

Bank of America Merrill Lynch Consumer & Retail Tech Conference

Company Participants

- Brett Biggs, Mart Stores, Inc.
- Robby Ohmes, Analyst

Other Participants

- Unidentified Participant, Analyst, Unknown

Presentation

Robby Ohmes

(audio in progress) keynote lunch presentation. We are just very pleased to have Brett Biggs with us today, EVP and CFO of Wal-Mart Stores, Inc.

Brett has been with Walmart since 2000. He has worked in many different key roles including EVP and CFO of Walmart International, EVP and CFO of Walmart US division.

He has also worked as both the CFO and I think later as an SVP of Operations at Sam's Club. He was also SVP of International Strategy and M&A. I don't recall anybody having so many key roles and now in probably one of the most key roles at the entire Company globally.

But I want to highlight a few of Brett's other interesting roles before I turn it over to him. He is on the board of MANA, a nonprofit focused on children's malnutrition in Africa. He also serves on the Cancer Challenge board.

And I just really appreciate him making time to be at our conference. And I want to thank the rest of the Walmart team for joining as well. So let me turn it over to Brett for some comments before we get into fireside Q&A.

Brett Biggs {BIO 17414705 <GO>}

Thanks, Robby. I appreciate everybody coming today and your interest in the Company. It's an exciting time certainly to be at Walmart.

You have covered us for a long time, Robby. But a very exciting time to be here. You have heard Doug and many of our other executives, Greg Foran and others, talk

about creating a seamless shopping experience and how important that is for our customers and being able to create that at scale and it's a focus on taking care of our customers today as well as taking care of how we serve our customers in the future.

I think one of the things that really differentiates us is our ability to transform the Company from a position of great financial strength. So if you look at what we talked about at the end of the Fourth Quarter, last year, we had over \$27 billion in operating cash flow. We raised the dividend for the 43rd consecutive year.

We returned over \$10 billion to our shareholders in the form of dividends and share repurchase. So while we are transforming the Company we can do that from a position of great strength.

If you had looked at our Fourth Quarter and full-year earnings release you'll continue to see good momentum in the parts of our business. So if you look out Walmart US, six straight quarters of positive comps, five straight quarters of positive traffic. You hear Greg Foran talk a lot about our clean, fast, friendly scores. So the wage investments that we put in last year and this year.

We are seeing great improvement in our clean, fast, friendly scores and our customers notice what we've done with the stores. I was in Indianapolis for our year beginning meeting a few weeks ago and when you are with our associates you can feel the momentum with them and you can also see and hear that they feel obligated to the Company to return that investment, the investment they put in the stores and that they know that we'll see performance from that, we'll see improved comps. So I feel good about where we are from a store perspective.

International continues to have very strong performance, particularly as you look at places like Canada and Mexico, continuing to do very well. A good, steady performance in international.

Sam's Club, I spent three years in Sam's Club, it's all about membership and merchandising. You would have seen good membership numbers from Sam's Club in the Fourth Quarter which is a good leading indicator for that business, really good improvement in our Plus memberships which are some of our most loyal members. So I think good momentum there as well.

E-commerce, we had a 13% GMV growth last year. We had a number of our key international markets that we discussed that caused a bit of a headwind for us. But we continue to make really good foundational progress in that business as you look at the fulfillment centers, the five fulfillment centers that we opened last year and what that can do for getting items closer and closer to our customers, the addition of markets in online grocery and that will continue to do that.

Rolling out Walmart Pay and what we've done so far with Walmart Pay which is a great example of what we can do as a Company to bring various parts of our Company together in something that will be great with our customers. So really in

every part of our business there is good momentum. I think we are making progress with our customers, with our associates.

You covered us for a lot of years; we are never satisfied. We continue to push and I'm excited about where we are going. Again, being able to do that from a position of financial strength is really really important, I think a differentiator for us.

Robby Ohmes

And Brett, when you step back from everything you are doing and try and -- can you give us some insight what your core US customer -- how is that customer feeling? Are they feeling better, the same and then maybe contrast that with your international customers?

Brett Biggs {BIO 17414705 <GO>}

Okay. If you kind of step back from a macro level, there is a number of certainly what should be tailwinds for the customer. Fuel prices, interest rates are low, unemployment is low, at least the stated number of unemployment is low. The customer, though, we continue to see one trend that was prevalent 2015 which is customers were paying downward that, they continued to save money.

We are continuing to see that and you've read reports where you continue to see that some into 2016. So I think that's a trend that continues. I think any time you get in an election-year and maybe in a year, particularly with this election, I'll probably leave it at that, is that it's on the customer's mind.

As they are listening to the news reading twitter whatever you do when you hear about very low oil prices, negative interest rates, even maybe if customers don't know exactly what that means to them, there's an element that gets in their psyche a bit it and how they feel and how comfortable they feel. So there's definitely some positives and I think weighed against some of the other things that are probably a little more subjective.

Internationally, as you can imagine, market by market, it's very different. The consumer, particularly our consumer in Canada and Mexico, not only the consumer but our business is doing very well in those markets.

The UK has been challenging. Anybody that has -- we've gotten a number of questions this morning around the UK, a challenging market.

I think the consumer is winning in the UK. There's a number of things that we have going which I'd love to get into to make that business successful long term.

China's a market that we are very committed to. We are very excited about the long-term opportunity in China. It's a bit slow right now as a number of dynamics play out in China but I think longer term you will see a good healthy consumer in China.

Robby Ohmes

I've got a lot of questions, especially recently, on deflation, especially in the food area. Can you give us the Walmart US perspective on the outlook for deflation or inflation, especially in food?

Brett Biggs {BIO 17414705 <GO>}

Yes. So periods of time inflation, deflation ebbs. You have to talk about it almost category by category. We've talked quite a bit about meat and dairy being deflationary.

Meat has been particularly deflationary over the past period of time. We talked a bit about in our Fourth Quarter comps that deflation played a part in that certainly versus the prior year and even as we gave guidance for the First Quarter talked about that we continue to see deflation in some categories.

You do see inflation in some parts of the business. Branded pharmacy, for instance, we see some deflation in that category. Electronics is one where we've seen deflation over a period of time.

Some of the that is just input cost coming down, some of that is that particularly in televisions you haven't seen technology over the last several years that's really driven something that consumers are clamoring for like you would have seen seven or eight years ago with high definition televisions. You haven't seen quite that forte. Maybe that's the thing that comes next to drive that but again it's kind of category by category.

Robby Ohmes

Walmart obviously made some very well telegraphed wage investments. Can you remind us how we should think about the impact of the wage investments? But also more about what you are seeing so far on the payoff from those investments and maybe the categories that benefit the most from this.

Brett Biggs {BIO 17414705 <GO>}

Sure. It's been very well discussed. I think the wage investments of \$2.7 billion that were put in the stores last year and this year.

And even as I tour stores around the country I can feel the difference, I can see the difference and I would guess as you shop our stores you would see the same thing. And it pays off in a number of areas.

Clean, fast, friendly stores' scores go up with consumer. So they're seeing it as well but the stores are cleaner. The department managers that we added back, that 1,000

[ph] department managers make the difference as to how you are served when you are on the floor.

I think that has made a difference. When you check out, it's faster. I know stores that I go into when I'm ready to check out there is people waiting for me to check out and our customers notice that.

Some other things that have I think we've seen a benefit, inventory is a lot better. And it's some separate processes around our cat processes and top stock that Greg Foran has talked about a lot. Inventory is down 2.9% year over year which is a big deal, helps with in-stock.

From a payoff perspective again you're seeing it with consumers. I think when you look at our traffic and it's been positive over five quarters and if you look on a two-year stack basis, this last quarter was around 2%. I think you are seeing some benefit certainly from traffic.

But associates feel better about what they are doing come about their jobs. Not only do we put money into wages, we put a lot of investment as well into training and ensuring that we have a higher-quality associate in the pathways program that we've talked about.

And if you talk to our people group, our HR group, they would tell you that they are seeing a better candidate pool than we've seen in the past as we hire into our stores. So there's just a lot of places in which you're starting to see payoff for our wages.

Robby Ohmes

Another question I have or I got recently a lot is how did you put up such a great Fourth Quarter? Remind us again how you put up such a great Fourth Quarter from a traffic standpoint but also put up a pretty decent gross margin I think versus expectations.

Brett Biggs {BIO 17414705 <GO>}

Traffic we talked about a little bit. I think there's a number of things that go into traffic we've talked about.

Fuel prices will make a difference in traffic as fuel prices ebb and flow. So we know that's going to be the case as well. Gross margin, you will see ebb and flow, particularly on gross margin rate.

You can go from quarter to quarter and see ebb and flow on the timing of when you get the benefits and there's a lot of items that drive cost of goods sold. We are seeing benefits from fuel prices from a transportation standpoint. And you see that in cost of goods.

We continue to do a lot of work with our suppliers around cost. So when you see that come in on the cost of goods line and when you see it invested back into the business can vary from quarter to quarter and so all of those things had some impact on Fourth Quarter margin.

Robby Ohmes

Can I get you to talk about e-commerce and really maybe separate it into sort of the US e-commerce initiatives versus how we should think about international and what the key things we should focus on as investors?

Brett Biggs {BIO 17414705 <GO>}

Yes. So other than the UK where we've been in our e-commerce business the longest, we've had pickup in e-commerce business for 15 years. So a lot of experience in that market. And actually that market and our experience there has helped quite a bit with the US, not only just in learnings but talent that we've brought over from the UK. A number of our people in online grocery came from the UK. So that's been a nice benefit for us.

Some of our other markets were a little more nascent in those markets and we'll continue to make progress with that. We just acquired the rest of our Yihaodian business in China and we know over time that the marrying of those physical assets and digital assets will be very important in a place like China. So in all those places we made progress.

From a US perspective, we've made a lot of foundational progress and I talked about it a little bit in the opening comments. Online grocery is going to be important to our customer because what we want is we want customers to shop at Walmart. And if that means shopping in our stores, that means online we want them to be Walmart customers.

We drive 260 million customers a week through our stores. We are one of the top three websites, retail websites online. So we get traffic, good traffic in both stores and online.

What we did with fulfillment centers is important in that it allows us again to get goods closer to our customers, shortens delivery times and it's an important part of what we will do for the future. Online grocery will be very important in how we serve that customer.

We've had really good experience in the markets we have been in. We know from our tests that we started in Denver last year that we do pick up incremental customers. In that test we talked about that believe that 25% of the customers and online grocery were new customers to Walmart which is really really important.

Now that's one market and we will continue to see how that goes as we scale that. But everything we are doing, whether it's around technology, online grocery, fulfillment centers, is about continuing to ensure that our shoppers stay inside the Walmart ecosystem and getting new shoppers.

Robby Ohmes

Then can I get you to talk a little more specifically about the grocery business, the US grocery business? I know that you guys have called out produce as an area. Where are you in the improving the produce offerings and what kind of response are you seeing?

Brett Biggs {BIO 17414705 <GO>}

Yes. We know if you are in the grocery business, which we are, the presentation of fresh and what that customer experiences when they walk in the store is critical to the rest of the shopping experience. And that includes customers that later shop online. It matters to your brand what they see when they come in the store.

So you've heard Steve Bratspies, Greg Foran talk about the amount of time and attention that we are putting on the fresh business. And we know how important that is. Particularly as you think about things like online grocery it becomes very very important.

We are testing a number of things in fresh, changing sightlines, changing the way that we are displaying products, culling products and you'll continue to see that as we go throughout the year. The customer response has been really good that we've talked about that we are growing market share in produce, we are growing market share in organics. Organics will be something that continues to be very important.

There's a number of things that aren't as visible that will be visible or should be visible to you as a customer. One of the things we've done over the last year is that we've taken a day out of the supply chain for fresh product and that makes a difference not only what it looks like in the stores but also how it ends up -- what it's like when it gets to your house. That's the most important thing in that it's fresh not just the day you get it but it's fresh when you want to eat it and when you want to consume that.

Continue to put a lot of investment in training and fresh. As you know, we put fresh -- talked about putting fresh managers back into our markets. So a lot of investment in time and energy being spent around fresh, we know it's critical to our brand.

Robby Ohmes

Another question I get all the time and you guys get all the time is price investment. You guys have made some -- given some commentary on planned price investments over the next couple years. Can you just remind us or maybe correct us on how we should think about price investment and when we see it or how it works?

Brett Biggs {BIO 17414705 <GO>}

I haven't gotten that question even today as I bet wouldn't surprise you. Price is not an on-off switch for us. We invest in price all the time.

If you go on our stores you continue to see us invest in price. We are very mindful of price gaps with competitors and we have a lot of competitors, different types of competitors. So we are very mindful of that.

We talked about over the next several years that we'll invest several billion dollars into price, more of that being focused the next couple of years. And we will be smart about how we invest in price. There's some places where investing in price makes more of a difference than it does in others but we are always investing in price.

There's not a time we are not doing that. There are times where we lean into it more, maybe lean into it more in different areas. But price is always going to be a very very important part of what we do.

There are some areas where I think value is as important as price. Fresh, we were just talking about it a minute ago. When it comes to organics and things like that, value matters in some regards as much as price and how the customer perceives that product and perceives where you are in the market. So it's something as you can imagine we spend a lot of time on and will continue to be a big focus of ours going forward.

Robby Ohmes

Another question I had. And I mentioned already but I'm going to ask you in front of everybody else, your head of merchandising for Walmart US was at a competitor conference last week and I noticed for the first time you sort of linked together millennials and household formation and I think families and convenience all in the same sentence as an opportunity for Walmart. He was speaking to it. So it's maybe unfair to ask you but is there anything you can tell us? Is Walmart feeling a change or feeling momentum from the millennial consumer?

Brett Biggs {BIO 17414705 <GO>}

We know that we penetrate every part of the market, different generations, different income levels and we index very well with all of those. You have read reports like I have that say millennials do shop us pretty heavily and they are also going to be one of the most value conscious generations that we've seen. That's important, that plays right into what we do.

We are about value but we're also about convenience. Over the years we've talked obviously quite a bit about price but convenience matters a lot. I think it matters particularly to that millennial generation. And so as we look at things like online grocery, e-commerce and everything we are doing again around serving that

customer where they want to be served, they don't have to come in our stores necessarily to be served, I think that will work very well with that generation as it does with other generations.

Robby Ohmes

I just want to make sure -- open it up for any --

Brett Biggs {BIO 17414705 <GO>}

I am a Gen Xer so I can't quite speak totally to millennials. But I appreciate you thinking -- I'm assuming you thought maybe I was a millennial. So I appreciate that.

Robby Ohmes

I have a few more but I want to give some people

Brett Biggs {BIO 17414705 <GO>}

I didn't think that would be funny, actually.

Questions And Answers

Q - Unidentified Participant

I was interested in your macro commentary at the start. Comments about the US consumer still saving and delevering. But it sounds like some momentum. How do I reconcile the difference, US good momentum or US delevering keeping trends --?

A - Brett Biggs {BIO 17414705 <GO>}

I think it all of the above. I think there's a number of factors that are tailwinds for the consumer. I think how they spend their money -- they continue to spend money but they are taking care of their balance sheets.

So I think there is -- I was talking about it's a bit of a mixed bag and we've talked about that actually for several quarters and I think there's some headwinds from a consumer standpoint and some tailwinds. I think you just have to take the balance of that.

A - Robby Ohmes

In the front. While we are waiting, can I get you to talk about the Walmart Pay and maybe some more insight the timing of the rollout and what you expect to happen as it rolls out?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. We talked about the rollout being over the rest of the year. I think it's a really -- as said earlier, I think it's a real interesting concept in that we want to do whatever we can to make it easier for our customers to shop.

And we believe this could be one part of that. But it's a great example of the different parts of our business coming together where it is e-commerce, it's the US business, it's financial services, ISD, our systems group coming together to do something that is a little bit unique from a retail perspective and it's another tool that we want to put in the customer's belt to make it easier to shop with us. But I think it will be really interesting as we continue to roll it out.

Q - Unidentified Participant

I asked this question last year and maybe I asked it the wrong way. I'll try again and phrase it.

A - Brett Biggs {BIO 17414705 <GO>}

Can you tell me how we answered it last year?

Q - Unidentified Participant

Defensively, maybe (multiple speakers) offensively. You can see our stock every day. It's no higher than it was at the start of the century.

So it's 16 years of lower ROICs that partly was due to the international spending. In your defense, you haven't thrown money at Russia, you haven't -- you got out of Germany, you've done some good things. But now as you go into this e-commerce spending, I just have to know why it will end better than international has progressed on an ROIC basis because I think that's really what's holding back your stock.

A - Brett Biggs {BIO 17414705 <GO>}

That's a fair question. Yes, I do watch the stock certainly and we get questions about ROIC. As you think about what we want to do for investors long term, one improve returns, one improve our stock price, that's part of why our shareholders invest in us.

I think it's tough to compare international necessarily with e-commerce. In all respects, no matter what we do, or what decisions we made in the past or decisions we made in the future, it is about taking care of our customer and doing what we think is right to serve them today as well as in the future and in doing that believe that's serving our shareholder as well.

Part of what we wanted to do as we announced the wage investment a year ago almost, or actually a year ago. And part of the buyback that we announced in October was ensuring that our investors understand that we want to continue to deliver value to them while we are transforming the business. We are in a transformational period as a Company.

But with the operating cash flow that we generate we think we can do both, which is take care of our shareholders and do what's right for the business short term and long term. We talked about by next year you'll start seeing our EPS increase.

So expect that again in FY19. And that's why we wanted to give guidance further out was to give investors an idea of not just one year but what this looks like over a three-year period and for you to understand, our investors to understand that we are focused on the long-term viability and health of the business but also what our short-term results look like.

A - Robby Ohmes

Brett, could I get you to talk about the change in your approach to gas stations? Maybe doing more in-house. And what's the advantage or disadvantage to that and could that turn into -- is there -- could you marry that with Walmart Pay and have a loyalty program that is in-house?

A - Brett Biggs {BIO 17414705 <GO>}

Fuel's been a big part of our business for quite a while. We've had particularly at Sam's Club we've had fuel for quite some time in-house. So I'm not sure necessarily it's a change in direction and we still have a good relationship with Murphy and they continue to have a number of our fuel stations.

Fuel is a differentiator for us. It's certainly a way to show price to customers. I believe to drive traffic into the stores there's a number of things that fuel -- the important part that fuel plays in our business and it's something as we go forward that we just wanted to have that as a bigger piece of the puzzle for us going forward.

Q - Unidentified Participant

So you mentioned you talked a little bit about competition earlier. I'm just wondering if you can expand a little bit on that and how that the nature of that competition is changing.

I think -- I'll just raise it out there, one of the more interesting things that we learned this earnings season was Target is guiding very aggressively in terms of their long-term sales growth. And it would seem that the incremental share again would come from you guys as one part a broader setting set of competitors. So I wonder how you think about that and how maybe that's an opportunity for you guys as well as you pursue different strategies?

A - Brett Biggs {BIO 17414705 <GO>}

So it's a lot in that question. I won't speak specifically to any one competitor but we have a large competitor set. And that goes from grocery stores, dollar stores, discount stores, department stores, online.

So a very wide competitive set. And really we pay attention to all of that. As we think about our value proposition and what our customers one from that we have to

consider all of that in that equation.

We gave our longer-term sales guidance last October 3% to 4% over the three years excluding currency which if you think about the size of our business and the dollar growth that provides that is a big number. And I think sometimes with Walmart and others maybe you have to look at percentages as well as total dollar growth. And the underlying growth last year for Walmart was around \$14 billion backing out currency.

So we continue to generate a lot of growth. And that can be put in a lot of different directions.

Competition is not getting last. I think we've always had a view that competition makes us better. I don't think that's any different today.

It continues to push us to be better. Around the world we have competitors and we have certainly national global competitors. So nationally you've got a Kroger or Target or others that are great national competitors but also a lot of great regional competitors.

And our business is really store by store -- customer by customer, store by store ensuring that we are competitive against that relevant set of competitors in that market. We think about it from a macro standpoint but it has definitely micro implications on how we run the business.

Q - Unidentified Participant

How do you see your online percentage of the business growing over the next three years in your plan? How important is improving speed to distribution and having a third-party market to getting there? Thank you.

A - Brett Biggs {BIO 17414705 <GO>}

We haven't talked about specifically goals of % of sales among our business. We want all parts of the business to grow. Speed is a great word and not just in how we look at third-party but across the Company.

If you hear me talk or you hear Doug talk speed is an important part of what we want to do. We understand the world is moving very very quickly. Walmart has always been a Company that has I think moved with great speed.

But it's more important today than it has been in the past. From a third-party perspective, we want to continue to grow that business and you'll continue to see us do that into the future.

A - Robby Ohmes

Can you talk about the closing of the Express Stores? And what -- if you go back a few years, people were pretty excited about that. (multiple speakers)

A - Brett Biggs {BIO 17414705 <GO>}

I was in Walmart US when we started that.

A - Robby Ohmes

There was some excitement I remember going to a bunch of those. What did you learn from that? What should we take away from not focusing on that versus what you are going to focus on going forward in the US?

A - Brett Biggs {BIO 17414705 <GO>}

Yes there's two separate questions and I might hit both of them. One would be I think how we think about our portfolio and then Express Stores specifically. We talked about that we went through a very stringent process last year as we looked at literally every store in the world, think about each store from a strategic standpoint whether it's the right format, rate geography as well as financially certainly.

You look at the fact that we close less than 1% of our revenue base and less than 1% of our square footage base, one I think it says something about the health of our store portfolio. It's not to say we don't have some stores that are still challenged but those stores I feel like we can continue to make them better in the coming year.

So I think you are seeing us start to take decisions maybe more quickly. The Express Stores specifically, we learned a lot from that. And we always talked about that it was a test and I know there was a lot of excitement created over that and we learned a lot from that.

We learned about smaller stores, although we have smaller stores in many parts, many countries around the world. Walmart needs to do things with scale and when you look at what we are doing with Neighborhood Markets and we feel good about Neighborhood Markets we think that there is a customer that can be served with that Neighborhood Market that maybe necessarily doesn't have to be served with a different format.

There are -- I think there are -- there was demand in some of those markets that probably was even bigger than we thought from an Express Stores standpoint. We probably could have put a bigger store in some of those markets.

So as we look at how we scale out in the future, now we serve customers with online grocery and other things. I think it's more about what we are seeing with Neighborhood Markets versus necessarily we weren't pleased with Express because we did learn a lot from that.

Q - Unidentified Participant

There's a school of thought that's been out there that keeping Sam's and Walmart together is perhaps not the best thing basically. The reason that Sam's would be able to buy better prices from their vendors on their own because vendors wouldn't

want to pass along those costs all the way to Walmart. Can you talk a little bit to that in terms of leaving them together and perhaps the gross margin dollar opportunity at Sam's if they were left to be on their own?

A - Brett Biggs {BIO 17414705 <GO>}

Sam's is a very important part of our business. And we've talked about over the past several months a number of strategic initiatives that we are taking to improve our merchandising there.

When you look at a really low SKU business that the club channel is you've got to be right with all those SKUs. I'll give you an example. We probably pulled out some SKUs that were meant for business members that we probably shouldn't have pulled out.

You are seeing us put some of those back in and getting good traction with the business members. So overall we feel good about the strategic initiatives that we've taken at Sam's.

You asked a question about suppliers and I can't speak to it directly but for the most part it's different products certainly that you see in a Sam's Club. Sometimes the same vendor but in many times a very different product. And so there are benefits of having Walmart and Sam's together certainly.

And so I think today we are very comfortable with where we are at with Sam's. We want to get ourselves better but we are comfortable with where we are at.

A - Robby Ohmes

Can I get you to talk about the pharmacy business a little bit more? Two questions.

When could we see margins in that business get a little better? And also what do you guys foresee -- it's been inflationary? Do you see that going away as we move through the year or how are you guys thinking about that?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. It's a very important -- the healthcare business in general is very important for us and particularly as you look at the boomer generation, aging the boomer generation. That will continue I think to be a bigger business for us.

So you've seen we're done with experimenting with clinics. All of that I think is part of the offering that we have.

There's been a number of changes in the industry of how we are paid and it's not just us it's other retailers as well. So that's put some pressure -- we've talked about it -- on our margins.

We would expect that to continue somewhat into the year. The new healthcare plans have made a difference in how people pay in the mix of payments. So that's played on that as well. But overall, it will continue to be a really good business for us and I think continue to be a very strong business.

Q - Unidentified Participant

How do you balance the concept of operating from a position of financial strength with the opportunities that could potentially be available to you by adding some leverage to your balance sheet to boost shareholder returns or pursue other initiatives, especially in light of the fact that your ratings are so much higher than your competitors?

A - Brett Biggs {BIO 17414705 <GO>}

Yes. It's something we think about our capital allocation and our balance sheet, our leverage, we think about that as you can imagine all the time and finding what the right balance for us as a Company and our shareholders going forward. We have had a AA credit rating for as long as I can remember.

And even Charles back in October talked about that it continues to be important to us but we will use our balance sheet strategically. If you look at the operating cash flow that we generated last year of \$27 billion and the capital we announced for next year which is around \$11 billion which is down a little bit from the past during the prior year, pay a dividend of \$2 a share now it still leaves quite a bit of cash left over.

And you've seen us use that recently for share buybacks. The first thing we want to do is invest in our business and what we've said by saying our capital next year will be \$11 billion is that's the amount we think we need to spend to take care of our stores and our customers today as well as for what we want to do in the future.

But we are always looking for ways to make our business better. And so there's just a lot of pieces that go into your question. But we are always looking to do what's best for shareholders longer term.

A - Robby Ohmes

How should we think about longer-term gross margin trends and SG&A trends for Walmart? Should we expect a secularly decline in gross margin and a secularly declining SG&A ratio or stabilization or without committing you to it, we get beyond wage investments and short-term things?

A - Brett Biggs {BIO 17414705 <GO>}

We talked about in October kind of a run rate of operating margin that you should be able to expect from the Company going forward. And there's any number of ways you can get to that. There's a lot of levers between sales and operating income.

Price is always going to be really important for us. And price doesn't always mean -- investing in price doesn't always mean lower profit. If you think about the

productivity loop with Walmart which has always been a big part of our operating model actually, lowering prices, lowering expenses to lower prices to increase your sales is what we've always been known for.

Now we've taken the opportunity over the last couple years to invest heavily into wages. But over time you should continue to think of Walmart and running that productivity loop going forward.

A - Robby Ohmes

You've met with I think some of the people in the room here today.

A - Brett Biggs {BIO 17414705 <GO>}

I see a lot of familiar faces.

A - Robby Ohmes

What do you think is the most -- when you talk to investors what do you think is the most misunderstood thing when it comes to Walmart?

A - Brett Biggs {BIO 17414705 <GO>}

Wow, that's a great question. I'm not sure -- it's not a misunderstanding. If you are an investor I understand the questions about sales growth and e-commerce growth.

This seamless shopping experience it's something that particularly doing it at scale is not something that's been done before. We are trying to create something that really hasn't been done.

When I think about -- I come into this role I know at a very exciting time in Walmart's history. I've been there 16 years and I've never been more excited about what we can do as a Company.

I remember I came to the Company in 2000 and I think our revenues, I may be wrong, were \$150 billion or something at the time. People were saying Walmart is never going to grow again and it did grow little bit after the year 2000. But when I think about what we can be to the customer and I look at what we are doing around fulfillment centers and online grocery and what we are doing in our stores and the ability to do that with a really, really solid balance sheet and the ability to have options and make decisions I just get really excited about what we can do as a Company.

A - Robby Ohmes

That's a great answer. And with that I want to thank Brett and everybody from Walmart for joining us today.

A - Brett Biggs {BIO 17414705 <GO>}

Thank you. I appreciate it. Thank you.

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