Hi, this is Carol Schumacher, Vice President of Global Investor Relations for Wal-Mart Stores, Inc. Thanks for joining us today for our earnings call to review the Third Quarter of Fiscal Year 2015. The date of this call is November 13, 2014. This call is the property of Wal-Mart Stores, Inc. and is intended for the use of Walmart shareholders and the investment community. It should not be reproduced in any way. For those listening on the phone, you may navigate through this call as follows. (Operator Instructions)

This call contains statements that we believe 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.

Our press release and a transcript of this call are available on our corporate website stock.walmart.com. Additionally, a supplemental presentation that summarizes our key financial results should be used with this call. That presentation appears at the end of the transcript. We believe the presentation provides a more streamlined approach to reviewing our financial performance and prior year comparisons. Unit count data, which is updated monthly, is posted separately on the investors' portion of the website, under Financial Reporting. It is worth noting that last Wednesday, we opened our 5,000 unit in the United States, a Neighborhood Market in Greenbriar, Arkansas.

In the Walmart U.S. discussion today, we refer to traditional Neighborhood Markets, which are grocery stores that average 43,000 square feet and include a pharmacy. The smaller Neighborhood Markets we refer to are those ranging in size from 12,000 square feet to 15,000 square feet and are what we formerly called Walmart Express stores. As we previously announced, existing Express stores are being rebranded this quarter to Neighborhood Market. Going forward, the Neighborhood Market brand will be used for the grocery small format, regardless of square footage, unless otherwise noted in our financial releases. In Walmart International, we provide results and commentary primarily on our five largest markets by revenue.

For fiscal 2015, we utilize a 52-week comp reporting calendar, with our Q3 reporting period from August 2 through October 31, 2014. A week-by-week comp reporting calendar is available under the comp sales link on the investors' portion of our website. We will report a 13-week comp for this fiscal year's fourth quarter versus the 14-week comp period we reported last year. For information regarding terms used in today's release including EPS, constant currency, gross profit and gross profit rate, refer to our website. Throughout the discussion of our e-commerce performance, we also are referring to results on a constant currency basis.

We announced our earnings reporting calendar for next fiscal year and those dates are posted on our website as well. So let's get to our agenda for today's call. Doug McMillon, President and CEO of Wal-Mart Stores, Inc. will cover key results and provide his thoughts about our enterprise strategy and the business. Claire Babineaux-Fontenot, EVP and Treasurer will cover the financial details for the quarter. Then we will cover our segment results. Greg Foran, President and CEO of Walmart U.S. will kick things off. He will be followed by Dave Cheesewright, President and CEO of Walmart International, and then Roz Brewer, our President and CEO of Sam's Club. Charles Holley, Walmart's CFO will wrap up with a focus on our guidance for the fourth quarter and the full-year.

Now, I'm very pleased to introduce our CEO, Doug McMillon to kick off the call. Doug?

Doug McMillon

Good morning and thanks for joining us today. Walmart reported solid earnings per share of $1.15 in the third quarter, and our consolidated net sales increased $3.2 billion over the same period last year to $118.1 billion. I'm encouraged that Walmart U.S. reported a positive comp for the quarter and that our Neighborhood Market stores continued to show strong sales. Sam's Club's and International's operating income grew faster than sales growth, and global e-commerce sales increased about 21%. But we need to continue to improve the customer experience both in our stores and online to deliver stronger sales growth and strengthen our bottom line performance.

Now, let's review our third quarter results in more detail. Walmart U.S. added $2.3 billion in net sales. Since the beginning of this year, you've heard me say that our focus was on delivering a positive comp by year-end. I'm encouraged that comp sales were positive in Q3, but we are still not satisfied. We have areas to improve, including in the customer experience and in our price leadership position and we are taking the steps necessary to fix these areas. Greg and the leadership team are intensely committed to driving short-term improvement through the urgent agenda items and he will share an update on this important work.

Operating income declined due to increased healthcare expenses, investments in e-commerce, and investments in price. Walmart U.S. appeals to customers across all income levels, and they all want to get the best value. Our Savings Catcher program continues to help us reach more of these value-driven customers. The cost relief from lower fuel prices presents a potential benefit for customers and could continue to help them during this holiday shopping season in addition to helping our own business.

Sam's Club delivered strong operating income growth this quarter, due primarily to an increase in membership income and expense leverage. We would like to see stronger sales, but I'm encouraged by the progress in membership and the strong pace of renewals by our Plus Members. Members are responding to our ongoing investments in merchandise and in services, as well as the overall membership value proposition.

Walmart International turned in a solid performance, growing operating income faster than sales, one of our key metrics. I'm especially pleased by the sales improvements this quarter in Canada, both sequentially and over last year. The investments we've made to remodel our stores and drive supercentre expansion are resonating with customers. During the quarter, I traveled to Asia to see how things are progressing in China and Japan. In a supercenter in Beijing, customers shared how they appreciate the quality of our fresh meats and produce. I got a kick out of watching our associates show our Chinese customers how to use avocados to make guacamole. The world is shrinking right before our eyes.

While our customer feedback in China is improving, one customer when asked what we could do better, mentioned she can sometimes find diapers and formula cheaper online. Customers all over the world are integrating how they shop. They don't see the same lines of separation some of us might focus on and this is a great opportunity for Walmart. Increasingly, we are seeing it just how they do. In Japan, our customers are responding to value. It's clear why our comp sales have been better when you walk these stores and see the items and prices. Our fresh food in Japan looks great.

Last week, I dropped into some stores in Chicago including a new Neighborhood Market in an urban area. A customer stopped me to thank us for the value we've brought to his community and it was interesting for me to see some of the similarities and differences of our fresh food offer compared to what I'd seen in Japan. We are learning across markets and can do even more of that to improve our fresh offering in all of our markets. It's a key point in our enterprise strategy going forward. In that same store, another customer strongly encouraged us to add more organic produce. She was right; we needed more. We're seeing opportunities large and small to get better.

Interactions like this often remind me how similar our customers are around the world. Everyone is interested in getting quality products at a value.

Walmart makes a difference in people’s lives. From a customer perspective, the lines between digital and physical retail have blurred. For me, it was another reminder of the great opportunity we have to use our 11,000 stores and digital capabilities globally to save our customers money and time. With our goal of greater access and an improved customer experience, we are strengthening our e-commerce and mobile capabilities. This is an investment period for Walmart, which can create short-term turbulence in service and impacts our e-commerce sales.

This quarter, we saw solid e-commerce growth from our key markets and we are pleased with the progress in markets like Mexico and Canada. We continue to roll out our new global technology platform to provide streamlined search and navigation functionality. And, construction continues on our new fulfillment centers in the U.S. and Brazil. I’m excited about all the opportunity we will have to serve customers in new and better ways as we get these global e-commerce capabilities fully installed.

As you heard at our Annual Investor Meeting last month, we are focused on an enterprise strategy designed to deliver a seamless shopping experience for our customers. It’s what they want and we will give it to them. This strategy includes four customer dimensions: price, assortment, experience and access. Being the price leader across a broad basket of goods is important because value conscious customers from all income demographics around the world want to save money. We’re also focused on having the right assortment, both in store and online.

Our customers want to be able to buy just about anything from us, so we are expanding our e-commerce assortment to give them that opportunity. In the area of service, we’re investing to provide a shopping experience at Walmart that exceeds customer expectations. For access, we are developing the capabilities to save our customers time and give them the choices they want by integrating digital and physical retail in ways that are convenient for what they want at that moment.

The way these four dimensions come together represents our plan to win. We’ll be able to give customers what they want and how they want it. We’re thankful to be able to continue our progress addressing challenges in key areas of global responsibility. We have a great team of associates. Walmart creates a ladder of opportunity for each of us. We promote a lot of associates each year to jobs of greater responsibility and higher pay. Whether your job is to serve customers in Beijing, Tokyo or Chicago, you can grow in your role and build a career at Walmart.

In our communities around the world, I’m pleased that both our customers and associates will help make the holidays and the New Year brighter for those less fortunate. Through partnerships with organizations like CARE, Salvation Army, Feeding America and Operation Homefront, Walmart is giving back to the communities we serve. As I close my remarks, let me reiterate that I'm encouraged by the progress we made in the third quarter. Saving people money and time drives our decisions. The future looks bright for Walmart. We're making the necessary changes and moving with appropriate speed to exceed our customers' expectations.

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

Claire Babineaux-Fontenot

Thanks, Doug. I'll cover results of the company's consolidated financial statements. Further details are available in the accompanying presentation released today as a part of the earnings transcript. Total revenue for the quarter exceeded $119 billion, as consolidated net sales increased $3.2 billion, or 2.8% along with membership and other income growth of 13.9%. Consolidated operating expenses increased 3.5%, primarily due to continued investments in wages and higher U.S. healthcare-related expenses. FCPA and compliance-related costs were approximately $41 million, which represents approximately $30 million for the ongoing inquiries and investigations and approximately $11 million for our global compliance program and organizational enhancements. Last year, FCPA and compliance-related costs were $69 million for the third quarter. Through the third quarter of this year, we have spent $137 million on FCPA and compliance-related costs versus our guidance of between $200 and $240 million. We expect to be near the low end of the guidance for the full-year.

As you may see on Slides 2 and 3, net interest expense increased 13.1% for the quarter. This is primarily the result of the reclassification of certain store leases from operating to capital. Additionally, the company's effective tax rate was 31.8%, below our previous guidance of around 34% due to certain discrete tax matters. So while we benefited in the quarter from a lower tax rate than anticipated, this benefit was offset by a number of discrete charges. In addition to the capital lease interest charges, we had some unique operating expenses in the quarter, which include organizational restructuring charges in the UK and Hurricane Odile losses in Mexico. Dave will discuss those later.

From a balance sheet perspective, consolidated inventory increased 3.7%. Later in today's call, you will hear more about inventory from our segment leaders. Payables as a percentage of inventory were 77.0%, which compares to 79% last year due primarily to higher inventory balances and the timing of payments. Improving inventory leverage is important, and each of our operating segments is focused on this priority. I will conclude today with a comment about returns. The decrease in ROI was primarily due to a decrease in operating income, as well as our continued investment in store growth and e-commerce initiatives. Free cash flow increased primarily as a result of timing of income tax payments and capital expenditures.

Now, I'll turn the call over to Greg. Greg?

Greg Foran

Thank you, Claire. Over my first 100 days, I've been visiting our stores and competition across the country and evaluating the U.S. business landscape. I've spent time with our frontline associates and leadership teams, and I'm encouraged by what I see. There are some areas where we really are excelling and our performance reflects this. However, I still know we've got a lot of work to do. To summarize the U.S. business as I see it today, comps have improved, but sales and operating cost headwinds remain, impacting both top and bottom line performance.

We will partially offset these headwinds in the fourth quarter by making progress on the urgent agenda items that I presented at the Investor Meeting last month. We have opportunities to become better shopkeepers, to execute the everyday business better. And finally, we are developing long-term plans for the business. These actions will take time, but I believe they will make us a stronger business, and allow us to sustainably grow beyond our fair share of opportunity.

Now, let's turn to this quarter's performance. Net sales grew $2.3 billion, or 3.4%. For the 13-week period ended October 31, comparable sales were up 0.5%. This is the first positive comp for the Walmart U.S. business in seven quarters despite approximately 70 basis points of impact from SNAP-related headwinds. Ticket was up 1.2%, while traffic declined 0.7%. Note that traffic improved 40 basis points from Q2 and 70 basis points from Q1. Within the business, we've had several areas driving top line growth. First, we're encouraged by sales performance during key seasonal events. We started the quarter with a strong back-to-school program across categories in apparel, home, and traditional back-to-school supplies. And we ended the quarter well, executing a strong Halloween event. This led to positive performance in seasonal categories, including costumes, seasonal décor, and candy.

Throughout the quarter, we experienced comp sales growth in home and apparel, driven by newness across the categories. We have a strong good/better/best strategy, accented by strong brands, which translated into positive results. Health and wellness continued to be a bright spot for us driven by double-digit branded drug inflation and script count growth, due to the more preferred Medicare plans. OTC was also strong in categories, such as pain management and seasonal allergy.

Within store formats, we are pleased by the Neighborhood Market performance particularly in our traditional format, which reported approximately a 5.5% positive comp for the quarter. Pharmacy and consumables continued to produce strong growth, as we focused on in-stock and optimizing the store with relevant offerings for the customer. In our e-commerce business, we are being thoughtful about sustainable growth in this channel. E-commerce, including store-fulfilled sales, contributed approximately 20 basis points to our overall comp. Whilst our comp performance shows some progress, we still have opportunity to improve.

Our overall grocery comp, which includes food and consumables was relatively flat. Net inflation increased approximately 210 basis points versus last year, primarily led by meat and dairy. Offsetting the majority of this inflation were SNAP-related headwinds and customers trading down in high-inflation categories. In the key category of food, consumables, and OTC, we gained a small increase in market share for the 13 weeks ended October 25, according to The Nielsen Company.

Entertainment had a high single-digit negative comp. This was driven by industry softness and deflation and further compounded by lapping major releases last year in video games and movies. Additionally, a delayed launch in our wireless systems capabilities impacted our ability to offer mobile handset installment plans. We expect these systems to be in place in Q4. We are, however, encouraged by early results from the recent relay of the entertainment department and have seen quarter-over-quarter improvements in key categories.

Overall, I would characterize the quarter's sales performance as mixed. Whilst I'm encouraged by several emerging trends and I'm cautiously optimistic about our Q4 top line performance, I know we have additional work to improve down our side counters and within our everyday business. Shifting to the remainder of our financial results, gross profit rate declined 22 basis points. This was driven primarily by pharmacy cost inflation and reductions in the third-party reimbursement rates. Additionally, we've continued price investment in key categories such as meat and preferred Medicare plans in pharmacy.

Operating expenses were primarily impacted by higher healthcare- related costs versus last year. Additionally, we were purposeful not to overextend wage leverage, while focusing on improving customer service. Overall, operating expenses deleveraged 10 basis points and coupled with the decline in gross margin rates and ongoing investments in e-commerce led to a 1.2% decrease in operating income.

Let’s move next to inventory, which was up 5.2% at the end of Q3. More than half of this was due to new store growth and a conscious decision to flow inventory through our diversified import network early for the upcoming holiday season. This allowed us to minimize risk of delays and mitigate impact to our holiday business. We’ve taken recent actions with respect to reducing inventory, but it’s too early to see any significant impact. However, we are reasonably confident that we will see an improvement in inventory levels over the next year.

Now, let me discuss our real estate actions this quarter. We opened 49 supercenters, including 33 new and 16 conversions, as well as 28 traditional-format Neighborhood Markets in Q3. In Q4, we will shift to a heavier mix of small formats, opening over 100 traditional Neighborhood Markets and 70 smaller ones. Given the significant number of Q4 openings, we expect headwinds related to pre-opening expenses, as well as higher inventory balances from these openings.

Shifting gears now, I would like to talk a little about Q4. I’m encouraged by our momentum on the urgent agenda items. We’re already seeing improvements in how we execute markdowns related to damaged merchandise, particularly in produce, as we focus on improving freshness for our customers. Plans are emerging to deliver a strong in-stock position, while simultaneously managing inventory levels appropriately. Though profit will remain challenged, we are working to partially offset some of the expressed headwinds.

For the holiday season, I’m excited by what I see in our stores. Thanksgiving is just around the corner, and we are prepared to make it a great day for our customers and their families. As we revealed this week, we are excited for The New Black Friday at Walmart. This year, we’ll have five days of fantastic deals and tailored events, including the return of our industry-exclusive one-hour Guarantee program. We have the most popular toys, thanks to our Chosen by Kids program, and we continue to provide customers with easy ways to purchase everything they need for the holidays, including ordering online for pick up in store and a free layaway program with no opening fees. We will also have exciting offers both in-store and online for Cyber Monday, as we deliver an integrated digital and physical experience.

I’d like to personally thank all of our 1.2 million strong associates, who are engaged and energized for the season. This year our associates will be easy to spot, as they wear their Walmart vests with pride. Additionally, we will hire more than 60,000 additional seasonal associates to help provide great customer service, and we will implement our Checkout Promise, ensuring more registers are open than ever before. All of these actions will reinforce the levels of service our customers need and appreciate.

As we enter the fourth quarter, we see both opportunities and challenges ahead of us. We lapped the approximately 6% reduction in SNAP benefits on November 1. Additionally, gas prices are considerably lower this year than a year ago, which may give customers a little more discretionary spending power in the coming months. And as I just discussed, we are enthused by our holiday plans across the box and online. However, we expect this holiday season to be highly competitive, and we are mindful that the entertainment business, which comprises a larger percentage of overall Q4 sales is up against continued deflation and a lack of new product innovation. We'll continue to see pressures to the bottom line as we balance wage leverage with higher customer service standards.

We recognize we have opportunities to improve the business, but we also know that these things will take time to ensure that they are executed properly and in the best interest of our customers. We continue to work hard on longer-term plans, and I know that by being purposeful in our actions, we will come out stronger, gaining more than our fair share of the opportunity. For these reasons, we expect comp sales in the fourth quarter to be between flat and positive 1% for the 13-week period ending January 30, 2015. Last year, Walmart's comp sales declined 0.4% for the 14-week period ended January 31, 2014.

Now, I'll turn it over to Dave for the International update. Dave?

David Cheesewright

Thank you, Greg. Overall, we had a solid third quarter, once again growing operating income faster than sales and gaining market share in most of our largest markets. While sales growth slowed some on a constant currency basis compared with the first-half of the year, sales trends improved in the latter part of the quarter in markets such as Canada and Mexico. Customers remain challenged across most of the globe, but our teams continue to do a great job of serving these customers by helping them save time and money.

The team is aligned on key strategies that we discussed in the October Investor Meeting. We're making significant progress on driving price leadership and widening or maintaining our price gap across key markets. We're excited about steps we've taken this quarter to accelerate growth in e-commerce, including the launch of additional online offerings in Mexico and China and collection points for online customers in the U.K. and China. We also remain focused on being the most trusted retailer wherever we operate.

For example, Walmart China recently launched a Worry Free Fresh program starting with 49 stores providing our customers with a money-back satisfaction guarantee when buying fresh produce and meats.

On October 30, we announced the future closing of around 30 underperforming stores in Japan that will allow us to continue to focus on the key elements of the business, such as e-commerce, price leadership, and fresh. While these decisions are never taken lightly, we will continuously assess our portfolio of businesses to ensure that we are focusing our efforts on the things that matter most to our shareholders and customers.

Though there is always room for improvement, we feel good about our third quarter results. Net sales grew 2.9% on a constant currency basis or 1.7% on a reported basis. Operating income grew faster than sales at 5.2% on a constant currency basis and 3.7% on a reported basis. We did not leverage expenses for the quarter in part due to continued investments in e-commerce and other initiatives, but leveraging expenses remains a key priority. On a relative basis, we were encouraged by our market share performance in most countries, which we will discuss further in the individual market sections.

Of our five largest countries, Canada, Brazil and Mexico delivered positive comp sales, but comps declined in the U.K. and China due to retail deflationary pressures. Net sales and comp growth were strong in some of our other markets, including Africa, Argentina, Central America, Chile, and Japan. We made some progress in reducing inventory levels during the quarter, dropping from 11.2% year-over-year growth in Q2 to 7.2% in Q3. While we are encouraged by the improvements made in some of our key markets, we still have work to do.

Now, let’s discuss individual results for key markets. Net sales growth and comp sales are presented on a constant currency basis only. In all countries except Brazil and China, results are inclusive of e-commerce. Slides 8 and 9 of the presentation summarize financial details. The UK market remained challenging throughout the quarter. Aggressive competitive activity resulted in an overall market decline over the 12 weeks ended October 12, according to Kantar. In this environment, Asda continued to perform relatively strongly and was the only one of the big 4 grocers to gain share this quarter. Comp sales declined 1.8%, excluding fuel. Supermarkets performed ahead of expectations, and we saw success in George home categories and Click and Collect which we continue to expand aggressively.

Operating income grew ahead of sales due to favorability in margin and other income. We did not leverage expenses due to lower sales and some organizational restructuring costs taken during the quarter. In Canada, we accelerated growth versus the first-half of this year, with comp sales growing 0.6% and net sales up 3.3%. Fresh performed particularly well, with double-digit growth due to our increased grocery presence via new and converted stores. General merchandise sales also improved versus Q2 driven by entertainment. In an increasingly competitive environment, Canada gained 20 basis points of market share in food, consumables and health and wellness combined, as reported by Nielsen for the 12-week period ended October 18. Canada grew operating income 3.5%, outpacing sales growth. We leveraged operating expenses 9 basis points through continued focus on lowering costs.

Moving next to Walmex, which released their quarterly results on October 17. Please note the Walmex release is under IFRS and the results here are under U.S. GAAP; thus some numbers will differ. Consolidated Walmex sales grew 4.2% with positive comp sales in both Mexico and Central America. Walmex operating income decreased 10.4% due to approximately $25 million in expenses related to the effects of Hurricane Odile in August.

Mexico sales grew 4.2%, and comp sales were up 0.6% for the quarter outperforming the industry. Excluding Sam's Club, self-service outperformed the market by 250 basis points and gained share across our main store divisions according to ANTAD. Grocery comps exceeded the market by 340 basis points, and general merchandise increased 150 basis points. In addition, our small format, Bodega Aurrera Express, outperformed its market peers with a 12.6% comp for the quarter. We maintained a solid price position and attractive assortment, which we believe will help us win in the fourth quarter.

We remain focused on turnaround efforts in our Mexico Sam's Clubs. Our success will depend on building our membership base and establishing a strong foundation for the future. This quarter, I'm happy to report progress against some of our key objectives with positive member base growth each month of Q3, and reduced inventory. We still have a lot of work to do, but I'm pleased that we are seeing some progress.

As mentioned earlier, the Baja region of Mexico was significantly impacted by Hurricane Odile. I'm extremely proud of how the Walmex associates and Walmart de Mexico's Foundation stepped up to support the local community providing 60 tons of food to the Mexican Red Cross and opening collection centers in our stores in several states of Mexico. Walmex also provided support to affected associates.

Next, let's talk about Brazil. Despite an overall economic deceleration in Q3, comp sales grew 0.8%, with net sales down 0.7%, as a result of closing underperforming stores last year. Despite the overall sales decline, the management team continued to make great progress on reducing operating expenses, resulting in operating income improvement. We remain focused on strengthening the business in Brazil by building a business model that is simple, scalable and profitable. We restructured leadership teams where necessary and enacted process changes in merchandising to leverage local market knowledge when making decisions. Store integration progress continued, with the recent completion of the conversion of all stores in South Brazil to unified systems and processes. These actions helped drive the comp sales growth, expense savings, and profit improvement so far this year.

Moving to China. Walmart China's Q3 net sales declined 0.8% and comp sales declined 2.3%. Sales remain challenged as we, along with all retailers, continue to face significant headwinds from government austerity, reduction in gift card sales, and deflation in key categories such as dry grocery, liquor, and consumables. Despite the top line challenges, Walmart China grew sales at a faster pace than the market in the hypermarket category for the quarter ended September 30, according to Nielsen.

Walmart China also made great progress in strengthening the core of the business. Initiatives to increase supply chain centralization by adding fresh and grocery distribution centers will be completed by the end of this year. Centralization reduces shipping costs, enhances quality of fresh products, improves inventory management and delivers goods to stores more timely. Walmart China's operating income was flat with last year. We anticipate continued sales pressure in China for the fourth quarter from deflation and government austerity measures, as well as from the timing of Chinese New Year, which will fall nearly three weeks later than in the current year.

Finally, let's discuss our progress in e-commerce across the globe. Accelerating e-commerce growth is a key priority and future growth will depend on innovation and driving grocery home shopping. The third quarter marked the launch of online grocery delivery sales in the greater Mexico City area, and the pilot of a third-party online OTC pharmacy site in China that's part of Yihaodian's offering.

In the UK, e-commerce sales were up 20%. We provided more convenience for customers through the Click and Collect rollout, with a record 148 new locations opening this quarter, including six additional London tube stations. Ongoing price investments drove strong grocery home shopping sales growth of 18.6%, despite annualizing against significant growth last year. Yihaodian, our e-commerce business in China had strong sales growth. Traffic increased more than 40% and average ticket improved as well. Consumer electronics drove growth with strong performances in wireless and appliances, and the third quarter was highlighted by Yihaodian's Anniversary Sale with sales increasing more than 50% compared to last year's event.

In Brazil, e-commerce sales grew strongly again. As a result of closer partnerships with key suppliers such as Sony PlayStation and Electrolux appliances, sales in games and home nearly doubled. In addition, focused marketing on new moms in the baby categories contributed to strong consumables growth. The August Black-Out Event, a Black Friday-like promotional event was a great success. The event was more than twice as large as last year with six TVs, seven mobile phones, and one Xbox 360 sold every minute.

We were also pleased with e-commerce results in Mexico, as online sales grew 66% over last year albeit off a fairly low base. The new grocery delivery option offers 30,000 items from 14 categories, including fresh, dry grocery, consumables and pharmacy, and caters to customers of 75 stores in and around Mexico City. Orders can be picked up in store or delivered. We're also making significant investments in talent, marketing, technology and fulfillment. We saw encouraging results in general merchandise, where almost 20% of our sales are done through 150 kiosks at Walmart Supercenters, giving customers who feel more confident ordering and paying in stores an attractive alternative to paying online.

We remain committed to our key initiatives in order to deliver a solid fourth quarter performance. The market teams have exciting plans in place to serve our customers better than ever. For example, in Mexico, where we have a very strong presence in toys, we are offering a double price guarantee on toys sold during the Christmas season. In Japan, we will stock the shelves with popular Fortune Bags, similar to grab bags, in preparation for the New Year holiday, giving customers a surprise for a great value. We remain optimistic about our ability to serve our customers around the world, and in continuing to deliver solid results.

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

Rosalind Brewer

Thanks Dave. Sam's Club delivered strong profit growth this quarter with operating income up 5.3% without fuel and 12% with fuel. We've continued to execute strategic investments in membership, merchandise newness, and the intersection of digital and physical. Sam's posted a comp increase without fuel of 40 basis points for the 13-week period ended October 31. We're pleased that this growth represents a cumulative improvement of 90 basis points over the 39-week period.

Although we have lapped our fiscal year 2014 fee increase, our third quarter membership income growth remained strong at 10.1%. Clearly, our members have continued to respond positively to our efforts to enhance membership value. Since June 2014, the launch of Cash Rewards has improved our Plus penetration by about 4 percentage points. Additionally, our operators have really gotten behind our 5:3:1 cash-back MasterCard, which is not only chip-enabled to protect our members from fraud, but also stands as the best cash-back program in the market today. Along with instant savings, these programs speak to our commitment that a Sam's Club membership is the most valuable card in the members' wallets.

Now, let me review our financial results and highlights from the quarter, excluding fuel. For results with fuel, please reference the supplemental presentation. In Q3, comp sales increased 0.4% driven by relatively balanced growth in traffic and ticket. Traffic remains up among the Savings members, with pressure from fewer trips within our Business members. Retail inflation across the club averaged low single-digits with inflation higher in certain areas such as dairy and meat, offset by deflation in other areas, including technology.

Net sales grew 2.3% to $12.7 billion, and operating income grew 5.3% to $455 million. Our gross profit rate declined 43 basis points this quarter with a significant portion attributable to our investment in Plus Cash Rewards. This pressure will continue as Plus member penetration grows. Similar to Q2, mix also contributed to the decline. We leveraged this quarter, as operating expenses grew slower than sales by 35 basis points. This has been largely due to lower remodel costs and pre-opening expenses with four clubs, including expansions, opening this quarter compared to 13 during last year. However, healthcare-related expenses were higher year-over-year.

Membership and other income grew 9.9%. Plus member renewals and upgrades were strong, offsetting softness in the business member base. Lower oil prices contributed to higher fuel profit of $38 million. Consistent with industry trends, Sam's Club sees fuel profits increase as oil prices fall, and decrease as oil prices rise. In both scenarios, we provide significant member value through our gas stations, not only giving members the best price per gallon, but also an additional 5% off all gas purchases through our Sam's Club MasterCard. This year, we've been working to bring inventory growth in line with sales growth and we saw results. An increase of 1.3% with fuel, an improvement since last quarter reflects better inventory flow. Bringing in on-trend newness in key categories has brought our merchandise to life this quarter.

Let me give you a few examples. There is great work in newness going on across our food business. Both areas grocery/beverage and fresh/freezer/cooler delivered positive low single-digit comps. We have significantly expanded our organic portfolio this quarter, and plan to more than double it by the end of the year. Other new items such as Chia Seeds, breakfast bars, and squeezable fruit pouches hit on key trends, healthy, on the go, and exciting, and members have responded.

In freezer, convenient frozen meats, fruits, seafood, and vegetables have shown strength as well, appealing to our members' desire to save both time and money. Similar to last quarter, inflation in dairy and meat remained particularly in red meat, where we've seen members shift to value items such as chicken and ground beef. Additionally, produce results have been mixed due to a stone fruit recall, deflation in potatoes, and weather shocks that pressured various items in the category.

For our members, newness is also about excitement. In home, apparel, hardlines, which posted a positive low single-digit comp, we have updated the calendar to fill in some of the gaps between major seasonal events. Our home event in August and early set of holiday merchandise in September impressed members and reinforced Sam's Club as a holiday shopping destination. Apparel, including our exclusive active wear brands, children's wear, and fall outerwear continued to generate excitement as well. Health and wellness accelerated this quarter delivering a positive mid single-digit comp driven by both script growth and inflation from the brand and generic mix. Members truly see Sam's Club as a trusted source for healthcare needs from pharmacy to health screenings to healthy-for-you products.

I'm particularly delighted that our pharmacy teams have been recognized by an industry research firm as the number one provider of pharmacy services amongst mass merchandisers. Our continued momentum in pharmacy is clear evidence of this well-deserved recognition. Over-the-counter was boosted by healthy-for-you protein products, including protein powder and protein drinks, which appeal to our members' active lifestyles. So as you can see, newness is working across categories and we are working even faster to infuse newness in other areas of the business as well.

Comp sales of consumables, which declined low single-digits is an area where we are working to improve results. While tabletop and bags continued to perform well due to pack size expansion and strategic pricing. The consumables category was pressured by inventory issues in our private label pet business, as well as a recall in baby wipes. Technology, entertainment and office comps declined high single-digit comps, but showed improved performance in the wireless category, compared to last quarter. Specifically, a strong Apple 6/6+ launch, and the implementation of new technology to process members' wireless contracts supported this improved wireless performance. Our merchants are focused on consumer electronics, which will keep our momentum going through the holiday season.

Ancillary, which includes tobacco was essentially flat for this quarter. While still down year-over-year, the improvement from Q2 is due to unit growth in tobacco driven in part by shifts in the competitive landscape. Our online business continued to perform, demonstrating our progress in furthering the integration of digital and physical. Samsclub.com contributed approximately 20 basis points to the total segment comp by means of its double-digit sales growth in both direct-to-home and Club Pickup, as well as improved conversion rates from across most access points.

I'm proud of the progress our teams have made to integrate the digital and physical. This October, we launched Click 'n' Pull, rebranding it as Club Pickup, to make it that much easier for members to shop with us just in time for the holiday season. It's a service that our Business members have always loved and now we are expanding it to appeal to all members. From the online Easy Reorder tool to new check-in kiosks at all clubs, members can complete a trip to Sam's Club in a matter of minutes. What's more, Club Pickup is yet another touch point for our members to experience legendary member service both in-club and online.

What I find really encouraging is our reengagement with the Business member through a suite of services that help our small business members save money and time on vital day-to-day business needs. For example, we know that only a small fraction of microbusinesses is able to fund employees' healthcare insurance, instead relying on outside benefits or paying out-of-pocket. Now, our small business members can provide employees with affordable health care plans through the Aetna Marketplace for Sam's Club.

Furthermore, they also have a trusted source for legal solutions from LegalZoom as well as payroll services, merchant payment processing, and travel booking. And we believe that savings members will also take advantage of some of these services, especially the travel. The digital foundation supporting this is the Samsclub.com platform. Our team released significant new features this quarter. Desktop site enhancements, unit price visibility, and smooth integration for third-party services have further improved the platform's ability to migrate members online, and guide them through the browsing and purchasing process.

I'm proud of our recent accomplishments at Sam's Club and even more thrilled about the growth to come in our clubs and online. In the fourth quarter, we will lap last year's headwinds from SNAP reductions and severe weather impacts. We expect comp sales to be between flat and up 2% for the 13-week period ending January 30, excluding fuel. This compares to a decline of 0.1% last year. When you come visit us in the club this holiday season, you will see our focus on delivering newness across the box. Our merchants and operators are excited about our holiday plan and poised to deliver strong results to close out the year. It all begins in just two days with our November 15 Holiday Savings Celebration, so I hope to see you out in the clubs.

With that, I'll turn it over to Charles. Charles?

Charles Holley

Thanks, Roz. Overall, we are encouraged by the progress we made in the quarter. We continued to focus on driving stronger sales and improving customer service. Let me summarize the key takeaways from the third quarter. Earnings per share of $1.15 were at the midpoint of our guidance. Walmart U.S. delivered its first positive comp in seven quarters. Consolidated net sales increased $3.2 billion, with Walmart U.S. contributing $2.3 billion of the increase.

Walmart International once again grew operating income faster than sales, and we gained market share in most of our largest markets despite the economic conditions in those markets. Sam's Club delivered operating income growth of 5% without fuel, due to stronger membership income. E-commerce sales grew approximately 21% on a global basis and we made initial progress on working capital management an ongoing priority for all of our finance teams.

Now, let's move on to guidance for both the fourth quarter and the full-year. Our earnings guidance today assumes several important factors, including the economic conditions in several of our largest markets and a highly promotional holiday season, especially in the U.S. As a reminder, our full-year earnings per share guidance includes the four factors we discussed last quarter, which were higher than anticipated healthcare costs in the U.S., incremental investments in e-commerce, ongoing investments in Sam's Club, and our effective tax rate, which we expect to range between 32 to 34%.

Last quarter, we shared that the incremental investment in e-commerce for fiscal 2015 is expected to range between $0.05 and $0.07 per share. Year-to-date, we have incurred approximately $0.04 per share of the incremental investment. On October 15, at our Investor Meeting, we also shared with you that we plan to step up our investments again next fiscal year given the priorities we have for digital and mobile commerce in our enterprise strategy.

As I indicated last quarter, while historically our tax rate tends to moderate toward the end of the fiscal year. It’s important to remember that assessments of certain tax contingencies, valuation allowances, changes in tax law, outcomes of administrative audits and the impact of discrete items could affect our rate. In particular we are monitoring progress in Congress with respect to the extension of certain U.S. income tax legislation that expired at the end of calendar year 2013, which if not passed could drive our effective tax rate towards the high end of our estimated range for the full-year.

Taking all of these factors into account, we are forecasting earnings per share for the fourth quarter to range between $1.46 and $1.56. This range includes approximately $0.03 per share related to the previously announced closure of underperforming stores in Walmart Japan. In addition, remember we will have continued headwinds from healthcare expenses as well as the remainder of our incremental investment in e-commerce. As a reminder, last year, Walmart reported fourth quarter earnings per share of $1.34, which included a negative impact of approximately $0.26 from discrete items. Therefore last year’s fourth quarter underlying earnings per share were $1.60.

With that, let’s move on to guidance for the full-year. As we indicated at the recent Analyst Meeting, we now anticipate net sales growth for fiscal 2015 to range between 2% and 3% versus our prior guidance of being at the low end of our stated range of 3% to 5%. And as of today, we would expect foreign currency to have a negative impact for the full-year of more than $4 billion. In addition, today we are updating our guidance for full-year earnings per share to range between $4.92 and $5.02. This revised guidance includes approximately $0.03 per share of charges related to the closure of underperforming stores in Walmart Japan. This compares to our prior guidance of $4.90 to $5.15.

Last year, we reported full-year earnings per share of $4.85, which included the $0.26 of discrete items I mentioned earlier. Therefore our full-year underlying earnings per share last year were $5.11. We remain committed to returning value to our shareholders through dividends and share repurchases. We paid $1.5 billion in dividends this quarter and spent approximately $82 million to repurchase our shares. It is clear that our operating results influence our cash flows. Our cash position will improve as we have better performance from our U.S. operations and improve working capital management.

Our entire team is focused on being disciplined in delivering for our customers and shareholders. Thank you for listening today and for your interest in our company. And on behalf of the management team and our associates worldwide, we thank you for your support this year and wish you a happy, healthy and safe holiday season. This call included certain forward-looking statements. Those forward-looking statements are intended to enjoy the safe harbor protections of the Private Securities Litigation Reform Act of 1995, as amended, and generally are identified by the use of the words or phrases allow us to grow, anticipate, expect, forecasting, guidance, is expecting, opening, plan, plan to step up, range includes, we'll, we'll be able, we'll offset, we'll see, we'll shift, will be completed, will continue, will implement, will keep, will remain, would expect, 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 in this call included statements regarding management's forecasts for: Walmart's diluted earnings per share from continuing operations attributable to Walmart for the full fiscal year 2015 and for the fourth quarter of fiscal year 2015; the per share amount by which the previously announced closures of certain underperforming stores in Walmart Japan will affect such diluted earnings per share for those periods; the per share amount of incremental investments in e-commerce to be made during fiscal year 2015; the percentage growth of Walmart's consolidated net sales for fiscal year 2015 over Walmart's consolidated net sales for fiscal year 2014; the expected amount of the impact of currency exchange rate fluctuations on Walmart's consolidated net sales for fiscal 2015; the FCPA and compliance-related costs Walmart will incur in fiscal year 2015; continued headwinds being encountered from associate healthcare costs and the remainder of the incremental investment in e-commerce in the fourth quarter of fiscal year 2015; 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 January 30, 2015; the range of the company's effective tax rate in fiscal year 2015.

In addition, such statements include statements of certain assumptions underlying such forecasts, of the likelihood and potential causes of the effective tax rate fluctuating from quarter to quarter and of certain factors that may affect Walmart's effective tax rate. Those statements also include statements relating to management's expectations regarding Walmart's plan to step up investment in e-commerce in the fiscal year ending January 31, 2016, Walmart's cash position improving as Walmart has better performance from its U.S. operations and improves its working capital management, Walmart's fresh offering in all markets being a key point in Walmart's enterprise strategy going forward, and lower fuel prices helping Walmart's business.

The forward-looking statements also include statements regarding management's expectations, plans or objectives for the Walmart U.S. operating segment, including: for the operating income, profit of the Walmart U.S. operating segment to remain challenged in the fourth quarter of fiscal year 2015; for the segment to offset partially expense headwinds in the fourth quarter of fiscal year 2015 by making progress on certain items; for the segment to continue to see pressures on its segment operating income during the fourth quarter of fiscal 2015 as it balances wage leverage; that actions to be taken by the segment will allow the segment to grow beyond its fair share of opportunity in its market; for improvement in the segment's inventory levels to occur over the year ending January 31, 2016, for a shift to opening a heavier mix of small format units to occur in the fourth quarter of fiscal year 2015, for the number of traditional Neighborhood Markets and the number of smaller format Neighborhood Markets to be opened by the segment in the fourth quarter of fiscal year 2015, that the segment will encounter pre-opening expense headwinds and have higher inventory levels in the fourth quarter of fiscal year 2015 as a result of the anticipated store openings in the fourth quarter of fiscal year 2015, and for the segment to hire more than 60,000 seasonal associates during the 2014 holiday season.

Such forward-looking statements include statements regarding management's expectations that the Walmart International operating segment will continue see continued pressure on sales in its operations in China in the fourth quarter of fiscal 2015 and will complete its initiatives to increase supply chain centralization in China by adding distribution centers in China by the end of fiscal year 2015, and that the future growth of the segment's e-commerce operations will depend on innovation and driving grocery home shopping.

Such forward-looking statements include statements regarding management's expectations, plans or objectives for the Sam's Club operating segment, including: for downward pressure on the Sam's Club operating segment's gross profit rate as a result of Plus Member penetration to continue; for the segment to double its organic product portfolio by the end of fiscal year 2015; and for the segment's focus on the consumer electronics portion of its business to keep sales momentum going in that portion of the segment's business for the 2014 holiday season. 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; business trends in our markets; economic conditions affecting specific markets in which we operate, including the amount of unemployment and underemployment in those markets; competitive initiatives of other retailers and other competitive pressures; the amount of inflation or deflation that occurs, both generally and in certain product categories; consumer confidence, disposable income, credit availability, spending levels, spending patterns and debt levels; changes in the level of public assistance payments; customer acceptance of new initiatives and programs of the company and its operating segments; consumer acceptance of Walmart's e-commerce websites in various markets; customer traffic in Walmart's stores and clubs and on the company's e-commerce websites and average ticket size; consumer acceptance of Walmart's product and service offerings in its stores and clubs and on the company's e-commerce websites; consumer acceptance of the company's stores and merchandise in the markets in which new units are opened; consumer shopping patterns in the markets in which the small store expansion of the Walmart U.S. operating segment occurs; consumer acceptance of the Sam's Club operating segment's Plus membership offering; disruption in the seasonal buying patterns in the United States and other markets; consumer demand for certain merchandise; geo-political conditions and events; the availability of attractive acquisition candidates among e-commerce and other retail-related companies; the availability of talented people with e-commerce-related expertise and experience; weather conditions and events and their effects; catastrophic events and natural disasters and their effects; 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 and diesel fuel; disruption of Walmart's supply chain, including transport of goods from foreign suppliers; Walmart's ability to identify and implement additional productivity gains and expense reductions; information security and 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 healthcare and other benefits; the number of associates enrolling in Walmart's healthcare plans; casualty and other insurance costs; accident-related costs; the availability and cost of appropriate locations for new and relocated stores, clubs and other facilities; local real estate, zoning, land use and other laws, ordinances, legal restrictions and initiatives that impose limitations on the company's ability to build, relocate or expand stores in certain locations; delays in construction of new, expanded or relocated units planned to be opened by certain dates; availability of persons with the necessary skills and abilities necessary to meet the company's needs for managing and staffing new units and conducting their operations and to meet seasonal associate hiring needs; the number of seasonal associates employed by the operating segments of Walmart in the 2014 holiday season; availability of necessary utilities for new units; availability of skilled labor in areas in which new units are proposed to be constructed or in which existing units are to be relocated, expanded or remodeled; unanticipated costs associated with the closure of underperforming stores in Walmart Japan and the number of such stores closed in the fourth quarter of fiscal year 2015; adoption of or changes in tax and other laws and regulations that affect Walmart's business, including changes in individual or 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; requirements for expenditures in connection with FCPA-related matters and compliance programs; currency exchange rate fluctuations; changes in market interest rates; conditions and events affecting domestic and global financial and capital markets; the market price of shares of Walmart's common stock; the unanticipated need to change Walmart's objectives and plans; factors that may affect Walmart's effective tax rate, including Walmart's performance, changes in Walmart's assessment of certain tax contingencies, valuation allowances, changes in law, including the outcome of pending U.S. Congressional actions regarding the extension of certain tax legislation, outcomes of administrative audits, the impact of discrete items, and the mix of earnings among Walmart's U.S. and international operations; changes in generally accepted accounting principles; unanticipated changes in accounting estimates or judgments; and other risks.

Walmart discusses certain of the foregoing factors 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 considered 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.

Walmart cannot assure you that the results or developments anticipated by Walmart and reflected or implied by any forward-looking statement will be realized or, even if substantially realized, that those results or developments will result in the expected, forecasted or projected consequences for Walmart or affect Walmart, its operations or its financial performance as Walmart has expected, forecast or projected. Because of the factors discussed above and in our filings with the SEC, 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.