more about that from Ros probably at the shareholder meeting and get updates for what's she's doing there. Very solid business has very good returns and if you follow the returns they're very high for that channel. So we feel very good about the Club business. I think merchandise is going to be key though in driving that business forward.

A - Robert Ohmes {BIO 1541955 <GO>}

Terrific. I want to thank Charles for doing this one [ph] with us today.

A - Charles Holley {BIO 18024865 <GO>}

Thank you.

A - Robert Ohmes {BIO 1541955 <GO>}

Really great.

A - Charles Holley {BIO 18024865 <GO>}

Thanks for your interest.

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