Morgan Stanley Virtual Global Consumer & Retail Conference

Company Participants

- Brett Biggs, Executive Vice President and Chief Financial Officer

Other Participants

- Simeon Ari Gutman, Morgan Stanley

Presentation

Simeon Ari Gutman {BIO 7528320 <GO>}

Good morning. Good day, everyone. Hope you're doing well. I'm Simeon Gutman, Morgan Stanley's Hardline Broadline and Food Retail Analyst and it is a distinct pleasure to welcome Walmart to this fireside chat for our global consumer and retail conference, represented by EVP and CFO, Brett Biggs.

I'm going to read a quick disclosure and then go and get going with Q&A. First for important disclosures, please see the Morgan Stanley research disclosure website at www.morganstanley.com/research disclosures. If you have any questions, please reach out to Morgan Stanley's sales rep. We do have a Q&A for the audience. I see the queue, if you'd like to ask, I could manage both as we get into it.

In lieu of a formal intro, Brett, thanks for being here. I'm going to bug you first about the announcement, I do want to say, I hope we'll see you at the shareholders meeting and I'm expecting them to invite in the next quarter to give you another hug.

Brett Biggs {BIO 17414705 <GO>}

I've thought about that.

Simeon Ari Gutman {BIO 7528320 <GO>}

Yeah. I'm sure they're going to do that to you. But it's obviously been a pleasure working with you and as they said in Jerry McGuire, you've been the ambassador of [ph] Quant, not just shareholder value Brett, but community and I think respect and even some love. So, appreciate the partnership over the last (Multiple Speakers)

Brett Biggs {BIO 17414705 <GO>}

Yeah. It's been great. Thank you. And I was still there for a while, so.

Questions And Answers

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

(Question And Answer)

Fair enough. So, can I ask, what are you -- what you're going to be doing 12 to 24 months from now?

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. I maybe for the first time in my life, I don't know entirely what I'm going to be doing. I'm involved in a lot of non-profit work. I really enjoy that. And I'm looking forward to doing that, spending more time doing that.

I have two daughters I have a 23-year-old and a 15-year-old. So, looking forward to spending more time with them, my wife as well. Just probably will get me and Simeon play a little more golf in, well that would be part of the plan, but I'm excited. It's the company is in fantastic shape. It's such it's been, what a blessing to my life the last 22 years and starting year seven in this role. And I just can't -- I can't think of a time where I've been more optimistic about the company, and I feel like we're just in a great place for a transition like this to occur.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

So, thanks for that. You've been at this helm during one of the most transformational moments or times for Walmart. Through multi-channel, understanding what the economics would look like, doing both balancing investment with growth. And then, we always used to talk about the expense ratio and how you could potentially engineer it lower. So, open-ended of what's left and what do you think the big strategic initiatives maybe for the next Walmart CFO?

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. I think the strategy is as solid as I've ever seen it, inside the company. And I think now we need to go execute against that. But when you have a competitive environment and macro environment that's constantly changing, you're going to continue to adapt that strategy. You and I were talking earlier, there's -- you get a question of why, why now. And there's -- in companies like this is, there's you never finish anything. There's just different evolutions of what's going on inside the company, because it's changing so frequently and improving itself. So, I think the new CFO will continue to have certainly things to do, but I think whoever comes in is coming in at a time when I've never seen the growth opportunities this company like I see them right now. When I came in 2000, we were $260 billion in revenue and we're way over $500 billion now. And I remember thinking about the rollout Supercenters at a time and what that could look like, but now I look at it and I just see so many different arms of potential growth that I think it's astounding what this company could do.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

So, part of this, I guess the strategic/financial plan is balancing the investment with growth. Do you think that there could be a tilt in how that's positioned in the future meaning, either invest quicker or grow quicker or do both faster? And then, I have a follow-up related to more about '21 and how to think about going forward.

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. I think, we said last year that we're going to increase our CapEx sum and you're seeing us do that, we're investing in fulfillment centers and automation and other things that are going to, I think make this company give it the ability to grow even quicker than it is obviously last two years have been high growth, because of COVID. But can grow quicker than we did pre-COVID, because of the investment we're making, that sometimes you're going to have a lack of some of that investment. You can't put up a fulfillment center overnight that increases your capacity to do 3P and other things like that. So, there's always a lag, but we're putting the CapEx in, to make those growth rates possible. We have the financial flexibility to go do that. And you've seen we do share repurchases here over $7 billion of our share repurchase, already for the year. So, we really can do all of this. And speed is a really important element inside the company right now. We want to continue to move with speed, because that's our customers are moving quickly, our competitors are moving quickly and we want to stay in front of that.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

So, in the second quarter, I call it the quote that was heard around the world, Doug's quote, that we can do both, where he reiterated the idea of investing as well as driving profit growth. And part of it is the recognition that you've built this financial plan. You've stuck to a strategic plan, which not many companies can say they've done. I think that's what's helped you've been able to hit it. And then in the last call, I thought there was a little bit of vagueness regarding that. And maybe just to help clarify, we always thought, hey, we've built this plan that even if we don't grow sales at the same rate, we could still engineer the P&L. And I want to say, you manage it that finally on an annual basis to be able to grow EBIT dollars at a call it, mid-single-ish rate of growth. And the way that it was characterized on the third quarter was more of, hey, this might be a medium to long term. It may not be linear. So, can you just parse that we can do both to how should we think about it in terms of a timing perspective?

A - Brett Biggs {BIO 17414705 <GO>}

Well, I don't think anything is linear. It rarely is and actually I would argue over the last two years, the algorithm we put out there, we've exceeded it by a long, long way. So, I think we've already done what we said we would do from a sale topline and bottom-line perspective. You know, there's been challenge for us in the last two years, no doubt about it. And the 4% sales growth, the ability to grow operating income faster than that, I feel great about that. Is it going to happen every year? No.

There maybe years we invest differently than we do other years, but if you look back over a period of time and say did they do, what they said they would do, I feel great about our ability to do that.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

And maybe a nuance follow-up to that, is I would have viewed or maybe the market would have viewed 2021 or your fiscal '22 as a stepped-up investment here and you mentioned the CapEx. And therefore, as you lap that there could be an easing of that, and therefore that gives you a little bit more wherewithal, albeit you had a great -- you've been having a great sales year this year.

A - Brett Biggs {BIO 17414705 <GO>}

Well we said 2.5% to 3% CapEx as a percent of sales for a period of time. So, I think we laid that out fairly, fairly clearly last February.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Fair enough. So, moving on from that topic to the state of the consumer. And I want to ask something that I think is pretty topical, that's probably been sitting on the stock, maybe more than we appreciated, which is the lapping of stimulus. We will lap a gargantuan amount in the first half. But at the same time that customer is being more employed, a lower income consumer employed and getting better paid. So, how do you -- and I'm not a first-half question, but I'd say, overall state of consumer and the puts and takes around that?

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. I think the state of consumer is still strong. You pointed out, jobs are readily available, wages are up and that's really across the board. With where labor participation rates are, you would think that the labor market would stay pretty good for folks that want to work. So, that should stay strong through next year. We're just in this period of time where there's such an imbalance of supply and demand in certain categories, that we haven't seen before, because you've got the stimulus, you've got a strong consumer, that is fueling demand. And you've got supply in some cases constrained by impacts of COVID. Those things should work themselves out over time, if you just think through. It may take a little longer than all of us thought when we started this into this 18 months ago. But it will work. I feel confident, it will work its way out over time. But if you look at Q3, we had over 15% two-year stack of Walmart U.S., which is a massive business to begin with.

Sam's Club pulling fuel into back over 30% to your stacks. So, the size of this business compared to what it was two years ago, is quite different. I mean, we've grown to a Fortune 50 company over two years. So, as we go into this next period of time, which I think would continue to be incredible growth, and we are going into it already with growth over the last two years that would have exceeded, I think any investors expectations.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

You've been I guess appropriately like sobering flash conservative around how we should think about that. I've asked this a lot of CEOs of companies that sell durables, exclusively durables, where there's this debate about reversion or some digestion. How do you think about that for your business? I know, we're lapping stimulus, but as far as this water level being higher and that, that retailers can grow from that. Does that have merit or how do you think about it?

A - Brett Biggs {BIO 17414705 <GO>}

I think what? I feel good about us continuing to grow. I can't speak for the entire retail industry, but the consumer - consumer's good, there's still a lot of money out there. I mean, I feel good about our ability to grow. I mean, have there been tailwinds last two years? Of course. And it's why I keep coming back to and it's not to be evasive about the questions, why I keep coming back to. I always think about this business on a longer -- mid-term, long-term basis. I certainly care about next year and our investors who I know care about next year, but any one quarter or one year is while it's important, and our focus is on, when investors look back five years from now and say these guys did the right thing. And I love where I'm at now. That's what I want.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Got it. Okay.

A - Brett Biggs {BIO 17414705 <GO>}

And feel good that will put them in that place.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Yeah. So, transitioning from sales to margin, specifically gross margin. Last quarter, the U.S. gross was down a shade 12. I thought it was a relative victory, right, when we saw it. Maybe the market felt differently. We had a discussion -- I think that one of the primary culprits were supply chain costs, not necessarily price investments, but Doug did make a comment on the call. Our costs are rising quicker than our retail and we kind of like that balance, something like that to that effect. And so, taking into account the headwinds, tailwinds, supply chain, inflation pricing, how should investors think about that? I don't think you're managing to a margin. It's probably an outcome but how do we think about the puts and takes? Are we in a gross margin down environment for the foreseeable future?

A - Brett Biggs {BIO 17414705 <GO>}

There are a lot of pieces to gross margin and Simeon, I feel like I've been saying this ever since I was CFO, it's tough to look at quarter-to-quarter. Because there's so many pieces, there are supply chain costs, there's a new businesses that we're in, there's input costs, there's the cost versus retail, trade off, there's competitive. It's really tough to look at quarter-to-quarter. I'm with you, I was a bit surprised by the questions related to the U.S. margin, because it's been up significantly at times and it was -- I'd say relatively flat in Q3. Again, as I -- as you look at the next few quarters or certainly there'd be some choppiness in the next few quarters, I think in anybody's business as we work our way through these imbalances that we've had as an economy. But do I think the gross margin of Walmart can go up over time? I do.

And I, the reason I say that is, because of the new businesses that we're building. Our ability to grow our general merchandise business, and continue to make the mix better, which is really why the supercenter started as you needed a mix out of that box and it's no different today. You still need that mix. I think our ability to grow our GM business as good as it's ever been with the capacity we're building for marketplace and an e-commerce. So, I feel good about all of that. And, but I feel good about the ability to do that and keep our price gaps in a really great shape, that allows us to take market share.

If I'm an investor, again, let's talk about how investors feel two years, three years, five years from now. I think they're going to be glad that we continue to take market share which we are, but we can do it in a way that's really responsible from a shareholder perspective. So, going back to your comment about we can do both. I feel confident that we can do that. This is a time though where you can show differentiation with competitors, on pricing, do in a smart way, do in a strategic way, but you can -- you can show differentiation, get that market share, get customers into your ecosystem in your flywheel, that long-term is a great decision.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

You mentioned that, I think you said we feel good about where we are with pricing or maintaining price gaps. Can you talk about the backdrop? I know you don't share so much on it, but we are hearing, especially in the grocery space, pricing initiatives or improvements trickling in a little bit more frequently. So, where do you stand? I know you eventually

A - Brett Biggs {BIO 17414705 <GO>}

What do you mean by that, Simeon?

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

The price gaps. Price gaps for its competitors, where you feel you are? Because it -- at the margin you've always said we feel good about where we are. Now I'm starting to hear other retailers lean in for the first time especially in grocery, curious what you're hearing, seeing and anything different?

A - Brett Biggs {BIO 17414705 <GO>}

You're telling I'm trying to shrink that price gap?

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Exactly.

A - Brett Biggs {BIO 17414705 <GO>}

Got it. Yeah. Our price gaps were higher than they were or wider than they were before we came into COVID. So, I feel like we have a lot of flexibility in what we need to do. And even just, I mean, takeaway, we've always done well, which is provide value for the customer. The things that we can do now versus five years ago and where there's delivery pickup, e-commerce, the initiatives that we're putting forth in financial services, and healthcare, there's so many things that we can do as a business that competitors really can't do. That it just adds on to, I think the gap that we already had with price. You had these things on top of it. And I think it makes the total gap wider.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Yeah.

A - Brett Biggs {BIO 17414705 <GO>}

Competitively.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Regarding inflation, Brett, is there any update as far as is it beginning to level off? Or do you expect the run rate to accelerate further?

A - Brett Biggs {BIO 17414705 <GO>}

I think anyone who says they know for sure where that's going is, is probably not a prudent call. We're seeing categories where it is leveling out some work, we're seeing some work continues to move upward. I think you've got to look at input costs. I think there's labor costs, that are probably a little stickier than maybe some of the input costs will be longer term as the, again the imbalance is just clear, they are way out of the system. I think some of those costs, whether that's transportation costs or input costs will probably come down at some point. Labor costs are probably a little stickier would be my guess at this point for a longer period of time.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Okay. So, a shifting away from margin. I want to ask a little bit about e-commerce. The first is, do you think Walmart at some point in the future will discuss the channel profits or is that a thing of the past?

A - Brett Biggs {BIO 17414705 <GO>}

I think it's really difficult to discuss in that way anymore. Because and I think it's going to get more difficult. I started saying that about three or four years ago, and I think you and other analysts, Simeon, didn't quite believe me on that one. But as we get this flywheel more integrated, we did more things going inside of our ecosystem. It's going to be much more difficult to discuss channel profitability in a way that makes sense. To me, it's about growing top line and doing it in a way from a total profitability standpoint that makes sense for the company and for shareholders. Certainly, I and Doug and others talk a lot about and have a pretty good view into, if we grow this channel this happens, because we don't do that, then you don't know how to manage the costs. And, but to describe that in a way that one doesn't hurt competitively, and in a way that it makes sense and how you would monitor it, it is pretty challenging.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

What could I infer from that then if you have alternative profit pools, with that go against or be included in the P&L of an e-commerce business or no, you'd still look at e-commerce with non-alternative revenue drivers?

A - Brett Biggs {BIO 17414705 <GO>}

Well, to begin with e-commerce isn't a segment. It's part of our U.S. segment, it's part of international segment, it's part of our Sam's segment. So, we don't out e-commerce separately from a reporting standpoint, that which makes it even, I think even more challenging to discuss. But your question really hits at the point. If my Connect business is growing, it's going to be for a lot of different reasons. If our marketplace business grows, it's going to be because, our site has gotten better, we've done more and more fulfillment services, which has made it easier for sellers. Our stores are better, which gets us more customers than they shop more online, it's really integrated. Which is what we want. That's exactly the business model that I think differentiates us over time.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Yeah. So, the angle which I'm sure you've already sense of why it's important is, at some point you did discuss that the e-commerce as a channel was losing money and certain companies trade a profoundly different in higher multiples when they cross that threshold from losing money to making money. And part of the narrative has been investing in the marketplace in the long tail of goods. And so, through the extent that the market can track Walmart's progress, I think it could be additive to your and that, that would be the angle if it's positive about it that way.

A - Brett Biggs {BIO 17414705 <GO>}

No. And yeah, and I understand that and, for us it's always going to be a balance of how do we show investors enough data points that you see, that you can connect the dots like we do internally. But doing in a way that doesn't disadvantage us competitively, that's the balance. In February, we really started talking about this new business model, the omni-channel model and the new business initiatives, and we know over time, we're going to need to talk about some of those things. So, investors can see the benefit of that. But I think even if we didn't split, if we didn't talk about any of that, you're going to see it in the top line and the bottom line.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Okay. Fair enough. Just a reminder, there nothing is in the queue. So, but if people have questions, feel free. So, we have about 15 minutes.

A - Brett Biggs {BIO 17414705 <GO>}

Your questions, I guess they're so great that no one can top them, Simeon.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

All right. Give me a hard time on our last one. It's all good. But this is a good transition to alternative profit and I have a laundry list. Some of which you may not include as alternative, but I think it would be helpful and this could occupy our last 15 minutes. So, first Walmart Connect, second Fintech, third Health, fourth, GoLocal. I mean you keep us busy. I have the marketplace and Walmart Plus, so that was five and six. So, I think the bigger question Brett is, how should we think about how you're prioritizing those? I'm not sure you'd classify them all as alternative, but how do you think about?

A - Brett Biggs {BIO 17414705 <GO>}

They're all businesses that were growing more rapidly. And that for the most part all have higher margin characteristics and you would see in pure retail. So, I think I think you can connect them that way. They're all -- the good thing is that, I think you've got the list right. And so, it's not a 100 things, it's four, five, six, that we want to focus. So, I feel like that's a good number for us to be able to really put resources against. And you now going into some like this, there's going to be some of this that goes incredibly well, better than we would have thought. There will be some things that won't work out quite like we want. And as we go through these, we'll learn things that will lead to other businesses, that we want to go into. I think, GoLocal is a great example of that. And logistics is always been a core competence -- core competency for us. And the ability now to potentially turn that into a business, makes total sense. There'll be other things like that, that happen over the next two, three, four, five years that will be on the listed on, on that aren't on the list today. And there'll be some that maybe come off the list over time. But I really doubt something comes off the list.

As I look at these and our ability to scale in all of these areas, we have the people in place, we have the capital that's going to be committed to these businesses. I'm on the JB, Fintech board as with Ribbit, who's a phenomenal partner with great people leading that business. Each one of these has big upside. There are meaningful interest, and investors up there needs to be meaningful, we can't do things that don't move the needle. All of these move the needle. That's why I'm excited about them.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

You got the flywheel of doing both, even before some of these were hatched. So, U.S. EBIT today, I thinks sits around $22 billion and I'm just throwing it in the U.S. for a second. Why shouldn't that flywheel spend quicker, meaning unless you have so much to reinvest back from these initiatives but between Connect and we have an estimate of what we think it can somewhat we have a sense of Fintech and Walmart Plus. I mean, there's some tangible EBIT dollar pies here. Why couldn't $21 billion be $30 billion in four years from now?

A - Brett Biggs {BIO 17414705 <GO>}

In '21? What are you talking about? I missed your -- I didn't get the question.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

I mean, I'm basically saying why can't you significantly accelerate the EBIT growth of the U.S. enterprise?

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. I mean, there's -- if you look at some of these there's opportunities to do that. There's some that will invest back into, as that happens. We want to keep taking market share, which mid to long-term is definitely the right thing to do. So, it gets back to this balance of how much do you, you drop the bottom line? How much do you keep investing back in the business? And I think over time, Simeon, that's those are decisions that will make that investors -- will certainly understand how investors look at that as we go through that process. But there are some, some of these businesses that can certainly scale more quickly than some others. Some could scale pretty quickly.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

To zoom in on a couple, Connect. It seems like the progress is happening at a quicker pace. Do you -- Okay and if you agree does the goal of what I think you said, maybe reaching it as a top 10 advertiser, does that happen quicker or is that is -- can you be a top five?

A - Brett Biggs {BIO 17414705 <GO>}

I think both of those things are possible. Again, we'll balance out, and it goes back again to -- it's really difficult to look at these things on their own. As you get a look at Connect and say that was my only business, could I just plow into its skeleton quickly? Yes. But at the same time, I can't look at it as now, because I got to look and make sure that my customer experience is good. My advertising experience is good, that I'm getting the tools that I need for them, to not just for this year, but for three years from now to make that work. But I keep my site uncluttered, to make sure the customers continue to trust me that I'm giving them the best product recommendation for them, not necessarily what a supplier wants. All of those things have to go at the same time, to make the brand work.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

That's helpful. We do have a question from the webcast, related to e-commerce. Can you give us a sense of how 3P is doing? Any sense, can you share what percentage of e-commerce, or what percentage of the business it is, and what is holding the business back at this point? And then there's a follow-up, which I'll ask after this.

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. 3P is one of those businesses, that I do think it is accelerating. It can continue to accelerate. We added I think, 20 million items in the third quarter on marketplace. We're seeing that accelerate. We're still building out the capabilities. The tools one more fulfillment service, some of the fulfillment space that we're building is the service 3P. Because it's, it's great for margin perspective, but it's more importantly great from a customer perspective, because they just more and more they know and then come to Walmart, get what they need, whether it's 1P or 3P, that's the most important part of marketplace. So, it is accelerating. As we get the tools in a better place, which is work that's being accelerated, then it accelerate even further. We don't really have a goal of what the penetration of 3P should be higher than it is today. And we want it to be whatever natural place that goes with our customers, we want it to be probably as high as it can be, as far as a penetration of e-commerce.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

And maybe related and to this follow-up is, I guess you wouldn't have a pure market share goal though within 3P or in GM?

A - Brett Biggs {BIO 17414705 <GO>}

No. Because it's so category based. You'd have to look at each category separately, but more market share. We've been very successful in growing market share, as you know food consumables over time and we have just as aggressive goals for general merchandised categories.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Can you share how much market share you gained or shifted in grocery and maybe in general merchandise?

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. It's not something that we've shared, but it's increased.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Fair enough. On this topic of marketplace, we thought that part of what's holding back Walmart Plus from being even a more like-for-like competitor with the other big subscription model out there, was having that the marketplace fully ready with a long tail of goods and you're investing towards that. Is that a fair observation?

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. Again, it is fact, this price sounds like I'm answering all your questions with the same answer, but it's kind of where we are. It's the flywheel, it's the ecosystem, each part feeds the other one. And Walmart Plus is a really important part of several pieces of our strategy. It's not the only important piece, but is an important piece of strategy on delivery and market share and delivery. It impacts what business we have in e-commerce, 3P. Just that it all impacts the other pieces of the business.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Yeah. We have another question from the audience. I'll read it and I think I can paraphrase, Brett.

A - Brett Biggs {BIO 17414705 <GO>}

Okay.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

So, with logistics being so important to Walmart, how do you think about the relationship with your suppliers? And then, incorporating this in with the historical buyer role in the company, is there a point in time where you're being efficient with the supply chain and bringing products to Walmart, it matter as much as the buyer decision, meaning does efficient transportation of the product from the supplier to Walmart enter into a buyer's decision, thinking that people will favor you even more, because you can bring a product to market quicker?

A - Brett Biggs {BIO 17414705 <GO>}

It should. I mean, if you're a supplier and we can get the product more efficiently the store to where it gets sold. Yeah, I definitely should enter into the equation and a buyer -- part of a buyer's decision is how quickly can I get it? Are you going to keep me in stock? That's really important. And particularly today, are you going to keep me in stock. But with the growth rates that we're -- that we have today and where I think will go on the future, I would think that would be very attractive to suppliers.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

May I have it back to the alternative revenue for a second? See if I can put them (inaudible) Even Fintech could be a bigger profit pool than Connect?

A - Brett Biggs {BIO 17414705 <GO>}

I don't know how to put those into context. And I -- we need them both to be bigger. I don't -- FinTech is, it's a very broad definition. And so, there's a lot of things that can go into that space, which is why I like it. I enjoy being on the board. There's a lot of white space still there. So, it's hard to measure that, but we want both of them, be as big as they can be.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

And to clarify Brett, I think what you mean by that FinTech is that, yes, there are direct revenue attributes in terms of selling someone financial service and have them reducing interchange. But enhancing the share from that customer being more engaged on your platform that's not to be able to measure.

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. And it's -- but that space and when you start bringing in really talented people and you start putting them against big challenges, there's a lot of times things come out of that space. It's not directly related to what you're doing specifically in financial services even. So, I just the team we've got assembled there and the partner we have there, there's a lot of opportunity there.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Okay. One quick one on GoLocal and then I'll mention Flipkart, because I think it'd be a shameful not to have to mention Flipkart. On GoLocal you jump started it by partnering with a major retailer who we're speaking. I guess, was that a surprise and are there more of these and you're becoming in a way, you have a third-party marketplace, a fulfillment network to fulfill the third-party marketplace without creating a long tail yet. The long tail exists. Now, you're actually connecting the dots. So, is there another way to look at GoLocal? And then, could that be as competitive as Connect or even a FinTech is for profit dollars over time?

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. GoLocal is really interesting and it's really again is taking a core competency and turning it into a business. Delivery as a service, or whatever you want to call it. So, I think that definitely you had it on your list and I think it's fair that you have that on your list of potential growing accelerating businesses for us.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Fair enough. So, moving to Flipkart, Brett, I think you'll know everything I'll ask about it. So, maybe I'll let you just answer, what I'm going to ask timing, and when is the right time is the business performing the way that you expect it to be?

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. I said the business is performing almost exactly like we thought it would. Growth is good. It's certainly one more path to profitability. We expect that or we wouldn't have gotten into the business. We're going to continue to invest and take opportunities to grow that business, not just in retail, but other areas from payers is part of that. An IPO is still very much in the cards for that business and everything else, it's timing. It's is the business, exactly where you want it at the market ride, all those things have to figure in to where, what you do with an IPO. But an IPO and letting our associates have a piece of the business, having to be in a local business in India, all those things are important to us, longer term, and I don't -- nothing about that has changed.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Okay. Last question, I'll make it two parts, speed dating.

A - Brett Biggs {BIO 17414705 <GO>}

That's a damn bender trick to do that.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

I learned from the best. The two parts just so we can get international in Sam's and on international portfolio rationalization, is it in the later innings? Is it still middle Innings? And then on Sam's, the club channel seems to be steamrolling broadly, I could even be taking share from core Walmart, I'm not sure I would say that, but could that be a case and what do you think about that interplay going forward?

A - Brett Biggs {BIO 17414705 <GO>}

So, I'll start with Sam's. Sam's is just killing it. Again, (inaudible) tobacco 31%, 32% to your stacks. It's -- that's a big business to be a third bigger over two years. They have great momentum. I love what they're doing. Memberships are phenomena. The Club Channel is doing well, but Sam's is really, really doing well. And if I'm a Walmart shareholder, I want Sam's and Walmart to both do well. So, it's like picking your favorite child. I like Walmart and Sam's. On international, you may made a lot of moves in the last couple of years on the portfolio. I think the markets were in today makes sense. Particularly the big markets Mexico, Canada, India, China are all great. Chile's had a great year. South Africa has been a little more challenge, because of what's going on with COVID there. But I think all of our markets, they all make sense right now.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Okay. Well, we're out of time, Brett. Appreciate you taking this time. I hope to be part of all the toasting and roasting over the next year. But to those who joined us, thanks for (Multiple Speakers)

A - Brett Biggs {BIO 17414705 <GO>}

Yeah. Thanks for your interest in the company, and hope everybody has a great holiday.

Q - Simeon Ari Gutman {BIO 7528320 <GO>}

Take Care.

A - Brett Biggs {BIO 17414705 <GO>}

Thank you.