Operator

Welcome to the Walmart Earnings Call for the first quarter of fiscal year 2014. The date of this call is May 16, 2013. This call is the property of Walmart Stores, Inc. and is 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. Please note that a cautionary statement regarding the forward looking statements will be made following Charles Holley's remarks in this call.

Carol Schumacher

Hi, this is Carol Schumacher, vice president of investor relations for Walmart Stores, Inc. Thanks for joining us today for our our earnings call to review the first quarter of fiscal 2014. Our press release and full transcript of this call are is available on our website, www.stock.walmart.com.

Mike Duke, president and CEO of Walmart Stores, Inc., will provide his thoughts about the quarter and some of his thoughts about his recent interactions with our customers. Jeff Davis, EVP of finance and treasurer, will cover the consolidated financial details. Then we'll go to the operating segments: Bill Simon, president and CEO of Walmart U.S. first; then Doug McMillon, president and CEO of Walmart International; and then Roz Brewer, president and CEO of Sam's Club, will round out that section.

Charles Holley, Walmart's CFO, will discuss our financial priorities of growth, leverage and returns, and he'll also provide Q2 guidance. A quick reminder about our guidance conventions: We update our full year EPS guidance only when we release Q2 earnings, so you'll hear that information in August, not today. Today, we will provide you Q2 guidance for both EPS and our U.S. segment comps.

Let me also remind you about our comp sales calendar. Our comp week begins on Saturday and ends on Friday. During fiscal 2014, we will report comp store sales on a 53-week basis, with 4-5-5 reporting in Q4. Because we didn't observe the 53-week retail calendar last year, our comp calendar for Q1 began on Saturday, January 26 and ended on Friday, April 26, 2013.

Last year also included an extra day for leap year, so this year's fiscal calendar for Q1 includes one less day.

Additional information regarding some of the terms we use at Walmart, including constant currency, gross profit and gross profit rate, are available on our website. Please note that this year, we no longer have discontinued operations. But we do have one new term we'd like you to make note of. "Corporate and support" is now what we call our corporate areas, including core corporate, such as finance and legal, as well as global ecommerce and global leverage services. Previously, we referred to this as "other unallocated."

Our annual meeting of shareholders will be held at 7 a.m. central time on Friday, June 7 at the University of Arkansas campus in Fayetteville. The meeting also is available via webcast through our website - again, that's stock.walmart.com - or via Walmart's free IR app.

So now, let's get to the results, Mike.

Mike Duke

Thanks, Carol, and good morning everyone. Walmart grew first quarter diluted earnings per share 4.6% to $1.14. In a quarter marked by considerable headwinds to top line sales, we delivered solid EPS growth.

Frankly, we had a more difficult quarter than expected when we announced our guidance in February. It's important to note that Walmart U.S. continued to gain market share across several key categories. Sales were pressured primarily by delayed tax refunds, which caused customers to put off discretionary purchases. And though no one likes to talk about weather, it was a real factor across the United States. In fact, right here in Northwest Arkansas, we had the latest snowfall in the history of Arkansas reporting.

I'm pleased that Bill and his team managed through these headwinds to deliver almost $67 billion in sales and leverage. This disciplined expense management allowed Walmart U.S. to deliver solid operating profit, despite the pressure on sales. I share Bill's optimism about the remainder of the year and believe the underlying strength of the Walmart U.S. business will deliver positive comps next quarter.

Now let me share some additional key metrics for the quarter. On a constant currency basis, consolidated net sales increased 1.8% to $114.2 billion, which excluded $1 billion from currency exchange rate fluctuations. Consolidated operating expenses as a percentage of sales were relatively flat, and we are committed to achieving leverage for the full year. We are proud that our U.S. operating segments leveraged operating expenses. We generated $6.5 billion of consolidated operating income, an increase of 1.1%.

As you know, I like to visit customers in their local markets around the world. I recently traveled to stores throughout South America and the U.S. It's gratifying to see how important EDLP is for our customers. Our mission is simple and focused: to help people save money so they can live better.

When we simplify and focus our execution against this mission, it's easy for our associates to prioritize what they have to do. Listening to our customers ensures we deliver the merchandise they want and the experience they expect. We also evaluate how our daily decisions support our EDLC and EDLP priorities. This is our opportunity to get even better at being Walmart.

Our customers also remind me how they are integrating technology into their shopping occasions. Our goal is to make their shopping experience seamless, and we have fantastic talent delivering a number of innovative solutions to enhance their experience.

When I recently visited our ecommerce teams in San Bruno, California and in Sao Paulo, Brazil, I witnessed the tremendous quality of talent in our ecommerce organization. I have no doubt that we are making the right investments in this space to differentiate ourselves and become a better Walmart. And with ecommerce sales growing more than 30% in the first quarter versus last year, these investments are paying off.

Turning now to Sam's Club, Sam's delivered a positive comp for the first quarter. You'll hear more from Roz about our nationwide membership fee increase rollout that was announced yesterday and how Sam's is also driving member value through improved merchandise assortment and in-club marketing.

Walmart International's constant currency sales expanded 5.4%, while on a reported basis, net sales were up 2.9%. We grew market share in a number of our markets despite headwinds from difficult economic conditions across several markets and weather. Online sales in the U.K. and Brazil were strong. Our focus remains on bringing Walmart's low prices to customers in all of our markets, and the transition to EDLP continues in key markets like Brazil and China.

We are, however, disappointed in our expense control in international. As you know, we have put a lot of emphasis on the importance of leveraging expenses as a company, and Doug and his team are taking actions in each country to improve our cost management and expand on a number of productivity initiatives. I'm pleased that, overall, Walmart International made progress on managing inventory this quarter.

Across our segments, improving new store productivity is a priority. We have a more diligent process for reviewing grand opening performance, and we're taking immediate actions to strengthen sales where they're needed. And, as we discussed last year, we slowed the pace of store openings within selected International markets.

Our corporate and support costs increased this quarter due to investments in leverage initiatives and global ecommerce support, as well as higher compliance-related expenses. Jeff and Charles will provide more details on the financials behind these investments.

In the first quarter, we continued to strengthen our compliance programs around the world. We're working closely with third party anti-corruption compliance experts to review and to assess the programs in our international markets and to partner with us on anticorruption support and training. Beyond anticorruption, our comprehensive global compliance review continues in all of our markets to evaluate and reinforce our procedures and our programs applicable to 14 compliance areas, including licenses and permits, food safety, and ethical sourcing, among others.

Walmart continues to make strides on the issues that matter to our customers. I was honored to stand with First Lady Michelle Obama recently to pledge Walmart's support of the "Joining Forces" initiative to benefit our U.S. military veterans and their families. On Memorial Day, we will begin a program to hire recent, honorably-discharged U.S. veterans. We're proud of this initiative and appreciate the partnership of other large companies that are joining us in providing employment opportunities to these worthy Americans.

As I close my remarks, I'd like to reiterate that I'm confident about our long-term strategy and the direction that Walmart is headed. We didn't have the first quarter performance we wanted as a company, due partly to various external factors and also the comparison to last year's great first quarter. You'll hear the specifics about why we feel better about our U.S. businesses' performance for the second quarter.

This, coupled with more discipline in international and our investments in strategic initiatives, will allow us to improve our performance throughout the year. Our commitment to Walmart's mission to save people money so that they can live better benefits our customers and our shareholders alike.

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

Jeff Davis

Thank you, Mike. As you just heard, Walmart reported first quarter diluted earnings per share of $1.14 versus $1.09 last year. Recall last year end, we stated the company's continued investment in ecommerce initiatives would negatively impact our fiscal 2014 diluted EPS by an incremental $0.09. Consequently, our first quarter results were unfavorably impacted by these initiatives by approximately $0.02.

Consolidated net sales increased 1% to $113.4 billion. I would like to remind you that the first quarter of last year included an extra day due to leap year and added approximately 100 basis points to net sales. Separately, first quarter net sales included $200 million from an acquisition and were also impacted by $1 billion of currency exchange rate fluctuations. Therefore, on a constant currency basis, consolidated net sales would have increased 1.8% to $114.2 billion.

With respect to comp sales for the quarter, total U.S. comp sales, without fuel, decreased 1.2%. Bill and Roz will provide more details in a minute. Membership and other income increased 1.6% compared to the first quarter last year. Please stay tuned to hear more from Roz regarding our recent advancements in club membership.

Total revenue for the first quarter was $114.2 billion, a 1% increase over last year. This was on top of a strong 8.5% increase at this time last year. Gross profit increased 1.2%, primarily driven by supply chain productivity and merchandise mix within our U.S. business segments. The gross profit rate was relatively flat to last year.

Now, turning to expenses, our operating expenses as a percentage of sales were 19.1%, which is relatively flat to last year. As you heard from Mike, our U.S. businesses leveraged operating expenses for the quarter. And you'll hear more from Doug on the international team's focus to reduce expenses for the remainder of the fiscal year.

Now let's take a closer look at corporate and support expenses. Corporate and support is comprised of core corporate, global ecommerce support, and global leverage services.

Total corporate and support expenses increased approximately $200 million or 44.4%. Our core corporate expenses increased 37.2%, including $73 million in expenses related to FCPA matters, which was above our forecasted range of $40 to $45 million.

Approximately $44 million of the expenses represent costs incurred for the ongoing inquiries and investigations, while $29 million covers costs regarding the global compliance review, program enhancements, and organizational changes. Excluding the FCPA matters, core corporate increased by approximately 14.6%.

The remainder of the corporate and support growth is primarily associated with global leverage services. This increase is the result of investments to enhance enterprise information management, build global capabilities, and leverage scale. Though we will continue to invest in these areas, we expect these expenses to moderate for the remainder of the fiscal year.

This leads us to consolidated operating income, which grew 1.1% to $6.5 billion, slightly ahead of sales growth. Net interest expense for the quarter decreased 0.9% to $530 million, as we continue to avail ourselves of low interest rate funding. And, consolidated net income attributable to Walmart increased 1.1% to $3.8 billion.

Our effective tax rate for the first quarter of fiscal 2014 was 33.4%, essentially unchanged from the first quarter of last year. Full year guidance for fiscal 2014 effective tax rate continues to be between 32% and 33%. As a reminder, our tax rate may fluctuate from quarter to quarter.

Now turning to our balance sheet, consolidated inventory increased 4.5%, primarily driven by our U.S. operations. You'll hear more from the segment CEOs regarding the individual drivers of inventory growth.

Payables as a percentage of inventory was 85.2%, which compares to 89.8% last year. This decrease was primarily the result of increased levels of inventory within our U.S. segments and the timing of disbursements.

Our debt to total capitalization was 44.8% at the end of the quarter, compared to 44.2% last year. During the quarter, we generated $1.9 billion of free cash flow versus $3.1 billion last year. An increase in income tax payments due primarily to changes in federal bonus depreciation rules and an increase in capital expenditures contributed to the free cash flow decline.

Moving on to returns, for the quarter, the company returned $1.6 billion to shareholders in dividends and repurchased approximately 30 million shares at a cost of $2.2 billion. As of April 30, we have approximately $1.5 billion remaining under our current $15 billion authorization.

To wrap up, return on investment, or ROI, for the trailing 12 months ended April 30, 2013 was 17.8%, compared to 18.1% last year. This reduction was primarily the result of acquisitions and an increase in fixed assets within our base business.

Now let's turn it over to our operating segments. We'll start with Walmart U.S. Bill?

Bill Simon

Thank you, Jeff. When we last spoke to you in February, we shared that the first quarter had gotten off to a very slow start, essentially due to the delay in tax refund checks. When we provided flat comp guidance for the first quarter, we had expected, among other things, to recover a reasonable portion of these tax refunds and had also assumed that customers would follow historical spending patterns with these funds. This did not materialize as we had anticipated.

Similar to what you've heard from companies in various industries that have reported earnings, top line revenue was challenged by a number of issues. These included a $9 billion reduction in IRS estimated tax refunds versus last year, and we cashed less in income tax refunds than the prior year. Additionally, the 2% increase in payroll taxes reduced inflation and some of the most unfavorable spring weather we've seen in recent years across much of the country impacted our business.

While we don't generally like talking about weather, it certainly had an impact. Weather sensitive departments like outdoor living, sporting goods, air movement and apparel were challenged, particularly from mid-March to mid-April, when weather was much less favorable than last year. However, there were bright spots. Where weather was fairly normal, in Florida for example, we had positive comps for the quarter.

In addition, as we gave guidance last quarter, we expected an increase in the level of grocery inflation, but it did not materialize in a meaningful way. We experienced very modest inflation, much lower than last year, and in fact, we had some deflation in areas like dry grocery.

We estimate that the factors discussed earlier affected our comp sales by as much as 200 basis points in the first quarter versus our expectations. Primarily driven by these factors, we ended the quarter with a lower comp than expected at a negative 1.4%, compared to a strong positive 2.6% comp last year. Traffic was down 1.8%, while ticket was up 0.4%. However, excluding the first two weeks of the quarter, comp sales were relatively flat and traffic improved.

Despite sales being lower than expected, I'm really proud of the work done by all of our associates during the quarter. The team did an excellent job managing the business, taking care of our customers and bringing in a solid profit result, with operating income increasing 5.9%.

We also continued to gain market share across several categories. According to the Nielsen Company, we gained 20 basis points of market share in the measured category of "food, consumables and health and wellness/OTC" during the 13 weeks ending April 27, 2013. As of now, we're encouraged by the start of sales in the second quarter because we've seen more normalized weather and we're getting past the main effects of the reduced tax refunds.

Now let's cover the financial details of the first quarter. Net sales were up $220 million, or 0.3%, to $66.6 billion. Last year's leap day added approximately 100 basis points of net sales to first quarter fiscal '13. Gross profit increased 0.7% to $18.2 billion, with gross profit rate increasing 10 basis points from the previous year, partly driven by supply chain productivity and cost of goods savings initiatives.

We continued to leverage these initiatives, targeting specific areas of our grocery business, providing savings to our customers in the first quarter. These actions, along with our ability to leverage expenses, enabled us to further strengthen our position as the price leader in the market.

Our commitment to the productivity loop is a long-term, sustainable strategy. We will continue to be strategic about price investments, monitoring competitor price gaps, market share, and other data to ensure we maintain an appropriate balance between price investments and margin.

Our strategy is based on an everyday low cost structure. For the quarter, the team did a good job managing expenses, contributing 32 basis points of expense leverage. Although a large part of the leverage was driven by a decline in incentive expense versus historically high levels last year, every part of the organization was focused on operating for less, from our distribution centers and transportation fleet, to each one of our stores. Together, we reduced expenses by 1.3% versus last year, driving a 5.9% increase in operating income.

For the quarter, inventory was up 4.6%, driven partly by an expanded assortment in some merchandise areas, in addition to challenging weather, which created headwinds for some seasonal categories. We feel good about our current inventory position as the weather improves and customers get ready for summer.

Before I discuss the performance of our merchandising areas, I'd like to spend some time covering a few things we're doing from an operational perspective that helped drive our quarterly performance.

Our logistics team continues to be a key contributor to our results by generating savings that benefit our leverage goals and gross margin. In the first quarter, the team continued to improve processes within our supply chain. This enabled us to transport 3.1% additional cases per mile driven, helping us to reduce the overall cost per case shipped versus last year. Our results in logistics, quarter after quarter, are proof that our strategy is sustainable.

Within our stores, we continued to fine tune our technology investments, including self-service checkouts and work assignment tools, like MyGuide. These initiatives drove another quarter of solid gains in productivity, as our management teams work toward continuous improvement.

We continued to expand our self-service checkouts in the first quarter, with about 38% more stores in service versus last year. In general, customer response has been positive, with utilization across the chain up over 300 basis points year over year.

In the back rooms, projects like MyGuide and OneTouch also enabled improvements in stocker productivity by helping to facilitate the process of moving merchandise from the truck to the shelf and prioritizing work for our associates. In the first quarter, these initiatives contributed to an increase of over 3% in cases handled per work hour.

We're focused on driving productivity by implementing initiatives that make work simpler for our associates and enhance our customer experience. As you might expect from Walmart, there are a number of metrics we monitor to ensure strong operational execution, including customer line lengths, customer experience scores, and merchandise in-stock levels. While we always strive to improve, we're pleased overall with our current performance against these metrics.

Now let's review the performance of the various merchandising areas. Grocery, which includes food and consumables, generated a low single-digit positive comp on relatively flat inflation, a much lower inflation rate than last year.

In food, we've made great progress in the quality of our fresh departments, and I'm particularly excited about the momentum in the produce area. We've improved our process for handling and culling produce, allowing us to get the freshest assortment in front of our customers. In the first quarter, we started to see the positive results, evidenced by a mid single-digit positive comps in produce and market share gains for the 13 weeks ended on March 30, according to Nielsen.

In consumables, we also continued to gain market share across most departments. And I'm particularly encouraged to see customers respond to our price investment strategy, evidenced by the Nielsen data that shows noticeably higher market share gains in areas where we invested in price in the first quarter. Overall, our performance in consumables was mostly driven by the "everyday need" categories.

Health and wellness generated a low single-digit negative comp. While units were up, we experienced the largest brand-to-generic impact to date, coupled with an overall increase in generic versus brand sales. While our Rx business was pressured by the brand-to-generic impact, we continued to see strength in OTC, with solid comp sales and market share gains, according to Nielsen. Also noteworthy is our performance in the core, non-seasonal categories like vitamins, analgesics, and antacids, which delivered a mid single-digit positive comp for the quarter.

Hard lines, which includes our seasonal business, posted a low single-digit negative comp. Weather significantly impacted sporting goods categories like fishing and camping in the first quarter, with non-weather impacted categories like stationery and crafts delivering positive comps.

Stationery and crafts was driven by strong growth in needlecraft, paints, and other indoor categories. Our new assortment is resonating with the customer, evidenced by our gains in market share across several of our stationery categories for the three-month period ending April 6, according to The NPD Group.

Comps in our seasonal business were also positive, driven by solid growth in Valentine’s Day and Easter, with strong results in gifts, décor and party ware. We continue to be a destination for the holidays, providing our customers with one-stop-shop solutions to stock up for the big events of the year.

Entertainment, including toys, had a mid single-digit negative comp. Softer discretionary spending impacted entertainment and created even more significant headwinds for higher ticket electronics like TVs.

On the other hand, our wireless business again delivered a double-digit positive comp, with Straight Talk sales hitting a record high in the first quarter. Let me remind you how we are reporting sales of wireless. Reporting convention calls for sales of Straight Talk and third-party gift cards such as iTunes and restaurant cards to be included in sales, net of the product cost. In other words, we only account for a commission on sales.

We continued to make great strides for our customers in the wireless space, providing a broad selection of affordable solutions. According to NPD, Walmart became the number one retailer in handset unit share for the three months ending March 31, 2013.

In toys, similar to the rest of the business, we experienced softness in outdoor categories like spring toys and bicycles, which was partly offset by strength in educational and preschool toys.

Apparel reported a low single-digit negative comp for the quarter, mostly driven by soft demand for spring categories. I’m pleased with the work of the team in apparel and particularly encouraged by the performance of our basics offering, which delivered a low single-digit positive comp. Kids and accessories were also positive in the first quarter, benefitting from assortment improvements. We've made great progress in this area and will continue to focus on quality throughout the year to drive results.

In home, pronounced softness in outdoor living impacted the performance, driving the business to a mid single-digit negative comp. Our results were significantly better in areas of the country less impacted by weather. In the Pacific division, for instance, outdoor living delivered a high single-digit positive comp in the first quarter.

In indoor living categories, we continued to work on assortment, making national brands like Rachel Ray affordable for our customers and delivering a low single-digit positive comp in cooking and dining. Our customers are shopping our home aisles, evidenced by our gains in market share across the business, according to NPD.

Other areas of the business where we're gaining momentum are walmart.com and mobile. We continue to drive integration with our stores to deliver a seamless customer experience. In the first quarter, we continued to test the mobile self-checkout option "Scan and Go," expanding it across more than 200 stores in 14 different regions.

We're encouraged by the early results, with the majority of "Scan & Go" customers using the feature multiple times. The team is constantly making improvements, and we'll soon be testing digital coupons and gift cards with "Scan and Go". We also announced we'll be testing self-service lockers in select stores this summer. The goal of the program is to reduce the wait time for Site to Store orders, providing customers with an anywhere, anytime pickup solution.

We're also very excited about the opportunity to grow the Ship from Store program. You've heard us talk about the power of our physical footprint and how we plan to utilize our presence across the country as an additional asset in our fulfillment network. We're pleased with the initial results and are currently shipping certain orders from 35 stores straight to customers' homes. We expanded the pilot considerably in the first quarter and will continue to expand strategically throughout the rest of the year.

Our e-commerce strategy complements a growing real estate portfolio. We're in a unique position to serve our customers whenever and wherever they want to shop, integrating our walmart.com capabilities with an expanding presence of supercenters and small formats.

In the first quarter, we added 38 new units and converted 8 units to supercenters through relocation or expansion. These 46 units added 3.6 million incremental square feet and included 1 discount store, 24 supercenters, and 21 small formats, most of which were Neighborhood Markets.

Neighborhood Markets continued their positive performance, delivering a low single-digit positive comp, primarily driven by solid traffic gains. The vast majority of Neighborhood Markets include pharmacies, providing an additional convenience for our customers and driving traffic to the store. Our optimized assortment and convenient shopping experience is resonating with the customer, evidenced by our positive comps across most of the merchandising areas.

Walmart Express also continues to generate strong results, delivering another quarter of double-digit positive comps. In the second quarter, we'll begin testing various supply chain initiatives as part of the North Carolina density test, which will strengthen our understanding of supply chain strategies for smaller stores.

During the second quarter, we're planning to open between 60 and 65 new units, including new stores, expansions, and relocations. Our second quarter forecast represents about 4 million square feet of retail space, which will put us well on our way to deliver our previous guidance of 15 to 17 million square feet of retail growth in fiscal year '14.

This year started with many challenges for our core customer. Nevertheless, I'm confident in our position and in the ability of our teams to execute. We believe that our strategy works under any economic environment and our underlying business remains strong.

From an operational perspective, we will continue fueling the productivity loop, improving every aspect of our operation so we can leverage expenses, invest in price, and drive results. Our price investments will be supported by a solid marketing program that will communicate our strong price leadership. Throughout the rest of the year, we'll continue expanding our local basket challenge campaign through TV and radio, covering 70% of our markets across the country.

Most important, we'll continue to run our business with our customers, our associates, and our communities in mind. Earlier this year, we announced our veterans' initiative with the objective of hiring any honorably discharged veteran seeking employment within his or her first 12 months off active duty. On Memorial Day, we'll be ready to launch the program, and we believe the vast majority of applicants will be placed within 30 days.

May is off to a good start, with positive comps. We continue to feel good about the underlying business, as evidenced by first quarter results in areas less impacted by weather, as well as by our market share gains. We'll continue to monitor the impact of the 2% payroll tax increase along with other factors, like fuel prices. Based on these factors, we forecast comp sales to increase in the range of flat to positive 2% for the 13-week period from April 27 through July 26, 2013.

Now, I'll turn it over to Doug for an international update. Doug?

Doug McMillon

Thank you, Bill. I'd like to start the update on international by reminding you of our priorities: balancing growth and returns. As you know, Walmart International is an important contributor to top line growth. During the first quarter, we delivered a respectable top line. We feel good about the net and comp sales, especially given last year's really strong first quarter, the loss of leap day, and weather issues. As a reminder, our first quarter last year was our strongest of FY 13, with international net sales on a reported basis up 15% and operating income up 21.2%.

During this year's first quarter, on a reported basis Walmart International grew net sales 2.9% to $33 billion. On a constant currency basis, Walmart International's first quarter sales were $33.8 billion, up 5.4%. A stronger dollar against key currencies impacted international results more negatively than expected and decreased the top line by $1 billion. Our acquisition increased sales by $200 million.

Our stores in the U.K., Africa, Mexico, Central America, Brazil, Chile, Argentina, China, and India delivered positive comp store sales. Comp sales declined in Canada and Japan. As mentioned, last year had an extra leap day for leap year and the comparison to last year impacted sales and customer traffic by about 100 basis points.

From a relative performance point of view, we were encouraged with our market share gains around the world during the quarter. We grew our share in Canada, Africa, Chile, Argentina, Central America, China, and Japan. We maintained market share in the U.K. and Mexico. And although we did not grow overall share in Brazil, we did increase share in food and consumables.

Like revenue growth, another important priority is improving our returns. We were disappointed with our operating income performance this quarter, which impacted returns. In fact, we had a decline in profitability versus last year. This was partially due to having one less day of sales in all markets, as well as specific drivers that I'll elaborate on as I review the markets.

Operating income was $1.3 billion and decreased 4.7% on a reported basis versus last year. On a constant currency basis, operating income declined 2.4%.

Our gross profit rate was slightly down, and operating expenses grew faster than sales. Several factors contributed to us not leveraging expenses: softer sales, wage inflation, higher indirect taxes, and strategic investments, including those in e-commerce. These are investments beyond those covered in the corporate and support budget.

Unfortunately, in the international markets, we have less workforce flexibility than in the U.S. In many markets, it takes more time to introduce and implement productivity improvements that help us to adjust wages to sales realities.

Given our current headwinds, I expect second quarter expenses to remain under pressure. Let me assure you that all management teams are focused on reducing expenses throughout our operating segment, and we expect to demonstrate improvement in the second half of the year.

Another priority has been inventory management. I'm pleased to say we've seen some improvement in this quarter that was aided by Easter being one week earlier for the markets that celebrate the holiday. Constant currency inventory increased 7.1% over last year, an improvement from the first quarter last year. On a reported basis, inventory was up only 3.6%.

Now let's get into the results for our larger markets. The following discussion is on a constant currency basis and, unless otherwise stated, total sales and comp sales are presented on an unadjusted nominal, calendar basis.

Let's begin with EMEA. The U.K. had a solid first quarter in a challenging market. Personal income grew much slower than the cost of essential items, putting pressure on all consumers. According to Kantar Worldpanel, the market experienced stronger growth in the first quarter than in previous quarters, driven solely by inflation, while market volumes declined.

The U.K. market as a whole experienced significant supply integrity issues within the quarter related to meat. Asda responded by carrying out robust and rigorous testing and continues to focus on transparency for customers.

In the first quarter, Asda's net sales rose 2.6%, and sales excluding fuel increased 3%. Comparable sales rose by 1.3%, excluding fuel, growing ahead of the market. Average comp ticket increased by 1.6%, while comp traffic decreased by 0.3%. Asda's market share was flat at 17.9% for the 12 weeks ended March 17, the latest data reported by Kantar's Worldwide Panel

Total Till Roll. A bright spot continues to be Asda's online grocery sales, which grew more than 16%.

During the quarter, Asda increased investment in reducing the price of key food essentials. As a result, Asda's internal inflation measures continued to be significantly below the market, and comparable food volumes were positive in the first quarter. Reinforcing this strategy, Asda also won the "Grocer 33" lowest priced supermarket for 12 of the 13 weeks in Q1.

Strong price and value gaps, combined with events such as Valentine's Day, Easter, and Mum's Day drove food sales growth, with Easter categories such as lamb, salmon, and bakery significantly outperforming. A January clearance event and seasonably appropriate weather drove strong general merchandise sales.

Asda's gross profit margin declined slightly in the quarter, driven by sales mix and price investment. Considering the impact of fuel sales, operating expenses grew slower than sales. The "We operate for less" program continued to deliver savings, offsetting some of the cost headwinds across energy, property taxes, insurance, and environmental tariffs, along with some weather-related costs. Operating income decreased by 0.8% from the prior year.

Moving to Canada, Walmart Canada faced a challenging quarter, as consumer spending weakened due to higher household debt levels. Our results were impacted by the unseasonably colder weather this year versus unseasonably warm weather last year and the leap year overlap. Net sales grew 6.1%, but Canada had a decline in operating income and did not leverage expenses.

Comparable sales decreased 1.3%, with comp ticket up 0.7%, and comp traffic declining 2%. We had strong comp sales in food, consumables, and home lines, but continue to see softer sales in entertainment. The colder weather also impacted sales in hard lines and apparel. However, in the first quarter's challenging environment, we drove market share gains of 120 basis points and the Nielsen Company measured categories of "food, consumables, and health and wellness."

Regarding profitability, gross profit rate increased due to improved initial margins from private label and direct import gains, as well as reduced shrink. However, operating expenses grew faster than sales, primarily due to negative comp store sales, the lapping of costs related to the year-over-year growth in new store base, and investments in ecommerce.

Moving to Sub-Saharan Africa, as you know, Massmart is a publicly held company in South Africa, and only announces results every six months. For the 14 weeks ending March 31, Massmart increased sales by 10.3% and comparable sales by 6%.

While these are good numbers, the trends are slower than we reported for Massmart at the close of fiscal 2013. The South African consumer environment remains cautious, and sales growth is forecasted to be under pressure for the remainder of the year. Also note that Massmart will hold its annual meeting on May 22nd.

Now to Latin America. The following summary includes the consolidated results of Mexico and Central America and is on a U.S. GAAP basis. Walmex separately reports its earnings under IFRS, so some numbers are different from Walmex-reported numbers.

Walmex results for the first quarter were mixed. We had solid results in Central America and disappointing performance in Mexico that impacted the overall business. For the quarter, net sales grew 5.5%. Gross margin increased 60 basis points versus last year, driven by improvements in both Mexico and Central America. Operating expenses grew more than sales. Management is focused on reducing expenses and increasing productivity savings. Operating income for the quarter grew 7.5%, faster than sales, primarily due to strong gross profit margins.

For the first quarter, Mexico’s sales increased 5.6% over last year and comparable store sales grew 1.1%. Average comp ticket in Mexico increased 4.4%, and comp traffic decreased 3.3% over last year. Traffic was negative due to calendar effects and a general market slowdown in consumption. In relation to the market, we maintained market share on total sales, but Mexico’s first quarter comp store sales for the self-service formats grew 0.8%. This was slower than ANTAD’s comp store sales report for the rest of the industry, excluding Walmex, at 1.4%.

In Mexico, gross margin was up 48 basis points. Expenses grew 8.8%, above our sales growth. The biggest increases in expenses were in physical infrastructure investments like maintenance, repairs, and depreciation. Operating income grew 5.5%.

Central America is on track to deliver good results. Systems integration will conclude as expected in the second quarter, and markets that were lagging, like Guatemala, are improving. Central America increased net sales from the previous year by 4.9%. Comparable store sales increased 2% on a constant currency basis. Gross margin increased 124 basis points versus last year, as a result of better merchandising and EDLP execution. The transition to EDLP in our Central American countries is completed. Expenses grew more than sales. Operating income increased 40%.

Moving on to Brazil, Brazil grew sales in the first quarter and had a slight operating profit. We continue our mantra of EDLC and EDLP, maintaining a 7% price gap in self-service formats and we're pleased that we're gaining traction with customers.

First quarter retail sales in Brazil grew 5.5% from last year, with comparable sales growing 3.7%. Ticket grew 7.2%, and comp traffic declined 3.5% when compared to last year. There was strong performance in consumables, food, and perishables as we gained market share in these categories. Sales of general merchandise were weak, as we scaled down interest-free credit offerings.

Gross profit rate increased slightly, as a result of lower shrink and better markdown management, but we did not leverage operating expenses in Brazil due to our lower rate of comp store growth, specifically in our wholesale formats, and wage inflation.

Like Walmex and Massmart, Walmart Chile is also a publicly-held company and will release first quarter earnings on May 30.

Moving to Asia, Walmart China grew sales and operating income during the first quarter. Net sales for the first quarter grew 5.4% over last year, despite a weaker than expected Chinese New Year. Comparable store sales growth was 1%. As more Chinese families own a car and other amenities for their home, there is much greater trip consolidation. Comp ticket grew 8.9% in China, but traffic declined 7.9%. Traffic declines are consistent with the overall market.

First quarter gross profit rate was slightly down from last year due to our investment in price. However, Walmart China leveraged operating expenses, even with wage inflation. In China, we are near the end of our planning stage of our EDLP transition and have started to take a few steps. As in other markets, this is a multi-year effort, and we know it will take time for our customers to see and appreciate the value brought to them by EDLP.

On to Japan, where the economy continues to slow, Walmart Japan's net sales and comp sales decreased 1.7% and 2.3%, respectively, reflecting cautious consumer behavior. First quarter comp traffic decreased 1.9% and ticket decreased 0.4%.

Traffic decreased due to an increase in competition in the convenience related formats. According to statistics released by the Japanese Ministry of the Economy, Trade, and Industry, or METI, overall supermarket comparable sales for the first quarter declined by 3.3% from last year, so on a positive note, we outperformed the market.

Walmart Japan's gross profit rate decreased by 96 basis points, due to our increased investment in lower prices. Walmart Japan missed leveraging expenses by a slight margin due to the sales decline, but year-over-year operating expenses were down, even with higher remodeling costs. Accordingly, Walmart Japan had a slight operating loss this quarter, compared to positive operating income in the prior year.

Turning to the opportunities in e-commerce, we are excited about the global capabilities we are strengthening and expanding in the key markets of the U.K., Brazil and China. Asda's continued focus on offering a convenient shopping experience for customers drove strong online sales in the first part of 2013.

During Q1, Asda completed the rollout of Wi-Fi across our stores to enable a better smart device shopping experience. In addition, our Asda team added its grocery Click and Collect offer in approximately 100 stores. Asda also significantly expanded grocery home shopping capacity by opening a third dedicated online fulfillment center in Nottingham, providing increased accuracy, efficiency, and delivery options. Customers now can tap into 20,000 additional delivery slots per week.

Over the last six months in Brazil, our walmart.com.br site has become the largest-traffic e-commerce site. For the first quarter, online sales in Brazil increased over 40%.

In the previous year acquisition of Yihaodian, one of the fast-growing ecommerce businesses in China, we now have a platform to compete in a market with broadband penetration that has exceeded the U.S. Yihaodian provides consumer goods on a same-day basis in Tier 1 cities: Shanghai, Beijing, and Guangzhou.

We grew market share already this year in e-commerce in the U.K., Brazil, and China, and the integration of technology into our business is a key for future growth. We will expand our successes and learnings from the U.K., Brazil, and China into other markets such Mexico, Japan, and Canada.

We are also focused on building a world-class compliance program across the globe. Our comprehensive program spans 14 different compliance dimensions that address areas from ethical sourcing to licenses and permits. We are strengthening what already existed in each market, adding subject matter expertise, significant investments in talent, process, systems, and training.

For example, we recently announced a $16.2 million, three-year investment in food safety in China. We are reinforcing Walmart culture based on our basic beliefs of respect for the individual, strive for excellence, service to the customer, and, as always, on a foundation of integrity. With our compliance program, we will operate more effectively in each market, and we are building a solid foundation for future growth.

In closing, it's been a tough start to the beginning of the year, but we're focused in each of our markets and have tighter discipline in our execution. As Mike said earlier, we are simplifying, we are focused, and we are prioritizing. With our current outlook, we do not expect to leverage expenses in the second quarter, but we've begun to take actions that will demonstrate improvement as we progress through the year. For example, we're working hard to accelerate the improvements that we will receive from working with our Global Business Process group.

With that, we remain focused on the core tenets of our operating model and being the best Walmart we can be. Our global consumer is challenged with their household budgets and we need to continue to provide them with the price and value they need.

Now, I'll turn it over to Roz for the update on Sam's. Roz?

Rosalind Brewer

Thanks, Doug. This year, Sam's Club celebrates our 30-year anniversary. It's been an exciting journey, ever since our first club opened in Midwest City, Oklahoma in 1983. I'd like to take a moment to thank all of our associates over the past 30 years who've delivered tremendous value to our members and made our business so successful.

During the first quarter, we grew net sales, and comp sales were within guidance. We grew membership income by delivering superior value, responding to business member trends, and enhancing our membership offering. Combined with reduced operating expenses, we generated operating profits more than 7% ahead of last year.

Comp sales, without fuel, were up 0.2% for the 13-week period, lapping a 5.3% comp sales increase last year. Comp traffic was up 1.3%, driven by our Advantage members, and ticket was down 1.1%, driven by Business members.

Unfavorable weather this year created a headwind in our weather-sensitive categories. In geographies with more moderate weather, such as the west, members responded positively to our seasonal merchandise, indicating sales in these categories improve as the weather changes.

Additionally, inflation continued to moderate from Q4, impacting our top line results, as inflation this quarter was approximately 50 basis points. Inflation ran between 250 and 300 basis points in the first quarter last year.

Our Business member is an integral part of our business, and comp sales and traffic patterns continue to indicate that they remain pressured. Small business optimism remains at historically low levels as businesses adapt to higher payroll taxes and cautious consumers. In response, we're focused on increasing awareness of the value Sam's Club offers. We're executing regional business expos and small business appreciation programs in May and June, in which our associates spend time working with members in their place of business.

Despite these headwinds, I mentioned in the first quarter, we drove sales and profit growth. Net sales, including fuel, were $13.9 billion, up 0.1%. Fuel created a 40 basis point headwind to sales growth, as fuel prices were down 3.8% compared to last year. Gallons sold were up 1.3%. Gross profit rate was up 7 basis points. Operating expenses as a percentage of net sales improved slightly. Operating income increased 7.4% to $525 million.

Fuel is an important component of our strategy to provide more value to our members. Volatility in fuel prices, however, can notably impact our financial results. The remainder of our discussion, therefore, will be focused on the core business and exclude fuel for comparative purposes.

Net sales for the quarter were $12.2 billion, up 0.5% from last year. During the first quarter last year, we gained one additional day due to leap year, resulting in one less day this year. The addition of leap day last year provided a benefit of about 100 basis points. Our strongest divisional performance was in the West, with our strongest regional performance in the Mountain, Mid-Atlantic and Southwest regions.

Now let's move on to merchandising highlights for the quarter. Fresh comp sales were up low single-digits, with strength in dairy and produce. Members responded positively to our new pack-size innovation in certain frozen food items. These items contain smaller bags within the main pack, increasing convenience for our members.

Grocery and beverage sales grew low single-digits, driven by growth in dry grocery, partially offset by declines in our beverage business, due to both weather and business member softness.

Sales of consumables posted a low single-digit comp. With the support of our strategic price investments, we delivered low to mid single-digit unit growth in areas like paper and tabletop. Our baby category continues to be a strong source of growth, with market share according to Nielsen growing by 20 basis points for the 13-week period ending April 27, 2013.

Technology and entertainment posted a negative low single-digit comp. Pressures in office electronics and media were partially offset by compelling value in wireless, which posted double-digit comp and unit growth. According to The NPD Group, we gained market share in TVs for the 13-week period ending April 27, 2013.

Sales in apparel and home were down low single-digits. Home saw modest gains, driven by domestics and mattresses. Apparel was down due to seasonal merchandise, but our core basic apparel business posted mid single-digit comps, indicating strength in our underlying business. Jewelry, where we have strengthened our assortment and our price points, gained momentum throughout the quarter. Members responded very well to our improved selection of high quality diamonds.

Health and wellness, including pharmacy, experienced low single-digit comps. Over-the-counter merchandise continues to grow, especially diet products. We filled more prescriptions, but sales declined as the industry shifts more to generics.

The majority of our prescription business remains maintenance related, generating regular traffic to our health and wellness area. We continue to increase awareness of the services available at Sam's Club, such as pharmacist-provided immunizations and health screening programs. During the quarter, we increased the number of health screenings by almost 30% over the same period last year.

Sales of ancillary categories negatively affected the quarter due to a decline in tobacco sales, driven by softness from our convenience store members as they see increased competition from dollar stores.

Moving to online, innovation and collaboration with our global ecommerce team resulted in double-digit sales growth for the quarter, driven by categories like portable electronics, baby, and mattresses. These categories were not only strong online, but also in our clubs, demonstrating that our members are finding great values no matter what channel they shop.

Gross profit rate remained relatively flat, as continued strategic price investments were offset by a more favorable mix, due to softer sales in lower margin categories like tobacco and beverages.

Strong membership growth is critical to remaining a healthy club business and we're focused on innovative ways to reach new prospects. We collaborated with Living Social from March 4 through the 6th to reach new

Sam's Club members. The offer included a base membership, $20 gift card, and a merchandise package that included a variety of take-home meal solutions, all for $45, a total value of roughly $80. In just 48 hours, we had more than 157,000 people sign up for this offer, and we were pleased with the significant social media buzz and deal share volume generated.

Net membership income grew 2.4%, driven by Advantage member growth, offsetting slight declines from Business members. Membership and other income was up 6.5% versus last year, because of improved contract terms relating to our profit sharing arrangement with our credit card provider.

Operating expenses as a percentage of sales decreased by 12 basis points. A driver of this leverage was a decline in incentive expenses versus last year. Looking at the bottom line, first quarter operating income was $519 million, a 6.6% increase over last year.

Inventory, including fuel, was up 6% year over year, as softer sales significantly affected our sell-through rate across several areas. Our management team is focused on actively slowing the rate of inventory growth to better align with the rate of sales.

We continue to focus on creating member value by executing our real estate strategy, enhancing the membership offering, improving item merchandising, and offering members access anytime, anywhere.

We are pleased with the performance of clubs opened within the last two to three years. During the quarter, we relocated one club in Texas City, which outperformed expectations. We plan to open 15 to 20 new and relocated clubs during the year, the majority of which we've scheduled for the third and fourth quarter.

Now I'd like to provide more details on our overall membership strategy. We applied key learnings from the last months of our membership pilot in Texas to enhance the value of a Sam's Club membership. The Texas pilot represents 12% of our total U.S. club base.

As of yesterday, we increased our membership fee nationwide. The membership fee is now $45 for both Advantage and Business base memberships, reflecting a $5 and $10 increase, respectively. The fee for our Plus membership remains $100.

This is our first increase since January 2006, and we do not expect a significant impact to renewal rates or new sign-ups. We will continue to offer additional value to our members while driving strong membership income in the coming years, as the full benefit of the fee increase will be recognized over the next 24 months.

Our first Instant Savings book, which is available to all members from May 15 through June 9, includes over $3,500 in savings on nearly 100 items, both in-club and through samsclub.com. Additionally, Plus members will continue to receive exclusive offers automatically loaded onto their membership card, which will now include fresh and private label items.

With the exception of the cash rewards program for Plus members, these changes are consistent with our Texas pilot. Initial response to cash rewards has been positive. We will continue testing this benefit in Texas throughout the year to gain a better understanding of the longer-term financial impact.

You're also going to see a change in our merchandise strategy throughout the year. In the past, we've had great success treating our clubs essentially the same, but we recognize our member base varies around the country. Moving forward, members will experience exciting merchandise, heightened by local brands, all displayed with a new level of visual excitement.

We're also adapting to serve our members who are shopping online and in our clubs. Members are using their mobile devices, before, during, and after their shopping experience. The Sam's Club mobile app is giving our members personalized ecommerce and the ability to shop anywhere, anytime.

Before visiting the clubs, members can build shopping lists and fill prescriptions. In the club, they can research merchandise information and compare costs. And alongside Walmart, we're piloting the Scan & Go app, which will be in 150 clubs by mid-June. Technology clearly enhances our members' shopping experience.

The combination of our strategies positions us well for the second quarter, and we have a number of events to drive sales. We were pleased with the first two weeks' start to the quarter. We expect comp club sales, without fuel, for the 13-week period from April 27 through July 26 to range between 1% and 3%. Last year, for the 13-week period, comp sales, excluding fuel, increased 4.2%.

The core business at Sam's Club is solid. We're confident that the combination of new club growth, membership improvements, exciting and locally relevant merchandise, as well as e-commerce and digital opportunities, will drive momentum. We're proud of what we have accomplished in the past 30 years and are confident that we are well positioned going forward.

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

Charles Holley

Thanks, Roz. To wrap up, let me provide some perspective on the quarter. First, we feel good about many aspects of our company's performance. We delivered 4.6% earnings per share growth in a tough sales environment. Both Walmart U.S. and Sam's Club levered expenses and grew operating income faster than sales.

We generated solid cash flows from operations. We grew our ecommerce sales more than 30% and grew market share in the U.K., Brazil, and China. We issued $5 billion of fixed income debt at record low rates on the strength of our balance sheet. And, in February of this year, we announced an 18% increase in our dividend.

The first quarter also presented some challenges. As a company, our leverage ratio was relatively flat, and although we grew consolidated operating income faster than sales, the growth did not meet our expectations. Looking ahead, our financial priorities remain growth, leverage, and returns, and we usually talk about them in this order. But today, I'd like to start with a discussion on leverage.

The company's leverage in the first quarter was relatively flat, and the second quarter will be challenging as well. Our largest challenges are with International, as Doug spoke about, and our leverage services area, where we are investing in projects and programs that will save costs in the long run.

Operating expense leverage is a critical piece of our business model, and we remain focused on delivering the five-year 100 basis point goal through fiscal 2017. Though expense leverage is not expected to be achieved equally across the quarters every year, we are committed to leveraging operating expenses for this year.

Early investments to expand our leverage initiatives will initially have a short-term impact on expenses. However, these investments will benefit Walmart for the long term. Our leverage teams are focused on three key areas: best practice implementation, building greater sourcing capabilities, and back office efficiency.

Under the "best practice" umbrella, for example, our global business process teams continue to work on self-checkout expansion, auto replenishment systems, and associate scheduling systems. Our sourcing teams are working to increase direct import volumes to deliver greater savings on cost of goods and transportation. We also continue to make progress on goods not for resale, especially in the refrigeration and energy areas.

In our back office area, we completed the migration of work from four different finance offices in Central America to a regional center that is now serving most of our Latin American countries. Initiatives like this help us simplify, prioritize, and focus.

In addition, we continue to invest in our international markets through new store growth and our compliance organization. Jeff provided details earlier on the expenses related to the ongoing FCPA matters, as well as the processes we're putting in place to continue to strengthen our global compliance organization.

Now let's talk about growth. During the quarter, we added over 5 million square feet of retail space. Our total revenue growth was less than we expected, growing 1% versus last year. In addition, headwinds from currency impacted top line more than we anticipated. However, as you heard from Bill, Roz, and Doug, we feel confident about our growth in the second quarter and the balance of the year.

One final comment on sales, ecommerce will continue to grow in importance for our company. During the quarter, e-commerce sales increased by over 30%, and we continue to make strategic investments in the markets that offer us the greatest growth opportunity. We're focusing this investment in key areas, including our global technology platform and next-generation fulfillment networks, as well as scaling additional markets around the world.

We remain focused on four important markets in ecommerce. From a traffic perspective, we see over 45 million visitors each month in the U.S. on walmart.com, where growth and conversion are accelerating. In the U.K., we're the second largest online grocer, while in Brazil we were just named the number one trafficked ecommerce site. And, you've heard us talk about our investment in Yihaodian, one of the fastest growing e-commerce businesses in China. We're excited about the potential for growth in this space, and Neil Ashe has assembled the talent necessary to achieve our growth plans.

Let me finish our discussion on our financial priorities today by talking about returns. We deployed cash to grow our business and return value to shareholders. During the quarter, $3.8 billion was returned to shareholders through dividends and share repurchases. Walmart has a long history of delivering great returns for our shareholders, and we remain committed to continuing this trend.

Let's move on to guidance. As we think about earnings per share guidance for the second quarter, there are a couple of specific items that we have included. First, we told you during the fourth quarter last year that investments in Global ecommerce initiatives would have an incremental $0.09 impact for fiscal 2014. During the second quarter, we expect an impact of about $0.02 per share. This is in line with the $0.02 impact we had in the first quarter. Additionally, we believe costs associated with FCPA matters will be between $65 and $70 million for the second quarter.

Taking these factors into consideration, along with current business and macroeconomic trends, including currency, we expect second quarter earnings per share to be between $1.22 and $1.27. Last year, Walmart delivered earnings per share of $1.18 in the second quarter.

Thank you for your support of our company. Have a great day!

Operator

The forward-looking statements in this call that are intended to enjoy the safe harbor protections of the Private Securities Litigation Reform Act of 1995, as amended, generally were identified by the use of the words or phrases "are committed," "are piloting," "are planning," "expect," "forecast," "goal," "going to see," "guidance," "is forecasted," "may fluctuate," "plan," "will allow," "will be," "will benefit," "will be placed," "will be ready," "will communicate," "will conclude," "will continue," "will deliver," "will demonstrate," "will drive," "will expand," "will experience," "will…have," "will improve," "will include," "will operate," "will put," "will start," "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 were forward-looking statements.

The forward-looking statements in this call included statements relating to management's forecasts and expectations for: our diluted earnings per share attributable to Walmart for the second quarter of fiscal 2014 and the comparable store sales of the Walmart U.S. operating segment and the comparable club sales, excluding fuel, of the Sam's Club operating segment for the 13-week period ending July 26, 2013 (and statements of certain assumptions underlying such forecasts); aspects of the U.S. businesses, more discipline in the Walmart International operating segment and investments in strategic initiatives allowing Walmart to improve its performance throughout fiscal 2014; continued investments to enhance enterprise information management, global capabilities and leveraging scale during fiscal 2014 and the moderation of such expenses over fiscal 2014; and the range for Walmart's effective tax rate for fiscal 2014 and the possibility of quarterly fluctuations in such rate.

Such forward-looking statements also include management's expectations that or for: investments in Walmart's leverage services projects and programs will save costs in the long run; expenses will be impacted in the short-term by early investments to expand leverage initiatives; leveraging initiatives will benefit Walmart for the long term; continuing growth in importance of e-commerce for Walmart; the impact of investments in Global ecommerce on Walmart's earnings per share for the second quarter of fiscal 2014 and all of fiscal 2014; and costs associated with FCPA matters to be incurred in the second quarter of fiscal 2014.

Those statements also include statements relating to management's expectations and plans for the Walmart U.S. operating segment regarding: being strategic about price investments; continuation of focus on quality in apparel; goals for reducing wait time for Site to Store orders and providing customers with an anytime, anywhere pickup solution; utilization of the Walmart U.S. operating segment's presence across the United States as an additional asset in Walmart's fulfillment network; strategic expansions of the pilot Ship from Store program; openings of new, relocated and expanded stores in fiscal 2014; growth of retail space in the second quarter of fiscal 2014 and for all of fiscal 2014; and continuing to fuel the productivity loop and improving operations to be able to leverage expenses, invest in price and drive results.

Such forward-looking statements include management's expectations and plans for the Walmart International operating segment regarding: the operating segment's expenses remaining under pressure in the second quarter of 2014; sales growth in South Africa being pressured for the remainder of fiscal 2014; expansion of e-commerce and integration of technology successes into markets such as Mexico, Japan and Canada; operations being more effective in each market as a result of Walmart's compliance program; and for not leveraging expenses in the second quarter of fiscal 2014, and certain actions demonstrating improvement regarding leveraging expenses throughout the remainder of fiscal 2014.

Such forward-looking statements include management's expectations and plans for the Sam's Club operating segment, regarding: improved sales in seasonal merchandise categories as a result of improved weather; opening a certain number of new and relocated clubs during fiscal 2014; the impact of increases in membership fees on renewal rates and new sign-ups; continuing to provide Plus members with exclusive offers through their membership cards; changes in merchandise strategy during fiscal 2014; the expansion of the pilot Scan & Go app; and the effect of new club growth, membership improvements, merchandise and e-commerce and digital opportunities. The forward-looking statements also discuss other goals and objectives of Walmart and 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, 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; customer traffic in Walmart's stores and clubs and average ticket size; the timing of receipt of tax refund checks by consumers; the seasonality of Walmart's business and seasonal buying patterns in the United States and other markets; geo-political 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 costs; the cost of diesel fuel, gasoline, natural gas and electricity; the selling prices of gasoline; disruption of Walmart's 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 availability of investment opportunities relating to Walmart's Global ecommerce initiatives; the cost of construction materials; the availability of acceptable building sites for new stores, clubs and facilities; zoning, land use and other regulatory restrictions; the availability of attractive investment opportunities in the Global ecommerce sector; 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 is subject and the costs associated therewith; 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.

Factors that may affect Walmart's effective tax rate include changes in Walmart's assessment of certain tax contingencies, valuation allowances, changes in law, outcomes of administrative audits, the impact of discrete items, and the mix of earnings among Walmart's U.S. and international operations. Walmart discusses certain of these matters more fully in its filings with the SEC, including its most recent Annual Report on Form 10-K (in which Walmart also discusses certain risk factors that may affect its operations, its results of operations and comparable store and club sales), 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 comparable store sales for our total U.S. operations and comparable club sales for our Sam's Club's operating segment and certain other financial measures relating to our Sam's Club operating segment discussed on this call exclude the impact of fuel sales of our Sam's Club operating segment. Those measures, as well as our return on investment, free cash flow, and amounts stated on a constant currency basis 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.stock.walmart.com and in the information included in our Current Report on Form 8-K that we furnished to the SEC on May 16, 2013.