Operator

Welcome to the Walmart Earnings Call for the Fourth Quarter of Fiscal Year 2012. The date of this call is February 21, 2012. This call is the property of Wal-Mart Stores, Inc. and it's intended for the use of Walmart shareholders and the investment community. It should not be reproduced in any way. [Operator Instructions].

This call will contain statements that Walmart believes are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended and that are intended to enjoy the protection of the Safe Harbor for forward-looking statements provided by that act. These forward-looking statements generally are identified by the use of the words or phrases anticipate, are expecting, are forecasting, assumed, can expect, committed to reducing, continuing, expect, expects, forecast, goal, guidance, includes, may be impacted, may continue to fluctuate, may fluctuate, plan, plans to growing, to open, will be, will be accomplished, will begin, will come, will continue, will deliver, will ensure, will grow, will improve, will include, will reduce, will remain and will strengthen or a variation of one of those words or phrases in those statements or by the use of words and phrases of similar import. Similarly, descriptions of Walmart's objectives, plans, goals, targets or expectations are forward-looking statements. The forward-looking statements made in this call discuss, among other matters, management's forecasts of Walmart's diluted earnings per share from continuing operations attributable to Walmart for the 3 months ending April 30, 2012, and the year ending January 31, 2013, and the assumption underlying such forecasts that currency exchange rates will remain at current levels. And the comparable store sales of Walmart's, Walmart U.S. operating segment and the comparable club sales without fuel of Walmart Sam's Club operating segment for the 13-week period from January 28, 2012, through April 27, 2012.

The forward-looking statements include statements discussing management's expectations regarding Walmart's effective tax rate for fiscal 2013, that Walmart's tax rate may fluctuate from quarter-to-quarter and the factors that may impact such tax rates. The growth in Walmart's net sales in square footage in fiscal 2013, Walmart's capital expenditures in fiscal 2013, Walmart making investments where Walmart can better serve its customers and provide returns to its shareholders; that the Walmart International operating segment will improve returns; Walmart continuing to lead on low prices; that margins will decline as investments in low prices and other operating initiatives are put into place; Walmart delivering on a mission to help its customers save money; Walmart's goal for reducing of operating expenses as a percentage of sales over the next 5 years and making related investments in technology and improved productivity; Walmart continuing to invest in right talent and capabilities relating to Global eCommerce; and Walmart continuing to develop and attract the best global talent.

The forward-looking statements discuss management's plans and expectations that the Walmart U.S. operating segment will invest more in lower prices; have its positive trends in performance continue in fiscal 2013; continue to build on its previous price investment; continue to improve on shelf availability; be committed to grow through new Supercenters and smaller formats; will have an inventory focused to have the right inventory position to drive sales; in fiscal 2013, will add new retail space within a certain range and new units within a range; will remain efficient in capital standing by lowering remodel and construction costs and will continue to help customers adapt to certain trends.

The forward-looking statements discuss management's plans and expectations as to the following matters regarding the Walmart International operating segment: That it's Powered by Walmart initiatives will strengthen productivity and reduce expenses in the segment's markets and that such initiatives will help address inventory management concerns; the segment's plans to improve its returns; certain savings achieved by investments in technology and improved productivity helping to increase the segment's profitability; the segment's objective of driving aggressive growth while improving its return on investment; the segment's plans for the increase in square footage in its existing markets; the segment beginning to attract more customers in its Brazilian operations; the segment beginning to see certain programs of its ASDA operations show up in other markets; and the growth of square footage in its Canadian operations and assumptions underlying that expectation.

The forward-looking statements discuss management's plans and expectations as to the following matters regarding the Sam's Club operating segment: The segment's momentum from fiscal 2012 continuing in fiscal 2013; the segment's operations team ensuring that members will have a great experience in the clubs by continuing to optimize staffing and ensuring that associates are well-trained and the number of units, including new units to be opened by the segment in fiscal 2013.

The forward-looking statements also discuss the anticipation and expectations of Walmart and its management as to other future occurrences, trends and results. All of these forward-looking statements are subject to risks and uncertainties and other factors, domestically and internationally, including general economic conditions; economic conditions affecting specific markets in which we operate; competitive pressures; inflation and deflation; consumer confidence, disposable income, credit availability, spending patterns and debt levels; the seasonality of Walmart's business and seasonal buying patterns in the United States and other markets; geopolitical conditions and events; weather conditions and events and their effects; catastrophic events and natural disasters and their effects on Walmart's business; public health emergencies; civil unrest and disturbances and terrorist attacks; commodity prices; the cost of goods Walmart sells, transportation cost, the cost of diesel fuel, gasoline, natural gas and electricity, the selling prices of gasoline; disruption of Walmart supply chain, including transport of goods from foreign suppliers; information security costs; trade restrictions; changes in tariff and freight rates; labor costs; the availability of qualified labor pools in Walmart's markets; changes in employment laws and regulations; the cost of health care and other benefits; casualty and other insurance costs; accident-related costs; the cost of construction materials; the availability of acceptable building sites for new stores, clubs and facilities; zoning, land use and other regulatory restrictions; adoption of or changes in tax and other laws and regulations that affect Walmart's business, including changes in corporate tax rates; developments in and the outcome of legal and regulatory proceedings to which Walmart is a party or a subject; currency exchange rate fluctuations; changes in market interest rates; conditions and events affecting domestic and global financial and capital markets; the unanticipated need to change Walmart's objectives and plans and other risks. Walmart discusses certain of these matters more fully in its filings with the SEC, including its most recent Annual Report on Form 10-K and the information on this call should be read in conjunction with that Annual Report on Form 10-K and together with all of Walmart's other filings made with the SEC through the date of this call, including its quarterly reports on form 10-Q and current reports on Form 8-K. We urge you to consider all of these risks, uncertainties and other factors carefully in evaluating the forward-looking statements made in this call. Because of these factors, changes in facts, assumptions not being realized or other circumstances, Walmart's actual results may differ materially from anticipated results expressed or implied in these forward-looking statements.

The forward-looking statements made in this call are made on and as of the date of this call, and Walmart undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

The comp store sales for our total U.S. operations and comp club sales for our Sam's Club segment and certain other financial measures relating to our Sam's Club segment discussed on this call exclude the impact of fuel sales of and other amounts for our Sam's Club segment. Those measures are return on investment, free cash flow, amount stated on a constant currency basis, amounts adjusted to exclude the effect of acquisitions and amounts stated on a constant currency basis adjusted to exclude the effect of acquisitions as discussed in this call may be considered non-GAAP financial measures.

Reconciliations of certain non-GAAP financial measures to the most directly comparable GAAP measures are available for review on the Investor Relations portion of our corporate website at www.walmartstores.com/investors and in the information included in our current report on Form 8-K that we furnished to the SEC on February 21, 2012.

Carol Schumacher

Hello, this is Carol Schumacher, Vice President of Investor Relations for Wal-Mart Stores, Inc. Thanks for joining us today for our earnings call to review the fourth quarter and the full year results of fiscal year 2012. All information for this quarter, including our unit counts, square footage and financial metrics is available on our website at walmartstores.com/investors.

Our press release is available as well on the website. A full transcript of this call will be available on the website after 7:00 a.m. Central Time today, that's February 21, 2012.

Here's the lineup for today's call. Mike Duke, President and CEO of Wal-Mart Stores, Inc. will open the call with his thoughts about the quarter and the year. Jeff Davis, SVP of Finance and Treasurer, will cover the consolidated financial details. Then we'll go to the operating segments. First up, Bill Simon, President and CEO of Walmart U.S. Next, Doug McMillon, President and CEO of Walmart International. Then we'll close the operating segment discussion with Rosalind Brewer, commonly known as Roz, our new President and CEO of Sam's Club. Charles Holley, our CFO, will wrap up with his thoughts, as well as EPS guidance for the first quarter and fiscal year '13.

A few reminders before we get into the details. Walmart's consolidated financial statements are based on a fiscal year ending January 31 for our U.S. and Canadian operations and December 31 for all other operations. Walmart International unit counts, with the exception of Canada, are stated as of December 31. Massmart currently reports on a June 30 fiscal year end, but is consolidated into our results on a calendar year basis with a one-month lag.

This year, fiscal '13, is a leap year, and we will have an extra day in our company results for the first quarter and the full fiscal year. Leap year doesn't affect comp sales reporting. We will continue to report comp store sales on the 4-5-4 retail calendar when we announce quarterly earnings. So next year at this time, when we report fourth quarter earnings in February, we'll report a fourth quarter comp on the 4-5-5 basis. Details on comp sales in this call for the countries within Walmart International are on a calendar basis. We look forward to seeing all of you at our annual international meeting for the investment community in Toronto in April when we have an in-depth look at the Walmart Canada business.

Now Mike, let's get started with our results. Mike?

Michael Terry Duke

Thanks, Carol, and good morning, everyone. Today, every segment of our business is stronger than it was a year ago, and we're in a great position heading into this fiscal year. I'm pleased with Walmart's performance for the fourth quarter and the full year.

Let me start with our most important results.

We are reporting $1.51 diluted earnings per share from continuing operations for the quarter and $4.54 for the full year. Both of these numbers include net benefits to EPS of $0.07 and $0.05, respectively. Jeff will cover the details behind our EPS shortly.

Walmart U.S. reported positive comp sales of 1.5% for the fourth quarter. And let me point out that this includes positive comp traffic. Sam's Club continued its sales momentum. Comps, without fuel, increased 5.4% for the quarter. International continues to be a strong growth engine for the company, delivering $35.5 billion in sales for the quarter and more than $125 billion for the year.

Net sales, including acquisitions, rose almost 6% for the year to approximately $444 billion. Our company leveraged expenses for both the quarter and the full year. Walmart has now leveraged operating expenses for 2 consecutive years.

The company returned $11.3 billion to shareholders through dividends and share repurchases this year. These results demonstrate our commitment to delivering growth, leverage and returns for our shareholders. They also reinforce our belief that Walmart remains the best positioned global retailer.

It's was 50 years ago this year that Sam Walton started our company with a single store in Rogers, Arkansas and the promise to help customers save money so they can live better. He saw an opportunity to deliver on that promise. And today, our associates serve more than 200 million customers every week around the world.

Our price leadership is making a difference across the United States as many family families are settling in to a new normal. Our core customers remain cautious about their finances, and they turn to Walmart and our EDLP promise to help them manage through today's economic challenges.

The plan that Bill and his team put in place a year ago was the right plan. We churned the productivity loop, reduced expenses and invested the savings in lower prices. We listened to our customers. We added back assortment and increased in-stock. And we brought back layaway.

Together, these efforts have resulted in quarter-by-quarter improvements in traffic and sales, and the U.S. business finished the year in a solid position. You can expect us to invest even more in lower prices, and we are confident that the positive trends will continue this year.

Walmart International delivered strong growth through comp store sales and a record number of new units, including the acquisition of Massmart and Netto. It's interesting to note that with more than $125 billion in sales last year, Walmart International would clearly be among the top 3 largest retailers in the world.

Doug and his team are well-positioned to serve the expanding needs of middle income customers in high-growth markets. We are gaining share in almost every market, and I'm optimistic about growth in new regions such as Africa. The leadership teams across International remain focused on improving profitability. You'll hear more from Doug about the Powered by Walmart initiatives, which will strengthen productivity and reduce expenses in our markets.

Sam's Club comp sales had been consistently strong throughout the year. Merchandise assortment has improved in quality and value. And operational efficiencies contributed to expense leverage and a stronger member experience. Sam's also is focused on further increasing membership this year.

I'd like to appreciate Brian Cornell for his contributions. Brian developed great leaders and is leaving Sam's Club a stronger business. Rosalind Brewer jumped right into her new role as the CEO, Roz is an outstanding strategic and operational leader, and I expect Sam's Club momentum to continue.

We've also added a very talented executive to lead Global eCommerce. Neil Ashe has a strong background in interactive content; has an understanding of converting online customers, which is critical to our eCommerce growth strategy. In the last quarter, we continued to roll out new multichannel capabilities to offer the seamless experience between the store and our eCommerce platforms that customers increasingly want. We will continue to invest in the right talent and capabilities to seize the growth in Global eCommerce.

The recent leadership transitions we've made show the depth of our management bench. I believe we have one of the strongest teams in business to date, and we will continue to develop and attract the best global talent in every part of our business.

I'm excited about yesterday's announcement of our pending investment in eCommerce in China. We recognize that capital commitments, as well as investments in eCommerce, affected ROI and free cash flow for the year while we remain committed to our future growth, and investments like these position us well going forward.

Looking back at Walmart's performance, it's worth noting that in one of the most challenging economies in decades, we emerged as one of the world's strongest companies. We have continued to grow sales and earnings, and as I look forward to our 50th anniversary year, I see tremendous opportunities still ahead for our company and our shareholders.

Let me tell you why I see so much upside. Our core Walmart U.S. business is back on track. In fact, every segment of our company is growing. Walmart's 10,000th unit, a Sam's Club, opened in Mexico in November, and by year end, our company had 10,130 units around the world and operated more than 1 billion square feet of retail space. International is our growth engine and will improve returns. Sam's Club has strong momentum. We've made significant progress in building our eCommerce capabilities, and we're continuing to lead on the social issues that matter to our customers.

We were pleased to see that this year's World Economic Forum in Davos that the issues that we're focused on, sustainable growth, sustainable agriculture and women's economic empowerment, are the same issues the world community is focused on. I want to thank our leaders and our associates for moving the next-generation Walmart forward this year for our customers and our shareholders. We have high expectations for FY '13.

Now I'll turn over to Jeff for more financial details. Jeff?

William S. Simon

Thank you, Jeff. Last quarter, I kicked things off by getting right to the good news, and I'd like to do that again. Most of my comments will be about the fourth quarter, and then I'll summarize the full year results.

For the fourth quarter, Walmart U.S. achieved a 1.5% comp, our fourth consecutive quarter of comp improvement and our second consecutive positive quarterly comp. As Mike mentioned earlier, we also achieved our first positive traffic quarter in quite a while. January was our strongest performance in the quarter with every business unit showing strong traffic improvements versus last year's fourth quarter. All 3 geographic units delivered positive comps for the quarter as well.

We had a great holiday season. We started off with layaway services in October, spurring traffic improvements in the fourth quarter. Black Friday sales were strong, and consumers continued to respond favorably throughout Christmas and in to the new year. Our comprehensive marketing campaign helped tie it all together and drive traffic as we secured a very large share of voice with strong, creative and innovative social media initiatives.

Throughout the quarter, we implemented strategic initiatives to better serve our core customer. To put it simply, our business model is working, and we continue to drive progress on 3 major fronts:

First, our commitment to price leadership has never been stronger. As we outlined last quarter, we invested in price and reduced our gross margin by 13 basis points or about $100 million in the fourth quarter alone. We'll continue building on this initial investment in fiscal '13.

Second, our focus on expanded assortment has resonated with customers. We've completed the initial phases of our SKU add-back program, returning more than 10,000 items to the shelves. Initially, add-backs drove higher tickets as customers discovered their favorite items had returned to the shelf. In fiscal '13, we're further refining our macro space allocation for departments and categories, an effort we started last year. We're pleased with the early customer response to these changes.

Third, we'll continue to improve on-shelf availability. We now use a process involving third-party physical audits of our stores on a weekly basis. This allows us to see what customers see in their store. The program started in the first quarter and we've great progress throughout the year, improving more than 600 basis points and are now tracking in the mid-90s on a percentage range.

Now let's discuss the details of our fourth quarter performance. Net sales were $72.8 billion, an increase of 2.4% over last year. Our 1.5% comp was driven equally by both positive traffic and ticket. All of our business units delivered positive comps, with the exception of apparel, which was hampered by unseasonably warm weather.

Grocery, which includes food and consumables, continued its positive performance by delivering low single-digit positive comps.

Our food business had positive traffic and had a mid-single-digit comp. We saw strong sales throughout the holiday season as we provided one-stop meal solutions for our customers.

We were aggressive in serving customers across the entire entertaining season, from Thanksgiving through the Super Bowl. Our bake center and meal trains in action alley provided additional holding and selling power and communicated a strong price message to customers.

Overall comps for consumables rose sequentially each month in the quarter, benefiting from improved on-shelf availability and price investments. The investments we've made in improving our assortment have really delivered for our customers as seen by positive comps in every department.

Despite moderating inflation in certain categories, grocery prices continued to be an issue for many of our customers. For the fourth quarter, total grocery inflation was approximately 4%. However, trade down and other initiatives reduced the net inflation impact on our customers to between 100 and 200 basis points.

Our health and wellness business also performed well, delivering low single-digit positive comps. Our pharmacy prescriptions, over-the-counter and optical businesses all had positive comps.

Hardlines continued its positive performance with a low single-digit positive comp. Continued assortment initiatives, especially in sporting goods and stationery and crafts, drove sales throughout the quarter. Increased emphasis on tires drove strong sales versus last year. As other retailers have noted, unseasonably warm weather had a negative impact on cold weather-related merchandise categories.

Strong holiday performance supported by layaway and the Walmart price match guarantee helped improve the sales trend in our entertainment business by over 700 basis points versus last year's fourth quarter. Black Friday drove strong sales of electronics early in the quarter and we saw an overall increase in the number of TVs sold, helping to offset the continued price deflation across the industry.

Our Straight Talk business continued to perform well as customers responded to our expanded assortment of smartphones.

Our entertainment business, which includes electronics and toys, had a low single-digit positive comp.

Our toy business had high single-digit positive comp, benefiting from layaway during the holiday period. This performance represents approximately 900 basis points of improvement versus the fourth quarter last year. Customers utilized the service to reserve some of the season's hottest items and clearly appreciated the layaway opportunity in toys.

Our home business continued to improve over the last 4 quarters, and I'm happy to report positive low single-digit comp for the fourth quarter. This represents the first positive quarterly comp in 2.5 years. We've worked diligently to focus on the basics and improved assortment through add-backs and item merchandising. Home management and food preparation were standout categories in our home area, and outdoor living performed better than expected during the warmer weather.

Apparel had low single-digit negative comps. Sales rebounded at the end of the quarter, improving approximately 170 basis points versus last year's fourth quarter. As others in the industry have reported, the warmer-than-usual weather had a big impact on cold weather apparel sales. We saw continued strength in our basics categories, indicating that our strategic focus from fashion to basics and essentials is working.

Our online business continues to grow, driven by strong sales in tablets, computers and toys. We saw increased customer activity across our various multichannel initiatives. Programs like Site to Store and Pick Up Today, which, together, generated double-digit comps during the holidays, continued to provide consumers with various shopping alternatives that are unique to our retail store footprint.

Now let's look at the financial details for the quarter. As I mentioned earlier, net sales were up 2.4% to $72.8 billion. We invested in price in the fourth quarter. Gross margin rate was down approximately 13 basis points from last year's fourth quarter in line with our expectations. Gross profit dollars were up 1.9% to $19.6 billion.

Through operational leverage and expense management, Walmart U.S. again leveraged expenses for the quarter. Operating expenses increased 2.1% on a sales increase of 2.4% in the fourth quarter.

Operating income grew 1.4% for the quarter to $6.1 billion due to our price investment strategy.

At the end of the fourth quarter, inventory was up 8.5% versus last year. The primary drivers of the increase were the continued broadening of our assortment, comparisons of weather disruption to last year, food inflation and new store growth. Most of our inventory growth is in the high-turning grocery business. With our assortment strategy in place, our inventory focus will be to ensure we have the right inventory position to drive sales.

Now I'll summarize our financial results for the full year. Fiscal year '12 sales were up 1.5% to $264.2 billion. For the 52-week period, comp sales were positive 0.2%, which was a 180 basis point improvement over last year.

Gross profit dollars increased 1.4% to $72.7 billion. Gross margin was down 2 basis points, reflecting some price investment. Full year expenses increased 1% on a 1.5% sales increase.

Operating income grew faster than sales for the year, increasing 2.2% to $20.4 billion.

Over the course of the year, we added 119 supercenters, including new stores, expansions, relocations and conversions, as well as 27 small formats. For the year, we added 9.6 million square feet of space for Walmart U.S.

Supercenters remain the best vehicle to capture market share, and we remain committed to growing through new Supercenters, as well as smaller formats. The Neighborhood Market format continues to deliver above-industry results with approximately 5% comp during the fourth quarter and positive traffic throughout the year.

As I said in October, we plan to add between 14 million and 15 million square feet of retail space in fiscal year '13. These will include adding between 210 and 235 total units, which include new stores, expansions, relocations and conversions. Within that total, 80 to 100 will be small formats, primarily Neighborhood Markets. We will remain efficient in our capital spending this year by lowering remodel and construction costs.

Expense reduction and improved productivity are even greater priorities for us this fiscal year. For us, leverage is not simply about cutting expenses year-over-year, but drawing from our long history of driving productivity. We've demonstrated this ability across many functional areas.

The steps our logistics team has taken have helped mitigate fuel price increases and improved supply chain efficiency. For example, we've increased associate productivity and asset utilization, which helped decrease our cost per case shipped every year for the last 5 years. During the same period, we've delivered 361 million more cases and drove 287 million fewer miles through more efficient loading and routing optimization.

In marketing, we reached even more consumers through more channels during the holidays while lowering our overall advertising expense by more than 10% for the year. Achieving these results is not always easy. It requires discipline across the organization and a shared commitment among our associates to deliver EDLP for our customers.

Finally, we continue to utilize process engineering and innovation to help us meet our leverage goals. Our aisle locator system and the integration of the electronic product code technology helps better manage inventory accuracy and contributes to on-shelf availability. Our inventory management system and innovative OneTouch freight program are having a positive impact on the business. Given our scale, when we can reduce steps and tasks, the savings add up quickly.

Fiscal year '13 is underway, and I'm pleased with our strategic plan and how customers are responding to increased assortment and lower prices. A challenging economy and rising gas prices will continue to drive customers to seek value. In the past, significant increases in gas prices over short periods of time have led to trip consolidation and higher ticket. We'll continue to help consumers adapt to such trends.

Based on our view of the economy and our core customer, we're forecasting comp sales for the 13-week period from January 28, 2012, through April 27, 2012, to range from flat to positive 2%. As I look back on fiscal year '12, we performed much better than a year ago, and I'm proud of our improvements. There's still a great deal to do, and I'm confident going into this year because we have a strong leadership team driving the direction and implementation of our strategy. Our assortment is back. We're operating efficiently. Our comps are positive. We're investing in price and winning back customer traffic. We're committed to being even better in fiscal year '13.

And now, I'd like to turn it over to Doug for an international update.

Rosalind Gates Brewer

Thanks, Doug. It is an honor and a privilege to take on the leadership role for the Sam's Club business, and I am so impressed by this team. We just finished a great overall fourth quarter and a complete and outstanding fiscal year for Sam's Club. Our entire organization is highly motivated to continue this great momentum. Member experience survey results are at an all-time high. Our merchandising team is doing a fantastic job of finding items that members want at a great value. And the club operators are doing a great job of getting those items in front of the Sam's Club members.

First, I'll review our Q4 results and then provide analysis on the full year. Including fuel, fourth quarter net sales were $14 billion, a 6.8% increase over last year. Gross profit increased by 4.4%. SG&A expense, as a percentage of sales, increased by 26 basis points and operating income increased 7.6% to $524 million for the quarter.

Our fuel business has been strong all year, including the fourth quarter. Fuel profit was relatively flat in Q4, but overall volume was very good. Fuel prices in this year's fourth quarter were approximately 13% higher than a year ago and gallons sold were up 8%. As we have said before, we look to fuel to set the first price impression for Sam's Club. It is clearly a traffic driver for existing and potential members.

Volatility in fuel prices can have a notable impact on our financial results. The remainder of our discussion today, therefore, is focused on our core business and excludes fuel for comparative purposes unless otherwise noted.

We were very pleased with Sam's top line performance this quarter. Net sales for the fourth quarter were $12.6 billion, up 5.4% from last year. For the 13-week period, comp sales increased by 5.4%. Combined with a 2.7% comp sales increase for the same period last year, this is an 8.1%, 13-week comp on a 2-year stacked basis. All 3 geographic operating divisions did well in the quarter with the west division turning in our strongest comp performance. Comp traffic and ticket increased for the 13-week period by 3% and 2.4%, respectively.

We completed a very successful holiday season with strong sales during Thanksgiving week and throughout December. And in January, we drove even further momentum. Our members continue to respond to our key merchandising initiatives.

Sales by category varied with high single-digit comps in food and beverage categories and mid-single-digit comps in health and wellness categories, both key categories in our portfolio of strategy.

Home and apparel comp sales grew mid-single digits. Investments in seasonal promotions and price deflation led to a comp sales decline in electronics.

Overall, SKU inflation across the club impacted the quarter comp by 250 to 300 basis points. Inflation continues to impact meat and selected grocery categories and, as I mentioned, deflation continues to impact electronics prices. We are very pleased to see continued unit growth in electronics year-over-year.

In fresh categories, ongoing improvement in quality and the extension of our new proprietary brand initiative, were very successful, with produce and bakery being real standouts, delivering double-digit growth. In grocery and beverage areas, driving price leadership on national brands was key to high single-digit comp growth.

In our health and wellness business, we continue to drive awareness of our great service and low prices through a variety of communications, including the launch of our new Healthy Living Made Simple magazine. Prescription counts are growing faster than the market, and we had high single-digit comp performance in pharmacy and related areas. We introduced a new pricing structure in optical with discounts for Plus members, and that program drove both strong comps and membership upgrades. In baby, price leadership and other initiatives drove high single-digit comp growth.

In home and apparel, we are featuring favorite national brands such as Keurig coffeemakers, which led to double-digit growth in our kitchen electrics categories.

Brands also helped drive stronger sales in basic and children's apparel. Overall apparel comps were in the low single digits.

The improved quality and fashion of our seasonal décor and foods categories drove solid performance during the holiday, though toys was challenged due to the heavy discounting in the market place. We were very pleased with our profitability in these categories.

In electronics, we held market share in a very challenging price environment while managing margins effectively. We were very pleased with our unit growth in electronics this holiday season. Our sales in wireless and tablets were particularly strong with the Apple brand, a favorite.

In short, our merchandising strategies are working very well and are driving strong momentum already in this new fiscal year. Membership and other income was up 9.1% when compared to the fourth quarter last year. We realized a financial benefit related to our profit-sharing arrangement with our credit card provider, and we grew membership income. This increase was offset by a decline in rental income.

As we had mentioned previously, prior to this fiscal year, we rented space to a third party for a portion of our wireless business and receive rental income. We currently run this business with Sam's Club associates, and the sales and expenses of the wireless business are included directly in our operating results.

Membership income for the fourth quarter increased 2.5% versus the fourth quarter last year. Remember, for reporting purposes, membership income is recognized over the membership period rather than when it is collected. Driven by increases in both Plus upgrades and new members joining at the Plus level, our penetration of Plus members continued to grow during the fourth quarter. We saw improvement in new primary business member sign-ups, while business add-on membership remains soft.

During the fourth quarter, we launched our Sam's Club iPad app and released a significant update to our smartphone app. During the holiday season, we were pleased with the level of sales through these mobile technologies. The weeks of Thanksgiving and Christmas were the strongest weeks. Our members love the convenience and efficiency generated by these services and the majority of sales through mobile devices are from members shopping items in their local club by leveraging our Click 'n' Pull program.

Mobile support was prominent throughout all of our marketing programs. This included members being able to view items early through their mobile device during our day after Thanksgiving event. During our Holiday Taste of Sam's Club event, members could scan QR codes on the Taste and Tips station to vote for their favorite sampled items and get recipes related to those products. We are excited about these technologies and the opportunities that they provide for our members.

Net sales were strong for the fourth quarter. We managed gross margin rate well in a very competitive and inflationary pricing environment. Our gross margin rate decreased by 11 basis points compared to the fourth quarter last year while gross profit dollars increased 4.6%.

Total SG&A expense increased by 4.1% for the fourth quarter. As a percentage of sales, this is an improvement of 15 basis points when compared to the fourth quarter last year. We continue to drive operational efficiencies and in the fourth quarter this year, our labor expense grew slower than the rate of sales. Sales per labor hour increased 1.1%. Our strong performance in labor expense management was partially offset by higher advertising costs versus the fourth quarter of last year.

Looking at the bottom line, our fourth quarter operating income increased to $524 million, an 8.3% increase over fourth quarter last year. At the end of the fourth quarter, inventory, including fuel inventory, was up 2% compared to last year. Overall, we're pleased with the inventory levels in our clubs and our distribution centers.

Now let me summarize our key financial highlights for fiscal year 2012. With fuel, full year net sales were $53.8 billion, up 8.8% over last year. Gross profit increased by 5.1%. SG&A expense, as a percentage of net sales, decreased by 55 basis points, and operating income increased 9% to $1.9 billion for the year.

Looking at the results, without fuel, for the year, net sales were $47.6 billion, a 5.4% increase over last year. For the 52-week period, comp sales increased 5.1%. Comp traffic and ticket increased by 2.6% and 2.5%, respectively. Comp traffic and ticket increased for both Advantage and

Business members. We continue to see members visiting our clubs more frequently throughout the year.

For the full year, membership income increased by 1.4%, and we experienced growth in Plus membership upgrades, overall renewal rates and primary member sign-ups.

Gross profit increased by 4.7%, an 8 basis point reduction as a percentage of sales.

Full fiscal year SG&A expense grew by 3.3%. This is an improvement of 24 basis points as a percentage of sales when compared to last year. The impact of the additional interchange fees last year was 11 basis points as a percentage of sales.

Operating income increased to $1.8 billion, a 7.9% increase over last year.

I'm looking forward to leading the Sam's team into the next fiscal year. The team already has a great strategy defined for the year and it won't surprise anyone that the member is at the center of our strategy. We're dedicated to providing the best choices for our member in terms of price and quality with an emphasis on fresh and refrigerated foods and health and wellness categories. Our operations team will ensure our members have a great experience in the clubs by continuing to optimize our staffing and by ensuring associates are well-trained.

We're also focused on leveraging technology and mobile platforms to communicate with our members and provide access to the great value Sam's Club offers, no matter how they choose to shop with us. Our partnership with the Insights team is allowing us to further define and target our merchandise offerings.

Our primary growth will come from comp sales. We expect comp club sales, without fuel, for the 13-week period from January 28, 2012, through April 27, 2012, to increase 3% to 5%. Last year, Sam's comp club sales, excluding fuel, increased 4.2% for the comparable 13-week period.

Our plans also call for continued growth through new, relocated or expanded clubs. We are on schedule to open 10 to 15 units this year with up to 9 of those being new units, which is a significant increase over the 3 new units we opened in the past fiscal year. We have a great opportunity to engage new members in key markets. I'm really looking forward to seeing how much more the Sam's Club team accomplishes this year.

Now I'll turn the program over to Charles for a wrap up and guidance. Charles?

Charles M. Holley

Thanks, Roz. We are pleased with our full year performance and especially our results for the fourth quarter. We were disciplined and focused on improving our business, and I'm happy to say that we made good progress this year, especially in the back half of the year.

We have leveraged expenses for 2 consecutive years and improved all areas of our business. Last year at this time, Walmart U.S. was in the early stages of reintroducing action alley and adding merchandise assortment and strengthening our focus on EDLP.

In a challenging economy and a highly promotional competitive environment, our U.S. businesses won in the fourth quarter and in the year. Sam's Club continued its strong sales momentum. And we believe that both Walmart and Sam's are extremely well positioned in the retail market.

International remains our growth engine. Between acquisitions and new store growth, we added record square footage and units this year. Sales were strong and we are gaining market share. We continue to be focused on the improving profitability and returns of our international operations.

We have a strong and consistent underlying business that positions us well for this year. Today, we are reiterating some our fiscal 2013 goals that we shared in October.

Net sales will grow between 5% and 7%, representing an additional $22 billion to $31 billion in sales. We expect to grow square footage by 4% to 5% this year or 45 million to 49 million square feet. Recall that we are adding units and square footage with an eye toward continued capital efficiency and reduced costs for construction and remodels. We will continue to make investments where we see we can better serve our customers and provide for returns to our shareholders.

You've heard about leverage throughout this call. It is our standard. There is no doubt that we are reducing expenses and investing in lower prices for Walmart customers. You can expect margins to decline as we put these initiatives into place. EDLP matters to our customers, and we will deliver on that mission to help them save money. We are also committed to reducing operating expenses as a percentage of sales by more than 100 basis points over the next 5 years. We have started on this effort and you heard some of those results already. Our operating segments and our Home Office support areas are working even harder on this goal this year.

This will be accomplished by investing in technology and improving productivity in our stores. Walmart is a very efficient company, but it is always looking for new ways to standardize best practices in stores, optimize the supply chain, leveraging technology and improve associate productivity. We are constantly increasing best practices by sharing across borders, across functions and across people. More importantly, we are fast adopters of best practices to drive leverage. Some of these savings will also help increase international profitability. And as Doug noted, we plan to improve returns of our international segment.

Of course, we will remain committed to our shareholders. Walmart returned $1.2 billion and $5 billion to shareholders through dividends for the quarter and fiscal year, respectively. Combining share repurchases and dividends, Walmart returned $2.5 billion to shareholders in the quarter and $11.3 billion for the fiscal year.

Mike summed it up well. Walmart is the best positioned retailer in the world. Every retailer tries to adapt to customer changes and to economic fluctuations. But the Walmart model allows our company to serve customers in ways other competitors cannot in the long run.

Looking ahead, we are cautiously optimistic that employment reports will continue to improve. However, we know that gas prices have begun to creep up again. Regardless of how the economy turns this year, Walmart will continue to lead on low prices that we know our customers depend on to live better.

Therefore, taking into consideration the current global operating environment, we expect first quarter fiscal 2013 diluted earnings per share from continuing operations to be between $1.01 and $1.06. This compares to earnings of $0.98 per share in the first quarter of last year, which included a $0.01 net benefit from multiple items.

For the full year, we are expecting earnings per share between $4.72 and $4.92. This compares to the earnings per share of $4.54, which we reported today and included $0.05 of net benefits from certain items. All earnings per share guidance assumes that currency rates remain at current levels.

As Walmart enters our 50th year of operations, we plan on continuing the success of the previous 49 years. The company has grown from one store in Rogers, Arkansas to the great company it is today: Almost $444 billion in sales, more than 10,000 retail units around the world and more than 2 million associates serving 200 million customers every week. We are proud of our culture, the work we have done over 5 decades and the future that we have ahead of us. Walmart is a company consistently delivering an increase in sales, increase in earnings per share and strong cash flow. We remain committed to continuing this trend for our shareholders.