



**WAL-MART STORES, INC. (NYSE: WMT)  
Fourth Quarter Fiscal Year 2016 Earnings Call  
February 18, 2016  
Management call as recorded**

**Pauline Mohler  
Wal-Mart Stores, Inc. Investor Relations**

Welcome. This is Pauline Mohler, senior director of global investor relations for Wal-Mart Stores, Inc. Thanks for joining us today to review the results for the fourth quarter and full year of fiscal 2016. The date of this call is February 18, 2016.

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This call contains 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 information provided by that Act. Please note that a cautionary statement regarding the forward looking statements will be made following Brett Biggs' remarks later in this call.

Today, in addition to the earnings release, we announced our annual dividend for fiscal year 2017 and you will hear more about that in today's call. Information regarding today's news is available on the investors' portion of our corporate website – [stock.walmart.com](http://stock.walmart.com). At this site we also post earnings terminology, which includes our definition of adjusted earnings per share, our global unit counts and a slide presentation that we recommend you should review in conjunction with this call and the earnings press release. The slide presentation has been updated to include the FCPA-and compliance-related costs, which we have typically discussed in the transcript.

As a reminder, for fiscal 2016, we utilized a 52-week comp reporting calendar. For this year, quarter-to-date and year-to-date comps will be based upon 13- and 52-week periods, respectively. Our Q4 reporting period ran from Saturday, October 31, 2015 through Friday, January 29, 2016.

Now, let's move on to today's call.

Doug McMillon, president and CEO of Wal-Mart Stores, Inc., will provide his thoughts about our results for the quarter and year in the context of our overall strategy.

Then, we'll cover the three operating segments starting with...

- Greg Foran, president and CEO of Walmart U.S., followed by
- Dave Cheesewright, president and CEO of Walmart International, and then
- Roz Brewer, president and CEO of Sam's Club.

Next, Neil Ashe, president and CEO of Global eCommerce & Technology is joining us this quarter to share insights regarding our investments in e-commerce; and

Last, Brett Biggs, Walmart's CFO, will wrap up with context around the financial results along with guidance for the first quarter and full year of fiscal 2017.

Now, I'd like to turn it over to our CEO, Doug McMillon. Doug...

**Doug McMillon**  
**President and CEO**

Thanks, Pauline, and good morning everyone. Thank you for joining us to hear more about our fourth quarter earnings, year-end results and progress against our strategy.

We had a solid fourth quarter to close out our fiscal year, with adjusted earnings per share of \$1.49. It's important to note our numbers reflect some discrete items this quarter, including the impact of store closures and certain tax items, and Brett will share more details in a minute. For fiscal year 2016 adjusted EPS was \$4.59, and excluding the \$17.2 billion impact of currency, we delivered revenue of \$499.4 billion, up 2.8 percent, which is \$13.7 billion of growth.

We continue to be pleased with the fundamental trends. We're making progress with customers and associates, and feel good about where we're heading. We are improving our stores, adding critical capabilities, and deepening our digital relationships with customers as we work to become the first to deliver a seamless shopping experience at scale. We'll save our customers not only money but time, and shopping with us will be simple, convenient and fun.

I also want to call out our continued commitment to our shareholders. In the fourth quarter, we were able to return \$4.0 billion to our shareholders through dividends and share repurchases. In fact, today we announced a dividend increase. Our annual dividend was \$1.96 and we've increased it to \$2.00 per share. This is the 43rd consecutive year of dividend increases for Walmart.

Overall, this past year has been a year of investment, operational improvement and change, even while we delivered solid growth. We do see an underlying strength in our Walmart U.S. business that wasn't there a year ago.

I want to share a few highlights. As you know, our biggest investments have been in people and technology. On this call one year ago, we announced our investment in higher wages, better training, and more department managers to make Walmart U.S. a better place to work and shop. We can only be successful with customers with engaged and empowered associates. A few weeks ago, we announced the second part of the wage increase, and it's awesome to give a raise to more than 1 million people on the same day. We also announced a simplified paid time off policy that will mean no waiting for associates to use their time off. These and other changes in the business are making a difference. Our customer satisfaction scores have risen significantly this year, and we now have had six consecutive quarters of positive comps and five straight quarters of positive traffic at Walmart U.S.

In the technology and e-commerce space, we continued to innovate with a focus on the customer. We have developed a new platform that we can scale across the business. We have improved our fulfillment capabilities with new fulfillment centers that are helping us get orders to customers' doors faster and more efficiently. And we continued to see growth in store pickup for online orders.

We also expanded online grocery shopping to over 150 locations across more than 20 markets in the U.S. Customers are ordering online and on their phones and then picking up their groceries on our parking lots without ever leaving their cars. Customer satisfaction for those who use our free pickup service is in the high 90s. We are learning some interesting things along the way. We've found that 8 - 9pm is one of the most popular times customers order groceries online, usually once the kids go to bed. We also see a healthy number of orders in the middle of the night. These may be parents comforting or feeding infants and ordering more diapers or

formula to pick up the next day. While it's been awhile since my kids were that age, I remember those days well, and I absolutely love that we're able to offer convenience and blend into our customers' lives when they need us most.

I'm also excited about the introduction of Walmart Pay, and I was very proud of how different parts of our company worked together on it with a relentless focus on the customer experience. I look forward to us rolling it out this coming year. We recently aligned our technology teams because we want more speed and more customer-centric and cost-efficient innovations like this one. We will deliver one Walmart experience to our customers.

Additionally, we took steps this quarter to sharpen the focus of our portfolio. As part of this continuing portfolio review process, we looked at all of our stores from both a financial and strategic standpoint. One of the key takeaways for me was how strong our portfolio really is in that we only closed stores representing less than one percent of our global revenue and square footage. I'm pleased but not surprised that we have already found open positions for more than half of the impacted associates in the U.S., and we're moving aggressively to identify other open positions for the remaining associates who are interested in transferring to new locations.

So we are doing what we said we'd do, and we're on the right path. Still, we know we have a lot more work to do, and there are areas of the business that are not where they need to be. Let's look more closely at each of the segments.

Walmart U.S. is on firm ground. We had comp sales of 0.6% on top of last year's 1.5% comp for the fourth quarter. As we lapped positive comps, we accelerated on a two-year stack basis. We also had continued strong performance from Neighborhood Markets. In addition to our investments in our associates, we're getting better at the fundamentals of retail and managing the business better. We are reducing comp store inventory and improving our in-stock performance. We also had a sound plan for the

holiday season that ensured customers could rely on us for low prices throughout the season, not just at big moments.

Walmart International again delivered solid financial performance. Nine of our 11 markets delivered positive comps for the quarter, and I'm very encouraged by the results overall. Walmex in particular is in a good groove again, and Canada delivered strong performance. Although we face near-term headwinds with the economy in China, our business there is on track. Brazil, however, is proving to be an increasingly challenging economic environment, and the competitive intensity in the U.K. continues to increase. As we review and act on our portfolio, we also announced that we are exploring selling both our clothing chain called Suburbia in Mexico and a property company in Chile. Our International business is healthy and growing.

Global eCommerce sales and Gross Merchandise Value (GMV) globally grew approximately 8% in the fourth quarter. For the year, sales grew 12% and GMV grew 13%. The holiday season gave a good preview of how all the pieces we're putting in place will come together. We saw strong online sales in the U.S. on the big days from Thanksgiving through Cyber Monday, and nearly half of our customers bought their online orders on a mobile device. We also saw growth in store pickup and online grocery. We have faced specific challenges in our largest e-commerce markets outside the U.S. Economic softness in Brazil and China continued to weigh on growth, and we have been in a transition phase at Yihaodian since acquiring full ownership. As mentioned before, the environment in the U.K. remains extremely competitive and it's important to remember our e-commerce business in the U.K. is a food delivery and pick up business. In the U.S., we plan to build on the foundation we've built by delivering a significant assortment expansion and faster delivery at a lower cost this year. We need more GMV growth from our e-commerce businesses.

Sam's Club is in the early days with its new strategy. Comps for the quarter were below what we anticipated, and food in particular underperformed outside of the holiday periods. We're pleased with the

work so far to address the fundamentals of the business - to improve merchandising and drive new membership - but we have more to do. There are encouraging signs in our membership numbers.

As we address issues with the core business, we're excited by growth in new areas. For example, Club Pickup continued to be the fastest growing part of the business.

Finally, even as we focus on our customers and our associates, we were reminded a few weeks ago about the opportunity we have to lead in our communities. Walmart, Coca-Cola, Nestle, and Pepsico announced we will collectively donate water to meet the daily needs of over 10,000 school children in Flint, Michigan for the balance of the calendar year. Whether it's hiring veterans, supporting U.S. manufacturing, or driving new renewable energy production, we have strengths that can help others in important ways. During the first quarter, we will release our annual global responsibility report, alongside our annual report, to share more on how we're making a difference. Leading on social and environmental issues is good for our business, for our shareholders, and for the world, and we will continue to move the needle this year.

In summary, we continue to believe we are putting the right foundation in place to better serve customers, deliver stronger sales growth and ultimately strengthen bottom line performance. As we begin this new year, I'm focused on continuing the momentum in our U.S. stores, getting all the ingredients in place for stronger growth in e-commerce and the strategic choices related to how we put them together. I'm also mindful of the need for balance. Improving productivity, as we grow, is important. Brett will talk through our full-year forecast with the first quarter being the most pressured from an earnings point of view due to the timing of the incremental wage investments. This will be another year where we digest foundational investments and it's important that we build on what we've started as we go through the year.

Now, I'll turn it over to Greg.

**Greg Foran**  
**Walmart U.S.**

Thank you, Doug.

Over the last 12 months, we've laid out our plan to win in the U.S. now and in the future. We are executing against it and have taken several steps towards delivering on our commitment of growing the topline, increasing market share, and delivering shareholder value. We've still got a lot of work to do, but I'm pleased that our fourth quarter results demonstrated solid progress against this plan.

Across the key metrics we track to measure our progress, we're right where we expected to be. Comp sales were positive for the 6<sup>th</sup> straight quarter, and driven by our 5<sup>th</sup> straight quarter of positive traffic. Our customers are increasingly pleased with the changes in our stores, and they're letting us and others know through improvements in the Net Promoter Score, and improved customer experience feedback. In fact, at the end of this fiscal year, more than 75 percent of stores had met or exceeded their customer experience goals set back at the beginning of the year. This was a significant improvement over the 16 percent that were meeting this mark at the beginning of the fiscal year. Additionally, our associates are more engaged and turnover is lower. Department managers have been hired in key areas of the stores, and our new training programs are underway. New technology is in our associates' hands, and better processes are creating efficiencies in the stores, driving higher in-stocks and a continuing decline in comp store inventory. As we've discussed, there will be more investments necessary to further deliver on our plan, but we've remained on-task, and we're seeing progress.

Before discussing our fourth quarter results, I want to address two announcements we've made recently. First, we announced the second phase of our two-year, \$2.7 billion investment in our associates. Just two days from now, on February 20<sup>th</sup>, we'll raise the starting wage to at least \$10 per hour for hourly associates hired before January 1<sup>st</sup>, 2016.

Additionally, we're continuing to simplify our business and enhance our benefits package by shifting to a paid time off policy for all associates. These changes, along with our previous announcements around training programs and store structure are exciting for all our associates. We're providing our people with a ladder of opportunity to build a career with Walmart and to provide great service to our customers.

Secondly, in January, we announced the closing of 150 U.S. stores, including all 102 of our Express format locations. Closing stores is never an easy decision, but it's necessary to ensure we are positioned to deliver our long-term plan. Strengthening the Supercenter and Neighborhood Market formats, while simultaneously delivering a seamless experience with e-commerce, will require our full attention. In fact, we expect to open more than 135 stores in fiscal 2017 alone. While we know that closing stores affected a number of our associates, I'm proud to say that more than half of these associates have already received offers or have been placed in open roles in nearby stores, and we're moving aggressively to identify other open positions for the remaining associates who are interested in transferring to new locations.

Due to the financial impact of the store closures, our reported results differ significantly from the adjusted results and the underlying business performance. As reported, we incurred \$729 million in charges related to these store closures. Therefore, unless otherwise noted, today's financial discussion will exclude the impact of store closures for purposes of comparability. For reported results including the impact of store closures and additional information, please refer to the accompanying presentation posted with this transcript.

Moving to our fourth quarter results...net sales grew \$1.9 billion, or 2.4 percent, and comp store sales were up 0.6 percent. We're pleased with the continued growth in customer traffic, which improved 0.7 percent this quarter, on top of last year's 1.4 percent traffic gain. On a 2-year stack basis, our fourth quarter comp sales improved to 2.1 percent.

While customers benefited from lower gas prices, we experienced significant headwinds from deflation in meat and dairy products. Additional sales pressure came from warmer-than-normal temperatures early in the quarter, and delays in IRS tax refund checks impacted the very end of the quarter. Neil will cover our e-commerce initiatives in more detail in this call, but for the quarter, e-commerce contributed approximately 30 basis points to our comp.

Overall, we were pleased with our performance over the 6-week holiday season. We made a strategic decision to sensibly pull back on short-term, deep price investments, as we looked to simplify the experience for both our customers and associates, and shift back towards a more EDLP focus. Investments in e-commerce fulfillment centers allowed us to extend the shipping cutoff date, and customers took full advantage of Pickup, ordering their gifts online and conveniently picking them up alongside their grocery trips. As we approached the end of the season, customers transitioned from online to in-store, and we delivered, driving strong performance across the box as customers stocked up on last-minute gifts and food for their holiday meals.

The Supercenter format delivered its 6<sup>th</sup> straight positive comp in the fourth quarter. Additionally, our traditional-format Neighborhood Markets continued their strong performance, delivering a 7 percent comp. We're seeing steady progress in our efforts to improve each of these formats, with a focus on Fresh offerings, clean stores, fast checkouts, friendly associates, and better in-stocks.

We're pleased with our progress in Grocery, which saw a positive comp this quarter, led by improvement in Consumables. As I mentioned earlier, we experienced substantial deflation in both meat and dairy, which resulted in slight deflation across all of Food. We estimate this deflation negatively impacted our segment comp by approximately 100 basis points, relative to last year's comp. Our Grocery business delivered positive comp traffic growth, even while lapping positive comp traffic from last year. We continued to push forward with our "Win in Fresh" initiatives, including

testing new layouts, reducing inventory while improving in-stocks in both Food and Consumables, and exceeding expectations in our urgent agenda items such as reducing waste and throwaways. We still have work to do in our Fresh area, and many things we want to accomplish in the upcoming year, but we remain on track.

In our General Merchandise areas, Apparel improved throughout the quarter, after a slow start due to warmer-than-usual temperatures. On-trend assortments, particularly in active wear, drove results in this area. In Entertainment, we continued to experience soft wireless sales and a slower adoption of new technology in televisions. We're continuing to make progress in this space by focusing on our operating model, including service to our customers, assortment and department layout, but it will take time to get it right. Across the rest of the general merchandise and home categories, solid performance came from better in-stocks, assortment updates, and new products.

Finally, Health and Wellness remained a positive comp driver for us, with growth coming from branded drug inflation and better in-stocks in OTC. However, a slower flu season created a headwind to our cold, cough, and flu business this quarter.

Moving to the remainder of our financials, gross margin was up 69 basis points versus last year. Gross margin rate improved in Food, General Merchandise, and Consumables. This was somewhat offset by declines in Health & Wellness, although we're still focused on providing better visibility and tools to help combat ongoing pharmacy reimbursement pressures. Transportation costs were helped by lower fuel rates. Additionally, our intentional pullback on deep price investments during the holiday season meaningfully improved margins in Entertainment. Lastly, we made additional progress on our urgent agenda items, focused on reducing costs both in how we operate the business and in procuring merchandise, and remained diligent on improving processes related to shrink.

As expected, expenses increased 129 basis points in the fourth quarter, driven by our investments in associates and stores, including transitioning to a new paid time off policy, along with building out our e-commerce capabilities. However, we did a better job of aligning store labor hours with customer traffic by leveraging efficiencies gained from new processes and technology.

The increase in expenses was partially offset by the improvements in gross margin, which resulted in an operating income decline of 5.3 percent.

We continued to make progress in managing inventory. Overall inventory grew 0.9 percent, or approximately 25 percent the rate of total sales growth. Comp store inventory declined 2.9 percent, as we remained focused on cleaning up our backrooms and using processes such as CAP and top-stock to ensure better in-stocks for our customers. Inventory will remain a key focus area for us in this new fiscal year.

Fiscal 2016 has been a year of redefinition...redefining our goals, redefining our focus, and redefining our future. We've been intentional in our design and in our actions, and these actions have resulted in steady progress.

To recap our performance for the year, net sales increased by \$10.3 billion, or 3.6 percent. Comp store sales grew 1.2 percent, driven by a 1.2 percent growth in comp traffic. E-commerce contributed approximately 25 basis points to our comp performance.

Gross margin improved 14 basis points for the year, helped by our ongoing focus on urgent agenda items and lower transportation costs, partially offset by headwinds from shrink and pharmacy reimbursement pressures. However, the investments in our associates, stores, and e-commerce drove expenses up 8.3 percent versus last year, which resulted in an operating income decline of 7.1 percent.

We opened 69 supercenters this year, including relocations and conversions, and 146 traditional-format Neighborhood Markets. In FY17, we expect to open 50 to 60 supercenters, including relocations and conversions. We'll also open 85 to 95 Neighborhood Markets. Additionally, we plan to further expand our online grocery program to more markets this year. As we have discussed in the past, we are committed to growth, but we'll do it sensibly, with the customer in mind as we select the right locations, products, and service offerings for each store.

We know the decisions we've made this year to improve our business pressured the bottom line, but we're confident they were in the best interest of our customers, our associates, and our shareholders. We believe in our long-term plan, and we remain on track to achieve these goals.

In the new fiscal year, we're continuing to march down the path we've laid out. Our initiatives across the box are gaining steam, and we'll look forward to drive improvements in assortment and pricing, while focusing on building a seamless shopping experience across all channels.

We just held our annual Year Beginning Meeting in Indianapolis with nearly 7,000 of our operations and merchandising associates. I told the team that I was proud of their hard work and progress last year, and this year we would build upon that as we work to execute with excellence. In fact, we've raised the bar higher with new annual goals in our stores to drive an even cleaner, faster, and friendlier customer experience as the year goes on.

We expect these efforts, along with the ongoing investments in our stores and our associates, to drive continued growth in the topline. Lower fuel prices will also provide some tailwinds. However, food deflation, which has accelerated in the last six weeks, will remain a challenge. Given these factors, for the 13-week period ending April 29<sup>th</sup>, 2016, we expect a comp sales increase of around 50 basis points. Last year's 13-week comp ended May 1<sup>st</sup>, 2015 increased 1.1 percent.

As a reminder, the investments in our associates will be an expense headwind this year, most significantly in the first quarter, as we implement phase two of these investments prior to lapping last year's phase one implementation which started in April. However, we will continue to focus on lowering costs through better buying and operating a better business.

Now, I'll turn it over to Dave for an update on Walmart International. Dave...

**David Cheesewright**  
**Walmart International CEO**

Thanks, Greg.

I'm pleased with our progress this quarter in a challenging global economy. We're delivering our strategy, seeing comp sales improve, and bringing in profit ahead of our expectations. Whilst our performance was driven by Walmex and Canada, our results reflect broad achievement. Nine of our eleven markets had positive comps this quarter and seven of our markets have now maintained positive comps for at least seven quarters in a row. We continue to see headwinds in the U.K., China, and Brazil, which I'll discuss more in a moment.

We continue to execute on our strategic priorities, which are to:

- Actively manage the existing portfolio
- Deliver balanced growth
- Be the lowest cost operator
- And, build strong foundations in talent, trust, and technology

In terms of the portfolio, we announced the closure of 115 small, underperforming stores in Brazil and other Latin American markets. Whilst these are difficult decisions for our markets and associates, it better positions us for growth in the right formats and geographies. Recently, we also announced that we're pursuing the sale of our Suburbia apparel

business in Mexico and we're in the process of selling our shopping centers in Chile. These are successful businesses, but aren't a core part of our portfolio strategy. These changes would help drive greater simplicity to our operations and an increased focus on our strategic priorities.

For balanced growth, I'm pleased with our comp trends and look forward to opening between 200 and 240 stores this year across our portfolio, while at the same time expanding our reach in e-commerce.

Our lowest cost operator initiative is focused on two key areas - cost of goods sold (COGS) and overhead reductions. On cost of goods sold, we started a cost analytics program that provides improved tools and cost visibility to our merchants, which enables them to lead fact-based negotiations with suppliers. We're pleased with early results from this program in Canada and the U.K. and will expand the program to additional markets later this year.

Now, let's discuss our overall results. In the fourth quarter, net sales grew 3.3 percent on a constant currency basis, slightly higher than last quarter. Reported net sales declined 9.7 percent, impacted by a \$4.7 billion currency headwind from continued strength of the U.S. dollar. As mentioned, we had a strong quarter for comp sales. In our five largest markets, Mexico, Canada, and Brazil reported positive comps, while the U.K. and China reported negative comps. All other markets had solid, positive comp sales.

Operating income declined 7.8 percent on a constant currency basis, negatively impacted by \$215 million in charges (\$153 million on a reported basis) related to previously announced store closures. Excluding this and certain other charges this year, such as restructuring costs, as well as last year store closure costs in Japan, operating income would have increased. On a reported basis, operating income declined 19.0 percent.

On a constant currency basis, inventory grew faster than net sales at 4.2 percent. This increase was driven primarily by China, where inventory

increased in preparation for Chinese New Year. On a reported basis, inventory declined 10.2 percent.

For the full year, net sales grew 3.2 percent on a constant currency basis, with improved comp sales, on top of 3.6 percent growth last year. Currency exchange rate fluctuations had a significant impact of \$17.1 billion on our reported results, by far the largest one year impact in our history, resulting in a net sales decline of 9.4 percent on a reported basis. Full year operating income declined 1.0 percent on a constant currency basis, driven by store closures this quarter. Excluding this and last year store closure costs in Japan, operating income would have increased. On a reported basis, operating income declined 13.4 percent.

Now let's discuss fourth quarter results for our largest markets, presented on a constant currency basis. In all countries except Brazil and China, financial results are inclusive of e-commerce.

Let's start with Mexico, which was the biggest driver of this quarter's results. Walmex released its earnings on February 16th under IFRS, while results here are under U.S. GAAP, so some numbers may differ.

Walmex net sales increased 9.3 percent, with strong comp sales in both Mexico and Central America. Mexico net sales grew 9.7 percent and comp sales increased 8.6 percent, driven by increased customer spending and solid execution from our stores. Self-service was particularly strong, with comp sales of 8.8 percent, while the rest of the market, according to ANTAD, grew only 4.9 percent. Sam's Club also had its best performance of the year, delivering comp sales of 7.0 percent, driven by strong sales from Advantage, or non-business, members. Operating income declined versus last year, driven by a planned reduction in our gross profit rate.

Let's next discuss Canada, which had another strong sales quarter. Net sales grew 5.8 percent, benefitting by strong customer traffic as a result of our improved fresh offer, continued price investments, and improvement in operational standards. Comp sales were 4.3 percent, our

seventh consecutive quarter in positive territory. I'm especially pleased with our sales in Canada, given the economic pressures in the oil-producing provinces. We had positive market share gains in food, consumables, and health and wellness, for the 12 weeks ended January 23rd, according to Nielsen. Our online sales continue to grow and perform well. Operating income was down versus last year, due to certain land impairments and pre-opening expenses for 13 previously announced stores acquired from a former competitor. Excluding these impacts, operating income would have been positive.

Let's talk now about the U.K., which continues to face challenging market conditions. Grocery market sales fell 0.2 percent in the 12 weeks ended January 3rd, according to Kantar. This was driven by price deflation of 1.8 percent as a result of intense competition and was the 17th consecutive period with deflation. The big four grocers remained under pressure as discounters continued to grow and gain share.

In the U.K., we're striking a balance between investment in the customer offer, profit, and cash flow. Overall, net sales declined 4.4 percent and comp sales, excluding fuel, were down 5.5 percent, driven by declines in our large store format and in our food business, partially offset by continued growth in online grocery. We decided not to participate in Black Friday discounting, which impacted our comp sales, but helped profitability and allowed greater focus on operational standards and the customer offer in the core food business. We delivered strong cash performance as a result of disciplined management of capex and working capital.

Asda is focused on repositioning its business through Project Renewal, which will simplify operations, lead to substantial reduction in costs, and allow for significant investments in customer value. As part of this project, we're deploying a new cost analytics program to aid with buying. We're also joining EMD, a European buying alliance, and we recently completed the purchase of two meat processing businesses. These actions will help increase buying efficiencies and remove costs from

the supply chain, particularly for private label products. The U.K. has also completed a restructuring of its Home Office aimed at increasing focus and improving operational agility. In addition, the U.K. will invest an additional £500 million in price during the period of its five year strategy, on top of the £1 billion previously committed. We're taking aggressive actions and we're focused on repositioning our offering to meet the changing needs of our customers.

In China, despite ongoing economic challenges and slower GDP growth, we continue to gain share for the 12th consecutive quarter in the Hypermarket channel, according to Nielsen. Net sales grew 0.3 percent, driven by new store openings and improved performance from completed remodels. Comp sales fell 3.0 percent, in part, due to warmer weather and disappointing sales in winter seasonal categories.

We continue to make progress in building a platform for sustainable growth in China. We're benefitting from our earlier actions to centralize our buying offices and build out our supply chain. We've improved our gross margin rate and have realized benefits from productivity initiatives, while investing in labor and customer experience. We can see momentum building as performance in fresh has improved in recent quarters in both sales and margin. Operating income continues to grow faster than sales.

The team in China is focused on delivering a trusted shopping experience through both physical and digital channels. We're starting to see the benefits from tighter collaboration with Yihaodian. In Shenzhen and Guangzhou, Walmart now leverages Yihaodian's last mile network for online orders, which has led to greater delivery capacity. Overall, we're excited about the actions we're taking in China that are setting us up for long term growth.

In Brazil, we continue to face political and economic instability. The deterioration in the macro environment, combined with persistent, high inflation continues to put a strain on customers. Net sales grew 1.2 percent and comps grew 0.8 percent, in a retail market that contracted by 5.7

percent, according to Serasa Experian. We were encouraged by another quarter of double digit growth in our wholesale business, mostly offset by continued softness in the hypermarket format. Operating income was down versus last year, driven by the cost to close the 60 stores announced earlier. Excluding store closure costs, operating income would have been relatively flat to last year.

We're seeing positive results from some of our transformation initiatives, such as repositioning the customer proposition in our wholesale business, but there's still work to be done. Brazil's focus for the year ahead will be to finalize store closures, revise and reposition the customer proposition for our hypermarket format, and complete the integration of systems and processes in our stores. We are committed to turnaround efforts in this important market.

As I wrap up, I'd like to recognize the efforts of our dedicated international associates operating in 28 countries around the globe that helped us achieve consistently good results throughout the year. I'm confident in the management teams we have leading our markets and the strategic priorities we have in place to drive further growth in the year ahead.

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

**Rosalind Brewer**  
**Sam's Club**

Thanks, Dave.

I'll start today's call with details around our fourth quarter performance. I'll also provide an update on how we have begun to execute against the strategy that I detailed during our third quarter earnings call. At Sam's Club, we remain laser focused on our members. Through investments we've made, and will continue to make, in people and

technology, we will deliver for our members a seamless shopping experience across our app, our site and our clubs.

Let's begin by talking about our fourth quarter results. It's important to note that our reported results were negatively impacted by certain charges totaling approximately \$77 million. This amount includes a charge of approximately \$57 million resulting from our decision to close under-performing clubs. The remainder of the charges includes a policy change related to paid time off, as well as severance and other costs associated with recently announced organizational enhancements.

Unless otherwise noted, today's financial discussion will exclude fuel for purposes of comparability. For results with fuel and additional information, please refer to the accompanying presentation posted with this transcript.

Comp sales for the fourth quarter were below our expectations. Severe winter storms significantly disrupted approximately 200 clubs towards the end of the quarter, which resulted in a negative impact to the comp of approximately 30 basis points. That said, we know that our *core* comp performance can improve - and it will. The work we have underway, which I'll talk about in just a bit is designed in part to improve the fundamentals of our business, specifically membership and merchandising.

Broadly speaking, trends that we saw throughout the year were again prevalent during the quarter. Among the most notable items were:

- Softness in food primarily as a result of a minimal level of inflation, or in some instances, deflation in key categories.
- An impact to grocery as we begin to evolve the assortment, and...
- Challenges in the technology and entertainment area from a deliberate transition in space reallocation, along with pressures in wireless.

Yet, we know that where we have seen innovation in the assortment and in service offerings - we have seen success. I'll talk more about our merchandise categories in a moment.

Net sales decreased 0.1 percent, as comp sales declined 0.5 percent. Slide 10 of the financial presentation provides the components of our comp sales. We were pleased with the performance of our Savings members, as positive momentum in traffic continued, but softness from our Business member negatively impacted our results.

Gross profit rate decreased four basis points from last year. We continued to invest in membership value through price and our cash rewards program.

Operating expenses deleveraged during the quarter. As expected, investments in people and technology pressured our expenses. Additionally, charges for the items I mentioned earlier impacted Q4. Excluding these items, operating expense as a percentage of net sales was relatively flat compared with last year.

Membership income increased 5.6 percent during Q4. Plus renewals increased 35 percent over last year, and we continued to see a favorable trend of renewal rates for Plus members. The value of a Sam's Club membership is clear. Our targeted marketing programs resulted in new membership acquisitions that accelerated each of the last three quarters versus last year.

Let's turn now to our merchandising categories. I'll provide details on areas that were materially impactful to the quarter. Please see slide 11 of the accompanying presentation for the comp performance of the remaining categories.

In fresh/freezer/cooler deflationary trends continued particularly in fresh meat and dairy. We saw positive results in produce, yet headwinds from the remainder of the category proved too much to overcome.

Dry grocery and areas of fresh experienced pressures from deflation. As we continue to expand our private brand, generate more newness, and reallocate space, these areas are gaining member acceptance but will take careful handling and coordination.

Technology/entertainment/office had some bright spots with new items in TVs and wearables, both of which performed well online and in clubs. Wireless installment plans continue to place pressure on the category.

When we innovate, we see good results. In health & wellness and consumables our Free/4/10 Plus benefit program in pharmacy is helping to lift the total category. Services are important to our members, and they reward us when we deliver in this space. The technology services company IMS Health measures our market share of the five free scripts in the program. According to IMS, we grew share by 11 basis points for the three months ended Dec. 31, 2015, and our share is nearly 25 basis points higher than it was prior to the launch of the program. Free/4/10 was also a strong contributor to membership upgrades to Plus since the beginning of the fiscal year.

Moving on to e-commerce - this year we made the decision to push many of our holiday events online, and we were pleased with the response from our members. Our Holiday Savings Celebration on Nov. 14 drove good results, and we were pleased with other events, including Cyber Monday. During the quarter, traffic to our site increased by seven percent versus the prior year, and the conversion improved by 18 percent.

We continue to be pleased with the progress we're making in our pure e-commerce and mobile commerce capabilities. We're also excited about the integration of our digital and physical offerings. During Q4, Club Pickup increased 46 percent over last year, and it now represents the fastest growing piece of our business. Members want to shop with Sam's Club how and where they choose, and we are building the infrastructure across multiple channels to deliver that experience.

On our call from Q3, I talked about a new strategy. During Q4, we began to execute against that strategy in important ways, including:

- Additional organizational enhancements that will better align talent with critical needs.
- Portfolio management through the closure of under-performing clubs.
- An extensive review of merchandise categories, and....
- The expansion of private label brands in key areas.

These are only a few examples, and we have many other work streams underway. The totality of these efforts will address the fundamentals of our business, including membership and merchandising, as well as deliver new services and offerings.

As I think about guidance for the first quarter, I'm reminded that, although we have accomplished a great deal over the previous months, it remains early days in our transformation. As a result, comp sales, without fuel, for the 13-week period ending April 29, 2016 are expected to be around flat.

Let me close today with a few thoughts...

- First, the new alignment of our organization will position the business to better serve our members. It was a significant step in our transformation, and we will begin to see the benefits in the coming quarter.
- Secondly, our new Chief Merchandising Officer has conducted a comprehensive review of our merchandise based on identified markets and what he has gleaned from our strategy work. We're excited about his early insights at this stage.
- I'm confident we're taking the business in the right direction now and for the future
- Through a disciplined, refined approach to growth we will deliver for our members a seamless shopping experience across app, site & club.

Now, I'll turn the call over to Neil. Neil...

**Neil Ashe**  
**Global eCommerce**

Thanks, Roz.

I want to pick up on Doug's comments about our opportunity to be the first to offer a seamless shopping experience, at a scale that only Walmart can deliver. E-commerce at Walmart is about bringing together all of the pieces to help customers buy the items they want at Walmart prices....however and wherever they want. Our customers look at us as one Walmart - one easy experience across our app, site and store or club.

In a short span, we've built an e-commerce technology company inside of Walmart, we have rolled out a new technology platform and we have dramatically increased our physical distribution network. And, in just the past six months, we've grown to serve over 20 markets with online grocery. During the fourth quarter, we started to get a glimpse into how these capabilities we put into place are starting to come together to deliver the seamless customer experience.

Looking forward, we're focused on three big opportunities:

- Continuing to build a digital relationship with our customers;
- Scaling our online assortment; and
- Expanding online grocery.

For the quarter, Global eCommerce sales and GMV both grew at 8 percent. For the full year, sales grew 12 percent and GMV grew 13 percent. As we discussed in October, growth continues to be pressured by weakness in Brazil, China and the UK, due to macroeconomic and competitive challenges. In China, we have rebuilt the Yihaodian leadership team since taking full ownership, and they continue to build on the strengths of their mobile engagement with customers and increasing business through imported products. There is work to do there, but we are taking actions to improve the business and accelerate growth in one of our key markets. In Brazil, the team has been working to balance growth and

profitability during an economically challenging period that we expect to continue throughout the fiscal year. In the U.S., we continued to grow the business and created a more seamless experience for our customers across our app, our site and our store.

Looking more closely at holiday in the U.S., Walmart.com saw strong sales on the big days from Thanksgiving to Cyber Monday. What was most exciting was how our new capabilities started to deliver seamless shopping for customers.

As customers shopped on Walmart.com, our new platform was powering the front- and back-end shopping experience for the first time during holiday. Despite the complexity of a complete platform rebuild, Pangaea handled the intense holiday volume.

Customers could order gifts even closer to Christmas this year AND they saw our best on-time delivery rates ever, thanks to our new fulfillment centers. While the FCs opened just a few months before holiday, they lived up to our targets for efficiency and productivity. They showed that they can scale with our business, and combine with our stores, DCs and transportation network to deliver speed, efficiency and better experiences for customers.

Customers could also get their online orders the same day in stores, and we saw nearly a 40 percent jump in store pickup during the holidays. We were also able to blend our online and stores to serve customers how and where they were shopping. One great example was on the morning of Black Friday when we saw a smart TV sell out online within 20 minutes. We had another TV from that supplier available in stores, so we dialed up the promotion on Walmart.com and made it available for store pickup. The item quickly sold out in stores. To customers, it was a seamless access to a gift they wanted. It was a great example of the power of combining online with stores in close proximity to customers.

Customers were also using our app to shop seamlessly across online and stores. We offered early access to the black Friday circular on the

mobile app for the first time, and the app jumped to the #1 spot in the Apple App Store that day. Customers also showed they are now comfortable buying on their phone. This year, more than half of online SALES were on a mobile device on Thanksgiving, which was double last year. We saw significant growth in mobile sales for the rest of the peak holiday period. With our app, customers were also able to create wish lists, check-in for store pickup and look up item locations in the stores.

We continued to build on that app experience in the quarter with another powerful tool -- Walmart Pay. We started testing it in a small group of stores and the initial feedback from customers reinforced that the experience was simple and easy. Walmart Pay is the perfect example of how our app gives customers a seamless experience that merges digital and physical to make shopping faster and easier, and gives customers a reason to form a digital relationship with Walmart. It was also a great example of how our teams align to deliver these experiences in just a few months.

At Samsclub.com, we started the holidays with a big kickoff event on November 14, which delivered a triple digit comp for the day. We also saw strong comps and record sales on the biggest days of the holiday season. Club pickup continues to be a delighter for members and we saw it hit an all-time high in December. We saw strong growth in both desktop and mobile conversion, and mobile purchases nearly tripled over last year. Samsclub.com has also continued to drive growth in digital member sign-ups.

As we look at critical touch points that meld our app, site and store, we obviously think about Online Grocery. In October, we announced we were expanding from five markets to over 20. We've rolled out to those additional markets, and we're continuing to see the strong emotional response it triggers with customers and the very personal relationship they're forming with Walmart. Customers are literally jumping out of their cars to rave about it, and one of my recent favorites was a mom with two kids in the back of her car. She told us about how much easier it has made

her life because she can shop where and when it's convenient and then drive up and just get her groceries. She placed her order while she was relaxing and watching her kids play. Customers are inviting us into the fabric of their lives.

In just a few months, we've dramatically increased online grocery, and look for us to continue expanding this year.

Behind all of the capabilities we're delivering are some of the best technologists in the world. We've built an e-commerce technology company inside of Walmart. We've always had one of the strongest enterprise technology organizations. Those teams have worked closely to deliver experiences like online grocery and Walmart Pay that seamlessly merge the app, site and store. Last month, we announced we are bringing together those teams under a single Walmart Technology banner. This aligns all of our technologists with how our customers see us - One Walmart.

I'm excited about the building blocks we've put in place for the future and the ways we're starting to serve customers seamlessly across our app, site and store. We've replatformed our technology and physical distribution, while continuing to grow our business. And, we've quickly grown online grocery.

This year we'll focus on three areas:

- Continuing to build a digital relationship with our customers;
- Scaling our online assortment; and
- Expanding online grocery.

All these will combine to offer customers compelling experiences that let them shop seamlessly with Walmart in ways that help them save money... AND save time. As we deliver that seamless experience across our app, site and store, we're building deeper relationships with customers. This relationship is key to building value for the enterprise.

Now I'll turn the call over to Brett. Brett...

## **Brett Biggs**

### **Guidance**

Thanks Neil.

I'll wrap up today by providing some thoughts on the company's performance in fiscal year 2016, as well as our expectations for fiscal year 2017.

Before we jump into guidance, I want to highlight a few items from the quarter and the year. Overall, we are pleased with the way we ended fiscal year 2016.

- In the fourth quarter, Walmart U.S. comp sales increased 0.6 percent, representing the 6<sup>th</sup> consecutive quarter of positive comp sales and the 5<sup>th</sup> straight quarter of positive traffic.
- For the year, Walmart International delivered another solid financial performance, with very strong results in Canada and at Walmex.
- We generated full year constant currency revenue growth of nearly \$14 billion or 2.8%. Currency impacted our full year revenue by over \$17 billion.
- We continue to innovate and make progress toward a seamless shopping experience through a number of initiatives, including an increased number of on-line grocery markets. While we would have liked to have seen higher e-commerce sales growth this quarter, we continue to make good, foundational progress for the future.

- For the year, we generated approximately \$27 billion in operating cash flow which speaks to our continued financial strength as we transform the company. I'm particularly pleased with our inventory performance in Walmart U.S.
- During the year we returned over \$10 billion in the form of dividends and share repurchases. We are able to deliver consistent returns to shareholders while investing for the future.
- ROI decreased to 15.5 percent primarily due to lower operating income, as well as continued capital investments.
- Additionally, today we announced an increase in our dividend from \$1.96 per share to \$2.00 per share in fiscal 2017. We've now increased our dividend for 43 consecutive years.

Now I would like to spend some time specifically on our EPS results for the fourth quarter and fiscal year 2016. Fourth quarter and full year adjusted EPS were \$1.49 and \$4.59, respectively. Our reported EPS for the same periods were \$1.43 and \$4.57, respectively. Let me briefly discuss the discrete items that were factored into our adjusted EPS.

Recall, in January we announced the closure of 269 stores globally. Charges for these store closures, which impact both the fourth quarter and full year earnings, resulted in a negative impact of \$0.20 per share.

Also, our effective tax rate for the fourth quarter and the full year benefited from the December passage by Congress of the tax "Extenders" legislation, which we considered in our fourth quarter guidance. However, the fourth quarter and full year effective tax rate also benefited by \$0.14 per share related to other discrete tax items in the quarter.

Finally, our full year adjusted EPS also excludes the effects of a benefit of approximately \$0.04 from an adjustment for certain leases we disclosed in the third quarter of fiscal 2016.

Now, let's shift gears and discuss fiscal year 2017 guidance.

We remain confident that the investments we are making in our associates, our stores, and our digital capabilities are the right ones and are better preparing Walmart for the future. It's also important to note, that although we continue to invest in these important areas for the future, we will remain focused on managing expenses across the company.

Our guidance today includes several important assumptions, including that the economic conditions in our largest markets remain generally consistent and that currency exchange rates remain at current levels.

From a capital standpoint, as we indicated at our October investor meeting, we expect capital investments to be approximately \$11 billion in fiscal year 2017, down from fiscal year 2016.

Currency remains a headwind for our business as it is for many U.S. multinational companies. Today, we expect a currency headwind of approximately \$12 billion on net sales for fiscal year 2017. Additionally, currency is expected to impact EPS by approximately \$0.10 per share this year, including approximately \$0.03 in the first quarter.

Now let's turn to full year sales growth guidance.

In October, we guided that on a constant currency basis, net sales would grow 3 to 4 percent annually over the next three years. Excluding the impact of the recently announced store closures and the continuing impact of a strengthening U.S. dollar, our fiscal 2017 sales growth guidance would have remained in that same range. However, including store closures and the impact of the strengthening U.S. dollar, we now expect net sales growth to be relatively flat in fiscal year 2017.

As for taxes, our earnings per share guidance is based on a fiscal 2017 estimated tax rate ranging between 31.5 and 33.5 percent. As is the norm, our tax rate will fluctuate from quarter to quarter and may be impacted by a number of factors including changes in our assessment of certain tax contingencies, valuation allowances, changes in laws, outcomes of administrative audits, the impacts of discrete items, and the mix of earnings among our U.S. and international operations. In any given quarter, our effective tax rate could be higher or lower than the full year range.

I also want to note that historically the tax "Extenders" legislation has been approved at the end of each year impacting the fourth quarter tax rate. In the December legislation, many of the relevant tax provisions were either made permanent or passed through 2019. As a result, beginning in fiscal 2017, the benefits of the "Extenders" will be spread across the full year, rather than all being in the fourth quarter. Other discrete items as described above may still cause the effective tax rate to fluctuate from quarter to quarter.

Taking into account the previously mentioned assumptions including currency rates at today's levels, tax rate and the incremental wage investments of \$1.5 billion, we expect full year fiscal 2017 EPS to range between \$4.00 and \$4.30. This most closely compares to our adjusted earnings per share of \$4.59 in fiscal year 2016, and is broadly in line with our guidance from October for our earnings per share to be down 6 to 12 percent in fiscal year 2017.

With respect to the first quarter, we expect earnings per share to range between \$0.80 and \$0.95. This compares to the \$1.03 we reported last year. When comparing to last year's EPS, it's important to note that the first quarter of this year will be impacted somewhat more on a year over year basis than subsequent quarters due to the timing of wage investments.

In closing, I am honored to serve as the chief financial officer during this very exciting time at Walmart. All of us at Walmart are pleased with the progress we're making and the work of our great associates around the

world. We look forward to building on that in serving our customers in the future.

### **Cautionary Statement Regarding Forward-Looking Statements**

This call included and the accompanying financial presentation, which is available at [www.stock.walmart.com](http://www.stock.walmart.com), includes certain forward-looking statements intended to enjoy the safe harbor protections of the Private Securities Litigation Reform Act of 1995, as amended. Such forward-looking statements relate to management's guidance and forecasts as to, and expectations for:

#### **With respect to Walmart as a whole:**

- Walmart's earnings per share for all of fiscal year 2017 and the first quarter of fiscal year 2017;
- Walmart's earnings per share in fiscal year 2017 to be down within a certain percentage range;
- consolidated net sales growth for fiscal year 2017 on a reported basis and a range of consolidated net sales growth for fiscal year 2017 on the basis that excludes the effect of the recently announced store closures and currency exchange rate fluctuations;
- Walmart to make capital expenditures of approximately \$11 billion in fiscal year 2017;
- the amount of its incremental investment in associates in fiscal year 2017 and for the earnings per share for the first quarter of fiscal year 2017 to be impacted somewhat more by such investment than other quarters in fiscal 2017;
- focus on the areas of continuing to build a digital relationship with its customers, scaling its online assortment and expanding online grocery;
- rolling out Walmart Pay in fiscal year 2017;
- continuing focus on expense management;
- fiscal year 2017 being a year in which Walmart digests foundational investments;

- the impact of currency exchange rate fluctuations on Walmart's net sales for fiscal year 2017 and its earnings per share for the first quarter of fiscal year 2017 and for the full fiscal year 2017;
- the range of Walmart's effective tax rate for fiscal year 2017, that rate to fluctuate quarterly and factors that may affect such rate;
- focus on building and delivery of a seamless shopping experience across all channels by each operating segment;
- the range of Walmart's FCPA-related expenditures in fiscal year 2017;

**With respect to Walmart U.S.:**

- growth in its comparable store sales for the thirteen-week period ending April 29, 2016;
- the segment's efforts in assortment and pricing, focus on a seamless shopping experience and ongoing investment in its stores and associates driving continued topline growth;
- the amount of investments in its associates in fiscal year 2017;
- continuing investment in its associates, stores and digital capabilities being necessary to deliver on its plan;
- its investment in its associates being an expense headwind, most significantly in the first quarter;
- continuing focus on inventory in fiscal year 2017;
- continuing focus on lower costs through better buying and operating a better business;
- opening more than 135 stores, including 50 to 60 new supercenters and 85 to 95 new Neighborhood Markets, in fiscal year 2017;
- expansion of the segment's online grocery program to more markets in fiscal year 2017;
- lower fuel prices helping net sales;
- food deflation being a challenge to net sales growth;
- delivering a significant assortment of expansion and faster delivery at a lower cost in its e-commerce operations in fiscal year 2017;

**With respect to Walmart International:**

- the segment's continued focus on its strategic priorities of actively managing its existing portfolio, delivering balanced growth, being the

lowest cost operator and building strong foundations in talent, trust and technology;

- opening between 200 and 240 new stores across its portfolio in fiscal year 2017;
- expanding the segment's cost analytics program to additional markets later in fiscal year 2017;
- expanding its e-commerce reach;
- Asda's focus on repositioning its business, which will simplify its operations, lead to substantial reductions in costs and allow significant investments in customer value;
- certain actions, including Asda's acquisition of meat processing businesses, helping to increase Asda's buying efficiencies and to reduce Asda's supply chain costs;
- Asda's investment of an additional £500 million in the U.K. to lower prices on top of the previous £1 billion commitment during Asda's five-year strategy period;
- focus in Brazil on finalizing store closures, revising and repositioning the customer proposition for its hypermarket format and completing the integration of systems and processes in its stores;

**With respect to Sam's Club:**

- comparable club sales, excluding fuel, for the thirteen-week period ending April 29, 2016;
- continuing the segment's investments in people and technology;
- improvement in performance of its core comparable club sales; and
- beginning to see the benefits of its new organizational alignment in the first quarter of fiscal year 2017.

Assumptions on which any guidance or forecasts as to, and expectations for, Walmart and its segments are based are considered forward-looking statements. Walmart's actual results may differ materially from the guidance provided in and the goals and forecast or expected and forecast results discussed in such forward-looking statements as a result of changes in facts, assumptions not being realized or other risks, uncertainties and factors, including:

**Economic and market factors:**

- economic, geo-political, capital markets and business conditions, trends and events around the world and in the markets in which Walmart operates;
- currency exchange rate fluctuations;
- changes in market interest rates;
- unemployment levels;
- changes in market levels of wages;
- initiatives of competitors and competitive pressures;
- changes in the size of various markets, including e-commerce markets;
- inflation or deflation, generally and in particular product categories;
- consumer confidence, disposable income, credit availability, spending levels, shopping patterns, debt levels and demand for certain merchandise;
- trends in consumer shopping habits around the world and in the markets in which Walmart operates;
- consumer enrollment in health and drug insurance programs and such programs' reimbursement rates;
- commodity prices, including the prices of oil and natural gas;
- market prices of Walmart's stock;
- timing of U.S. federal income tax refund checks;

**Operating factors:**

- the amount of Walmart's net sales and operating expenses denominated in the U.S. dollar and various foreign currencies;
- the financial performance of Walmart and each of its segments, including the amounts of Walmart's cash flow during various periods;
- Walmart's effective tax rate and the factors that can affect that rate discussed earlier in this call;
- customer traffic and average ticket in Walmart's stores and clubs and on its e-commerce websites;
- consumer acceptance of and response to Walmart's stores and clubs, e-commerce websites, mobile apps, initiatives, programs and merchandise offerings;

- the availability of goods from suppliers and the cost of goods acquired from suppliers;
- the effectiveness of the implementation and operation of Walmart's strategies, plans, programs and initiatives;
- the mix of merchandise Walmart sells;
- transportation, energy and utility costs;
- the selling price of gasoline and diesel fuel;
- Walmart's gross profit margins, including pharmacy margins and margins of other product categories;
- the amount of shrinkage Walmart experiences;
- supply chain disruptions;
- disruption of seasonal buying patterns in Walmart's markets;
- the availability of attractive e-commerce acquisition opportunities;
- Walmart's expenditures for FCPA- and compliance-related matters;
- cyber security events affecting Walmart and related costs;
- developments in, outcomes of, and costs incurred in legal proceedings to which Walmart is a party;
- casualty and accident-related costs and insurance costs;
- the size of and turnover in Walmart's workforce and the number of associates at various pay levels within that workforce;
- delays in opening new, expanded or relocated units;
- the availability of necessary personnel to staff Walmart's units;
- labor costs, including healthcare and other benefit costs;
- unexpected changes in Walmart's objectives and plans;
- unanticipated changes in accounting estimates or judgments;

**Regulatory and other factors:**

- changes in existing, tax, labor and other laws and changes in tax rates, including the enactment of laws and the adoption and interpretation of administrative rules and regulations;
- governmental policies, programs, initiatives and actions in the markets in which Walmart operates and elsewhere;
- the level of public assistance payments;
- trade restrictions and tariff rates; and

- natural disasters, public health emergencies, civil disturbances and terrorist attacks.

Such risks, uncertainties and factors also include the risks relating to Walmart's operations and financial performance discussed in Walmart's most recent annual report on Form 10-K filed with the SEC. You should consider the forward-looking statements in this call in conjunction with that annual report on Form 10-K and Walmart's quarterly reports on Form 10-Q and current reports on Form 8-K filed with the SEC. Walmart urges you to consider all of the risks, uncertainties and factors identified above or discussed in such reports carefully in evaluating the forward-looking statements in this call. Walmart cannot assure you that the results reflected or implied by any forward-looking statement will be realized or, even if substantially realized, that those results will have the forecasted or expected consequences and effects for or on Walmart's operations or financial performance. The forward-looking statements made in this call are as of the date of this call. Walmart undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

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