



**WAL-MART STORES, INC. (NYSE: WMT)
First Quarter Fiscal Year 2016 Earnings Call
May 19, 2015
Management call as recorded**

**Carol Schumacher
Wal-Mart Stores, Inc. Investor Relations**

Welcome. This is Carol Schumacher, vice president of global investor relations for Wal-Mart Stores, Inc. Thanks for joining us today to review our results for the first quarter of fiscal 2016. The date of this call is May 19, 2015.

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- Press 4 and the # key to rewind playback 20 seconds.
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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 statements provided by that Act. Please note that a cautionary statement regarding the forward-looking statements will be made following Charles Holley’s remarks later in this call.

All materials related to today's news are available on the investors' portion of our corporate website – stock.walmart.com. You'll see today a redesigned and enhanced investors' website for Walmart. It has more content. It allows for easier navigation and search functionality. And, you can continue to find the updated monthly the global unit count data under financial information. The terms used in today's release including EPS, constant currency, gross profit and gross profit rate, are defined there as well.

Now, when we refer to "traditional Neighborhood Markets" in Walmart U.S., we're discussing those that average 42,000 square feet of retail space. The smaller Neighborhood Markets range in size from 12,000 to 16,000 square feet.

For this fiscal year, we updated our press release to a new more contemporary look, with a very visual presentation of our core financial results. We recommend that you review the earnings press release in conjunction with the transcript of this call and the accompanying slide presentation that's in PowerPoint format. We welcome your feedback on our materials.

As a reminder, for fiscal 2016, we utilize 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 Q1 reporting period ran from Friday, January 31 through Friday, May 1, 2015.

Please mark your calendar ... Our Annual Meeting of Shareholders will be held on Friday, June 5 on the University of Arkansas campus in Fayetteville. The meeting starts at 7:30 a.m. central time and is also available for viewing via webcast through our website, stock.walmart.com, or via Walmart's free Investor Relations app. We look forward to seeing many of you at the meeting. And, on October 14, we will hold our annual meeting for the investment community in New York City, not in Northwest Arkansas.

Now, we get on to today's call.

- Doug McMillon, president and CEO of Wal-Mart Stores, Inc., will cover key results and provide an overall assessment of our enterprise strategy and our business.
- Claire Babineaux-Fontenot, EVP and treasurer, will provide context for the financial details not included in the accompanying slide presentation.

For our three operating segments, we'll begin with.

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

Last,

- Charles Holley, Walmart's CFO, will wrap up with details on guidance. Please note that it is standard procedure during today's news for Walmart to provide EPS guidance for the second quarter, and update the full year earnings per share guidance next quarter.

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

Doug...

Doug McMillon
Wal-Mart Stores, Inc. President & CEO

Thanks, Carol, and good morning everyone.

Overall, we had a solid first quarter. Walmart generated nearly \$115 billion in revenue and delivered earnings per share within our guidance range at \$1.03.

I'll cover the results for the quarter in just a minute, but I'd like to start with an update on some of our larger strategic choices and the progress we've made to bring them to life. Our objective is to make changes to improve our short to mid-term performance while, at the same time, position the company for the long term. By position, I'm referring to how we set ourselves up to serve customers for years to come and the strategic choices we're making are in two critical areas: people and technology.

In April, we launched a comprehensive set of store and club initiatives that I discussed in last quarter's call. These are intended to improve our short to mid-term performance in the United States. As you'll remember, we're investing in our starting wage rates, an improved store structure, including adding department managers, and wage increases for most positions within our stores and clubs in the U.S. We have pilots under way that will improve our scheduling process and improve our training. This set of initiatives is designed to improve the customer experience and translate into higher comp store sales over time. The rollout of these changes happens throughout this year. We know that we won't see it overnight, but we're confident these are the right things to do for our business and our team. I've recently visited stores and clubs in the Detroit and Seattle markets and I'm encouraged with our associates' level of ownership in the business and understanding of the plan.

As we improve the experience in our stores, we continue to invest to deliver a stronger mobile and e-commerce experience. In the U.S., we're rolling out a more simplified checkout process on walmart.com, which is based on our global technology platform, Pangaea. An important part of this platform is that it delivers a better experience on mobile devices. Mobile is increasingly the driver of our e-commerce business.

A few weeks ago, I visited stores and clubs in Beijing and Shanghai. I really enjoyed listening to our Yihaodian customer focus group and following one of our associates around as we delivered orders to apartments in Shanghai. There are new, exciting developments happening in retail and I'm encouraged that we're in the thick of it. But, I was also reminded that the same basic tenants of our business, like value for money, a great assortment and customer service, are what they're after. Those customers we delivered to in Shanghai were quick to praise our associate in his service during deliveries. They liked our prices, but asked for items that we don't yet carry. I was pleased to hear from them that we didn't need to open the cases of merchandise because they trusted our delivery associate. That's a big deal. The week before being in China, I walked stores in Mexico and saw a growing business in grocery home shopping there, too. The associates I visited with in Mexico were sensing a momentum in their business and it was good to see them leaning forward.

So, we'll make these investments in our people, we'll give them the opportunity to move up so that they're engaged in our business and happy to serve customers. At the same time, we'll continue making progress with digital, mobile and e-commerce. And, we'll bring it all together in a seamless way that delivers value for customers. We're moving on a lot of fronts and picking up some speed. Around the world, our associates are focused on running great stores, empowering their teams, developing technological solutions to solve customer problems and integrating it all together.

Now, let's get into our first quarter results in more detail.

Walmart U.S. again delivered positive comp sales, and I'm encouraged by the customer traffic trends. I'm particularly pleased by the customer response to our Neighborhood Markets, driving strong comps again this quarter. Based on recent surveys, we know that many of our U.S. customers are using their tax refunds and the extra money from lower gas prices to pay down debt or put it into savings. They're also using these funds for everyday expenses like utilities and groceries. That's where we can be their destination of choice. We're not where we want to be in every store, but I'm pleased with the progress that I'm seeing.

Walmart International produced solid constant currency sales growth this quarter. Mexico and Canada had really good sales results. In Mexico, the Sam's Club business is where we've seen our most dramatic improvement, due to improved merchandise and stronger in-club operations. And, one of the more encouraging signs for me is that this execution is happening over multiple store formats in Mexico, including Bodega. In China, we're doing a better job of managing inventory and building customers' trust with the quality of our fresh offering.

Sam's Club had lower comp sales and profit than expected. Membership income was up more than 7 percent, indicating the emphasis on winning over more members to Plus status is progressing. Sam's recently launched new services that have promise for improved member acquisition and retention, and investments in Club Pick-up and e-commerce are starting to pay off. However, we need more consistent progress, and I'm confident that the strategic plan the Sam's Club team is working on will lead to longer-term improvements in our club business.

We're investing to win the future of retail, and I'm excited about the possibilities that our improved e-commerce capabilities will provide. As I mentioned earlier, we're making progress on rolling out our global technology platform to make e-commerce and mobile shopping easier for customers. Walmart's worldwide e-commerce sales grew approximately 17 percent in the first quarter. Asda's grocery home shopping continues to drive double-digit growth, and we're sharing this expertise around the world to test delivery and pickup services in more locations. To meet our growth projections, we recently announced a new fulfillment center in Brazil, which will be our second one there dedicated solely to e-commerce. We will open two new mechanized fulfillment centers this quarter in the U.S., and two others will follow later this year.

At Walmart, we operate our business in a way that adds value to communities. We recently published our annual [Global Responsibility Report](#). I'd love for you to take a look at our ongoing initiatives:

- to create economic opportunity for our associates and others in the retail industry;
- to enhance the sustainability of our operations and product supply chain; and
- to strengthen communities in the places we operate.

It's real and meaningful work, and something we're really proud of.

On Friday, June 5, we'll hold our Annual Shareholders' Meeting. It's always a great opportunity to hear from our shareholders and interact with so many of our more than 5,000 associates who come from our markets around the world. I always leave this meeting energized after spending time with our associates.

Looking ahead, I'm encouraged by the progress we're making and the plans in place for the future. Our priority is to drive growth across the enterprise. Globally, we're working to exceed customer expectations by helping them save time and money and have a great experience as they interact with us in store, online or on their phone. We've made progress, but we still have a lot of work to do. We're pushing to change faster as we continue down the right path to deliver long-term value to both customers and shareholders.

Now, I'll turn it over to Claire. Claire...

Claire Babineaux-Fontenot
Consolidated financials

Thanks, Doug.

Today I'll highlight some items in the company's consolidated financial statements. Further details are available in the accompanying presentation posted today with this transcript.

For the first quarter of fiscal 16, diluted earnings per share from continuing operations attributable to Walmart – EPS -- were \$1.03. This compares to last year's EPS of \$1.10, which was negatively impacted by approximately \$0.03 from severe weather. Currency exchange rate fluctuations had a greater than anticipated impact on this year's first quarter results. Fluctuations in currency negatively impacted net sales by approximately \$3.3 billion, and similarly impacted EPS by \$0.03. As a reminder, our incremental investment in e-commerce was approximately \$0.02 per share, and the investment in U.S. associates impacted EPS by approximately \$0.02.

These investments were also the primary contributor to the 2.8 percent increase in consolidated operating expenses. Additionally, FCPA and compliance-related costs were approximately \$33 million, comprised of \$25 million for the ongoing inquiries and investigations, and \$8 million for our global compliance program and organizational enhancements. Last year, FCPA and compliance-related costs were \$53 million in the first quarter.

The company's consolidated operating income decreased 8.3 percent. Excluding the impact from currency, operating income decreased 6.1 percent. The company's continued investments in e-commerce, as well as wages and training for our U.S. associates, were headwinds on our operating income during the quarter.

As you will see on slide 2, net interest expense increased 45.1 percent, primarily due to the cumulative impact of an immaterial accounting correction that I will explain in a moment. Without this cumulative adjustment, interest expense would have been flat.

We consolidate a number of entities into our financial statements for which there are minority, or noncontrolling, interests. In one of these entities in Canada, we determined that certain historical sales of properties did not qualify for sale accounting, due to the company's continuing involvement in the sold properties. As a result, under U.S. GAAP, these properties should have remained in our financial statement as assets, with a corresponding financial obligation recorded equal to the properties' sales proceeds. The assets and financial obligation are amortized over time. During the first quarter, we recorded the correction to our balance sheet to increase assets by \$1.1 billion and liabilities by \$1.4 billion. With respect to the income statement, the correction included \$254 million of cumulative interest expense, offset by a related tax benefit of \$53 million, and \$173 million attributable to noncontrolling interest. The correction had a de minimis impact on our operating income and on earnings per share, as EPS is based on income attributable to Walmart.

From the balance sheet perspective, consolidated inventory increased 2.2 percent. Later in today's call, you'll hear more about inventory from our segment leaders. Payables as a percentage of inventory were 80.4 percent, which compares to 80.2 percent last year.

Return on investment for the trailing 12 months ended April 30, 2015 was 16.6 percent, which compares to 16.7 percent last year. The slight change in ROI was primarily due to continued investments in store growth and e-commerce initiatives, offset by currency exchange rate fluctuations.

The decrease in free cash flow was due to lower income from continuing operations and impact of timing of payments for inventory, as well as timing of income tax payments.

The last item I'll leave you with today is share repurchases. The company repurchased approximately 3.5 million shares for \$280 million during the quarter. Market conditions, general business trends and a focus on maintaining our AA credit rating, among other factors, influenced our share repurchase activity. We have approximately \$10 billion remaining on our existing share repurchase authorization.

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

Greg Foran
Walmart U.S.

Thank you, Claire.

Back on April 1 in New York we provided an update on the Walmart U.S. business. We discussed what was working well, and what needed improvement in order to meet both the expectations of customers and the goals of the company. We laid out a multi-year plan that includes several large and specific projects, all of which fit within our broader strategic focus on assortment, price, access, and customer experience. As we discussed, we're not only interested in reaching our goals, but reaching them in a way which is sustainable for the long-term. This requires a steady execution, a pace that is fast but calculated, and one that allows us to get it right.

This quarter we began executing this plan. We took the initial steps in April towards a stronger investment in our associates by raising the minimum starting wage for all hourly associates to \$9.00 per hour. As a part of our \$1 billion investment in our associates we also raised the floor and ceiling on pay bands in our stores creating raises for many full and part-time hourly associates at every level. More than 500,000 associates benefited from this change. We're also restructuring the management teams in the stores adding back almost 8,000 department managers. These department managers will have responsibility for a smaller area of the store ensuring that they have the knowledge and the time to engage with both the customers and store associates driving an overall better experience. The \$1 billion investment in our associates this year includes training programs as well.

Also included in our wage investments we've continued our "Checkout Promise" initiative we began over the holidays ensuring more registers are open during peak times to drive a fast and friendly experience as customers are completing their shopping trips. Finally, we continued to make steady progress against the other initiatives we've discussed, including our urgent agenda items, assortment discipline, pricing, and in-stock goals. These actions require a significant investment, which is included in our financial plan for the year. It's an investment we believe is imperative to providing customers with the unparalleled shopping experience they expect and deserve, and our associates with more opportunities to build a successful career at Walmart.

With these steps in mind, let's move on to our first quarter results. Net sales grew \$2.4 billion, or 3.5 percent, versus last year. For the 13-week period ended May 1, comparable stores were up 1.1 percent, which was within our guidance. Comp sales were driven by solid growth in traffic, which was up 1 percent. Customers continue to see the benefit of lower gas prices versus last year and are responding favorably to some of our new assortments for the spring and summer selling seasons.

All formats had positive comps for the quarter, including our traditional-format Neighborhood Markets, which posted approximately a 7.9 percent comp. A focus on customer service and in-stock position drove strong traffic in this format. Customers continue to see the benefit of Neighborhood Markets to meet their everyday needs, including convenient access to services such as drive-thru pharmacies and fuel stations.

Merchandise comp performance was similar to last quarter. Customers responded to the new spring and summer assortments in apparel and continued growth in active wear and strong brands across the category helped meet customers' assortment needs. Indoor home categories with key items and investments in opening price points drove momentum. We also saw customers transition outside driving sales in outdoor, lawn and garden, and toys. Last, health and wellness posted strong comp sales with momentum in both OTC and optical driven by recent product launches, as well as continued growth in pharmacy scripts.

Within general merchandise, we continued to feel pressure in media and electronics, resulting from industry contraction, the shift from physical to digital media, and lapping last year's release of the movie "Frozen". Additionally, in-stock positions in categories such as TVs suffered as a result of the port congestion on the west coast. That said, we now believe the majority of this disruption is behind us.

Moving to grocery, we were pleased by the operational improvement we saw in fresh. As we mentioned in April, this is a key area of focus, and getting fresh right is critical to the customer experience. We're taking the right steps towards reducing the time to bring fresh product to our customers, and training associates to ensure the best offering is on the shelf. We still have a lot more to do in this area, but we're steadily improving. One key headwind we faced in grocery during the first quarter was moderating inflation in meat, and deflation in both dairy and produce. While partially offset by inflationary trends in dry and frozen foods, we estimate the moderation in fresh foods impacted our overall comp performance by almost 70 basis points this quarter. Overall, net food inflation negatively impacted our comp by approximately 20 basis points.

Finally, e-commerce, driven by strong traffic and price leadership, saw double-digit comp growth across many departments. E-commerce plays a key role in our focus on access for the customer, which is fundamentally around convenience. We're launching the final phase of our new platform related to cart and online checkout capabilities. Our customers are using their mobile devices to access our site on the go. Mobile traffic was up over 100 percent for the quarter, and we saw higher conversion rates as well.

We continue to learn from our grocery home shopping tests where we recently added another location to the Huntsville, Alabama market. And, we're working towards a better customer experience in our Walmart Pickup program formerly called Site to Store. The program includes improved email communication, a new signage package that makes it easier for customers to understand the program, and a focus on a faster pickup experience in the stores. It will roll out to all stores by October 1. For the quarter, e-commerce sales contributed approximately 20 basis points to our overall comp performance.

Moving on to the remainder of our financial results...In the first quarter, gross profit rate declined 13 basis points driven primarily by a headwind from shrink, half of which was in food. We are addressing this increase immediately, bringing a high level of focus and visibility to this concern by adding it as a key urgent agenda item this year. In addition to shrink, the ongoing mix shift in pharmacy, incremental expenses related to the west coast port congestion, and cost inflation in consumables contributed to the decline. Somewhat offsetting this was a continued focus on the urgent agenda items laid out last year, including managing throwaways in fresh and reducing inventory that is no longer active in the stores.

As expected, operating expenses increased 6.6 percent versus last year. This was driven by changes in estimates associated with our incentive accrual versus last year and the investments we're making in our associates, including the increase in minimum starting pay rates, the restructure of store management roles, and the continuation of our Checkout Promise initiative. Finally, ongoing investments in e-commerce and technology were a headwind to the quarter. Given these investments, along with the reduction in gross profit rate, operating income declined 6.8 percent, or \$336 million for the quarter.

Inventory grew 5.4 percent in the first quarter. Almost half of this growth was related to the significant number of new stores added in the past several months. The remainder of the growth was related to congestion clearing in the west coast ports, and some conscious replenishment decisions we made to drive improvements in our in-stock position. We continue to make strides against our goal of strong working capital management. We grew inventory in comp stores below the rate of sales, and our in-stock position continued to improve throughout the quarter.

This quarter, we opened 20 supercenters, including relocations and expansions. Additionally, we opened 15 traditional-format Neighborhood Markets, and 9 smaller-format locations, including one campus store location.

We've spent a lot of time over the past several months truly understanding what it will take to succeed over time in a rapidly-changing retail environment. This quarter we made some improvements, taking the right steps at a steady pace, ensuring we stay on track towards the long-term goals of the business. We continue to monitor our fast, friendly, and clean performance in the stores, and based on customer feedback, we are making good progress. I'm out walking our stores every week, visiting our associates and talking to our customers in markets across the country. Additionally, Judith McKenna, our Chief Operating Officer, has visited with over 750 store managers in recent weeks gathering their thoughts on how we can improve. We are pleased that our customer service scores have steadily increased this quarter with all geographic areas and formats showing positive results. We know, though, that we're not where we want to be yet. It will take time to achieve our goals, but we're fully committed to providing our customers with a shopping experience they can love, and associates who see their efforts leading to broader and better careers.

For the second quarter, we expect traffic to remain strong supported by sustained low gas prices and our efforts to improve customer service in our stores. This will be offset, in part, by a continued decline in food inflation rates. For the 13-week period ending July 31, we anticipate a comp sales increase of around 1 percent. Last year, our comp sales for the period were flat.

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

David Cheesewright
Walmart International

Thank you, Greg.

Over the past few months, I've had the opportunity to visit the majority of our markets, and I continue to be pleased with the progress I see. Overall, we've had a solid start to the fiscal year financially and continue to make progress on our key strategic priorities. As a reminder, these key priorities include:

- Actively managing the existing portfolio
- Driving comp sales
- Accelerating e-commerce
- Delivering market priorities – particularly in China, Brazil and Mexico
- And finally, strengthening key enablers – such as being the lowest cost operator, building world-class talent, and building trust

Before we discuss the financials, here are a few highlights from the first quarter. First, I'm particularly pleased with our overall performance in Mexico, which not only had its strongest net quarterly sales growth in over two years, but also grew operating income faster than sales. Our results in Mexico were due to better comps in all key formats, including Sam's Club.

Also, I want to call out our performance in Canada, which had a positive comp for the fourth consecutive quarter. In addition to Canada and Mexico, we achieved comp growth in most of our other markets, as we remain committed to delivering positive comp sales across the board. I'm energized by the execution I've seen from our teams.

In addition, I'm excited about our efforts in accelerating e-commerce. In the U.K., grocery home shopping continues to report double-digit comps, and we're leveraging our U.K. experience in other markets across the globe. Earlier, Doug mentioned some of our change initiatives that we're working on across the enterprise. One of these initiatives is built around this experience in grocery home shopping. We have a newly created "International Acceleration Team" based in the U.K. that is building close partnerships with our markets to speed up the adoption of grocery home shopping processes and technologies. We're now working towards a common technology platform to better position us for the expansion of grocery home shopping.

Now, let's take a look at our first quarter results. In the first quarter, net sales grew 3.4 percent on a constant currency basis, partially benefitting by the timing of Chinese New Year and Easter. The U.S. dollar has remained at historically high levels, leading to a considerable currency impact of \$3.3 billion, which led to a 6.6 percent sales decline on a reported basis.

Comp sales were favorable across four of our five top markets, with the U.K., driven by continued deflation in food and aggressive competition, being the exception. We also had negative comps in Japan, lapping last year's benefit of accelerated consumer spending ahead of the April 2014 consumption tax hike. We grew comp sales in our remaining markets.

As expected, operating income grew slower than sales at 0.1 percent on a constant currency basis, impacted by planned strategic investments in our e-commerce businesses and ongoing economic and competitive pressures in certain markets. With the currency exchange impact, operating income decreased 11.0 percent on a reported basis.

On a constant currency basis, inventory grew faster than sales at 8.2 percent, driven by slower sales in the U.K. and inventory build-up leading up to the Easter holiday. On a reported basis, inventory declined 5.4 percent.

Now let's discuss individual results for our largest markets. Comp sales and changes in various metrics are presented on a constant currency basis only. In all countries except Brazil and China, financial results are inclusive of e-commerce. Slides 8 and 9 of the presentation summarize financial details.

Let's start with the U.K. The market remained highly competitive and promotional. Hard discounters continued to gain share, though at a slowing rate, and all major supermarkets stepped up aggressive investments in price. As a result, grocery deflation persisted at record levels, leading to low market growth. Grocery prices were down 2.0 percent versus last year for the 12-weeks ended March 29, according to Kantar.

U.K. sales declined 2.9 percent and comp sales declined 3.3 percent, excluding fuel, primarily driven by deflation in fresh. Operating income declined, negatively impacted by lower sales and margin. Heading into Q2, the team is focused on improving sales and operating performance through price investments in branded goods, maintaining aggressive price points on key items, and continuing to invest in the highest quality fresh offering. Asda's five-year strategy of investing £1 billion in lowering prices remains on track this year, our second year of the program.

In Canada, we maintained solid growth amid a dynamic, competitive environment. Sales were up 3.7 percent, and comps were up 1.8 percent, driven by solid Easter sales, strong performance in seasonal, and improving strength in our overall food business, including fresh. We continue to enhance our value and price offering, especially with private brands, where we saw significant growth. Market share increased in food, health and wellness, consumables, and infant categories, for the 12 weeks ended April 18, according to Nielsen.

Operating income grew faster than sales for the quarter. We remain focused on our low cost operating model and continue to seek out opportunities to drive efficiencies to reduce expenses. I'm pleased with performance overall and expect the positive trend to continue, as the competitive landscape evolves.

On May 8, we announced the acquisition of 13 stores – 12 leased and one owned – and one distribution center from a former competitor. While these transactions are subject to bankruptcy court approval, we look forward to bringing additional supercentres to more provinces in Canada. These stores are in addition to the 29 supercentres we announced as part of our current fiscal year expansion program.

Next, let's turn to Mexico, which released their earnings on April 21. Please note that the Walmex release is under IFRS and the results here are under U.S. GAAP, therefore some numbers may differ.

Consolidated Walmex net sales increased 7.3 percent, with strong comp sales in both Mexico and Central America. Operating income growth was also favorable, up 10.4 percent year over year.

Mexico net sales grew 7.1 percent and comp sales increased 4.9 percent. Self-service gained 80 basis points of market share during the quarter, according to ANTAD. Performance was strong in food and consumables, the largest contributor to the comp sales momentum. Sam's Club comp sales grew 6.8 percent in the quarter, benefitted by improved merchandise assortment and initiatives to grow the membership base. I'm excited about the momentum and outlook, as the team continues to launch initiatives and price investments that will resonate with the customer.

In addition to top line performance, Mexico did a good job managing expenses, delivering over 30 basis points of leverage compared to last year, driven by lower utility, supplies, and advertising expenses.

Now, on to Brazil...Market conditions worsened this quarter due to continued inflationary cost pressures. In addition, the retail grocery sector had its worst first quarter growth in the last six years at 2.2 percent, according to Serasa Experian, a global information services company. Despite the continuing economic slowdown, I was pleased to see another quarter of steady growth in Brazil. Both net sales and comp sales were up 3.0 percent. Sam's Club and Maxxi formats outpaced retail market growth, with double-digit comp sales increases. Brazil continues to invest in price, particularly in general merchandise, in an effort to improve sales trends in retail formats.

Brazil did not leverage expenses for the quarter, largely due to the inflationary pressures that I've just mentioned. Management remains focused on turnaround initiatives to deliver profitability in the back half of the year.

Moving on to China...Walmart China's Q1 net sales grew 1.9 percent and comp sales grew 0.4 percent, as sales for Chinese New Year improved year over year. Recall that Chinese New Year was January 31 last year and February 19 this year, so some sales shifted from Q4 into Q1 this year. According to China UnionPay Data, our gift card loading outperformed the market in the high volume months of January and February. Nielsen also showed that Walmart increased market share in fast moving consumer goods in the hypermarket channel, and maintained share in the Modern Trade channel, which includes smaller format stores, for the 12-weeks ended March 29.

While there are ongoing market headwinds from government austerity and slightly slower economic growth, we're confident we'll continue to deliver growth in China. Part of this growth will come from the planned opening of 33 stores and clubs this year, with expansion focused in the southern regions where we have strong market presence. Additionally, we aim to provide better services and widen our customer reach through greater expansion of our omni-channel platforms, including online and mobile.

We're focused on driving efficiency, cost reductions and strengthening our portfolio in China. Operating income grew 23.5 percent, up due to expense leverage and gross margin improvement from higher sell through with Chinese New Year. We leveraged expenses this quarter in our core business through "We Operate for Less" and "We Buy for Less" initiatives and will continue to pass those savings onto customers.

Finally, let's discuss e-commerce performance. Accelerating e-commerce is one of our strategic objectives this year, and we're making significant strides in providing convenient access for shoppers as we continue to invest globally in e-commerce capabilities. In Mexico, we're launching an improved Sam's Club website in the second quarter and an app in the third quarter. In China, we'll launch a new app later this quarter for our stores that will enable customers to shop from their local Walmart store and choose to pick up their order in store or have it delivered to home. And in Canada, our e-commerce business continues to perform strongly, with a comp of greater than 40 percent.

Yihaodian, our e-commerce business in China, benefited from the Spring Festival promotion to support Chinese New Year, with strong sales of imported items in milk products, shampoo, and other categories. Orders drove most of our growth and our conversion rate improved nearly 100 basis points compared to the same quarter last year. Mobile contributed more than 40 percent of orders.

Brazil e-commerce had another strong performance this quarter, with comps up double digits and outpaced the Brazilian total e-commerce market growth rate. Phones, auto & tires, and baby categories helped drive this growth. Above average summer temperatures drove strong sales in fans and air conditioners. On Consumer Day, a national event in March that's similar to a Black Friday event in the U.S., we also delivered strong sales growth.

In addition to our solid financial performance, I'm pleased with the progress we've made in strengthening our key enablers of being the lowest cost operator, building world-class talent, and building trust. One way we deliver on being the lowest cost operator is by reducing our total energy required to power our buildings. For example, in the U.K., we're migrating to a new energy monitoring system that provides daily energy alarms, analytic capabilities and reporting. In addition, we remain committed to programs that develop talent. We began providing retail training to women in emerging markets last year and have now trained women in several countries, including Argentina, Chile, Mexico, South Africa, and India, and are focused on scaling projects throughout this year. By the end of next year, we plan to have trained 200,000 women for their first jobs in retail in our emerging markets.

As we look forward to the rest of the year for the International business, we anticipate some headwinds, particularly in Latin America, where in the second quarter we lap last year's World Cup. We also expect similar trends in the U.K. to continue given market conditions, and anticipate ongoing currency pressure with the strength of the U.S. dollar. At the same time, though, we have strong momentum in markets like Mexico and Canada, and expect to see solid growth continue in these markets.

The global landscape remains challenging and the retail industry is highly competitive. However, I believe we're headed in the right direction and are making progress towards our strategic objectives, which is setting us up for long-term growth and success.

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

Rosalind Brewer
Sam's Club

Thank you, Dave.

Our first quarter results were disappointing, as comp sales missed guidance, and we delivered softer net sales and profit than last year. We continued to invest in our initiatives to drive growth, and while we made progress in some areas, we still have upside opportunity in others. This year is one of investment and testing, and we're very focused on strengthening our foundation for business improvement in the longer-term.

We've been focused on four initiatives designed to improve our foundation.

The first initiative is improving our merchandise assortment, where we are driving newness and differentiation. For example, we increased our organic offerings by 20 percent since the beginning of the year, and these are important to various demographic groups, including millennials.

Our second initiative is focused on membership and decision sciences. We created a new Chief Member Officer, reporting to me, that will own membership data and analytics. This role, which was put in place at the beginning of the quarter, oversees a new team of data scientists, marketing and insights professionals. I'm pleased that the team's recent new targeted membership efforts give us optimism for the rest of the year.

Our third initiative is launching new programs to enhance member value. One example is a groundbreaking new pharmacy program called "Free/4/10," which provides Plus members with free or discounted prescriptions for five costly diseases, including Alzheimer's, diabetes, mental health, vitamin D deficiency, and prostate health. This program contributed to a number of Plus upgrades since its rollout.

Our fourth initiative is a significant long-term investment in our e-commerce business. We re-launched Club Pickup in every club in the country, resulting in a 37 percent sales increase in the Club Pickup Program. Members love the convenience benefits of online ordering and easy pickup at the club. I am encouraged that our investments will pay off in the near future.

Now, on to the numbers...With fuel, operating income declined 10.9 percent to \$427 million. The fuel business has experienced significant pricing volatility within the quarter, and as a result, our fuel business lost \$9 million this quarter. For additional results with fuel, please reference the accompanying presentation.

In Q1, net sales, without fuel, grew 1.2 percent to \$12.4 billion. Comp sales were 0.4 percent, driven by ticket increases of 60 basis points and by a traffic decline of 20 basis points. Savings member traffic was positive, offset by a decline in business member traffic. E-commerce contributed 40 basis points to the comp for the 13-week period.

Our gross profit rate declined 15 basis points compared to last year, attributable to our investment in Plus Cash Rewards. We will continue to invest in Cash Rewards as Plus penetration grows.

Operating expenses as a percentage of sales increased 33 basis points, due to investments in new clubs, e-commerce, and technology. Membership and other income grew 4.9 percent, with membership income up 7.4 percent. Operating income declined 8.6 percent to \$436 million.

Our merchant teams continue to work on bringing newness and trend-right merchandise into the clubs. We still have opportunities for improvement, and we continue to invest in price to drive value for our members.

Comp sales in fresh/freezer/cooler were up in the low single-digits. Meat and deli categories performed well, but our overall food comps, including dairy and produce, were impacted by deflation in these fresh categories. We grew comp sales in dry grocery. This is an area in which we will continue to invest to improve both assortment and member value.

Consumables were led by private brand table top programs, offset by ongoing supply issues within baby care.

Overall home and apparel comps were up in the low single-digits. Women and children's apparel was strong, delivering double-digit comp performance. Patio and seasonal items were down, due to the slow start to spring in key geographies, but mattress and houseware categories grew double-digits in comp sales.

In our technology and entertainment business, comp sales were down. TV sales were challenged due to the west coast port delays, but did pick up later in the quarter once the delays decreased. Our audio sales were strong due to new headphones and soundbars. This category has been part of our initiative to streamline our offering to provide the latest advancements in the technologies that matter and to improve our offerings on-line.

Our health and wellness category benefited from our pharmacy's introduction of the newly launched Free/4/10 program that I mentioned earlier. This program is being merchandised at our pharmacies and contributed to a number of Plus upgrades since its rollout. We are optimistic about its ability to continue to drive membership growth.

As we continue to enhance and improve our offerings, we are managing our inventory appropriately. Inventory, without fuel, grew 1.9 percent, primarily attributable to new clubs.

Beyond these merchandise areas, membership growth is our number one priority, and we see opportunities to better serve both the Business and the Savings member.

Turning to membership, we were encouraged by the momentum in April in both acquisition and renewal counts. This will be a constant focus for us. We see consistent growth in our Plus membership, driven by our national rollout of Cash Rewards last year. We have added over 1.6 million new Plus members since a year ago. Members that have upgraded to a Plus membership are highly engaged, both in clubs and online, and their spending is up over the previous year in the mid to high single-digit range. In addition, the 5-3-1 MasterCard program we launched last year continues to receive industry accolades, but more importantly, receives tremendously positive feedback from our members.

When I'm out walking in the clubs and talking with members, they consistently tell me how much they enjoy the benefits of our Cash Rewards program, and our 5-3-1 MasterCard. This is especially true for our small business members as the rewards really add up. Together, these two initiatives continue to meet our expectations in providing membership value.

For the long term, we continue to see success in some key strategic areas and will build on these. The integration of digital and physical is a key enabler for our growth. E-commerce delivered a double-digit comp this quarter, contributing 40 basis points to the segment comp. Growth in traffic, ticket, and conversion was driven by strong double-digit Club Pickup comps.

We are also leveraging our digital capabilities to drive targeted member growth and renewal. Utilizing our data analytics, we used digital media to reach current and prospective members, but can now align it with system enhancements and better visibility of members' shopping behaviors. For example, our recent Groupon offer clearly communicated the value of the Sam's Club membership card and generated more than 220,000 new members in less than two weeks.

Ultimately, we know we will attract and retain members by creating irresistible value in our membership. While our business member numbers continue to be challenged, we're maintaining our focus on turning that trend around. To help them grow, we've expanded the value we provide to small business members with the addition in the first quarter of five new or enhanced services through third-parties: identity theft protection, accounting, business lending, payment processing, and online marketing.

With these new services, we've broadened the portfolio of new business services we launched in the fall, and we will continue to do so throughout the year. The primary purpose of these services is to help our small business members be successful, and create additional membership value from their Sam's Club card. Although it's still early, we've had positive feedback on our new services.

We are intensely focused on addressing top line sales and membership. We expect comp sales for the 13-week period ending July 31 to be between flat and up 2 percent.

Now, I'll pass it over to Charles. Charles...

Charles Holley

Guidance

Thanks, Roz. I will wrap up today's discussion by providing some thoughts on our performance.

As you heard, currency exchange negatively impacted our sales by \$3.3 billion and earnings per share by \$0.03, which was more than we anticipated. Even though our Walmart U.S. comp sales were around the bottom of our guidance, we are pleased with our earnings per share coming in at \$1.03, in the middle of our range.

Before I move on to our second quarter guidance, it's important to reiterate that we continue to execute our enterprise strategy, which we feel is creating a stronger foundation for the future. It's still early days, but it's important to note, we are managing our capital in a very disciplined way, seeking the right balance between sales growth and profitability as we integrate digital and physical.

Based on our views of the global macro-economic environment, and assuming currency exchange rates remain at current levels, we expect second quarter fiscal 2016 earnings per share to range between \$1.06 and \$1.18. Our second quarter guidance includes the impact of approximately \$0.04 per share from our previously announced investments in both associate wages and training, as well as \$0.04 per share from currency.

Now as a reminder, our full year earnings per share guidance assumes the impact of approximately \$0.20 per share from our strategic investments in both associate wages and training, as well as an incremental \$0.06 to \$0.09 per share in e-commerce investment. In our first quarter, we incurred approximately \$0.02 per share from our investment in associate wages and training and an incremental \$0.02 per share from our e-commerce investments.

In addition to the impact from these two significant investments, we expect currency to remain a significant headwind for the year. Assuming exchange rates remain where they are today, the impact on full year net sales would be approximately \$14 billion. Now, this compares to our guidance in February of approximately \$10 billion. Again, assuming exchange rates remain where they are today, the impact on our earnings per share this year would be approximately \$0.13 per share, compared to our prior guidance of \$0.10 per share.

We continue to expect our effective tax rate to range between 32 and 34 percent for this fiscal year. 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 law, outcomes of administrative audits, the impacts of discrete items, and the mix of earnings among our U.S. and international operations. And in any given quarter, our effective tax rate could be higher or lower than the full year range. In February, we indicated that we expected our first quarter effective tax rate to be the highest of all four quarters this year. However, given the fluctuations that I just mentioned, we were below that initial forecast.

Before we wrap up today's call, I would like to address a few additional items. You're familiar with how we prioritize our capital, and the first is organic growth. In this fiscal year, we added approximately 4.1 million additional square feet of retail space around the world.

Additionally, when there are opportunities that can increase our ability to serve customers and add shareholder value, we will invest beyond our capital plan that we shared in October. Our recent announcement in Canada regarding the acquisition and renovation of specific real estate locations from a competitor for approximately \$290 million is a great example of such an opportunity.

Our remaining cash flows provide shareholder returns in the form of dividends and share repurchases. It's important to remind you that we remain committed to returning value to our shareholders, and we will continue to be opportunistic with share repurchases throughout the year.

Before I close, I would like to reiterate that working capital management remains a very high priority for us. We acknowledge there's more work to do across our business, but our leadership teams are committed to further improvement throughout this year.

With that, thank you for your support of our company. We hope to see all of you at Shareholders this year!

Detailed Cautionary Statement Regarding Forward-Looking Statements

This call included 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 forecasts and expectations for.

- Walmart's EPS for the second quarter of fiscal year 2016;
- U.S. comparable store and club sales for the 13 weeks ending July 31, 2015;
- the impact of currency exchange rate fluctuations on Walmart's reported net sales and EPS for fiscal year 2016;
- the range within which Walmart's effective tax rate for fiscal year 2016 will be and that such effective tax rate will fluctuate from quarter to quarter;
- Walmart being opportunistic with share repurchases in the remainder of fiscal year 2016;
- Walmart continuing to reinforce EDLP in all of its markets;
- Walmart's priority of driving growth across the enterprise;
- Walmart U.S.'s financial plan providing for significant investments in assortment discipline, pricing and in-stock goals in fiscal year 2016;
- Walmart U.S. traffic remaining strong;
- Walmart International's:
 - key strategic priorities and focus on improving its sales and operating performance through certain means, and focus on the segment's low cost operating model and efficiencies to reduce expenses;
 - positive performance trend continuing;
 - Brazilian operations being focused on turnaround initiatives to deliver profitability in the second half of fiscal year 2016;
 - operations in China continue to grow and part of that growth coming from

opening 33 stores and clubs in fiscal year 2016;

- objectives of providing better services and widening customer reach through expansion of its omni-channel platforms and accelerating e-commerce in fiscal year 2016;
- anticipation of solid growth of its operations in Mexico and Canada;
- Sam's Club continuing to invest to improve assortment and member value;
- membership growth being Sam's Club's highest priority and constant focus;
- Sam's Club continuing to build on its success in some key strategic areas and to broaden its portfolio of business services in fiscal year 2016; and
- assumptions on which certain of the forecasts or expectations are based.

Walmart's actual results may differ materially from the guidance provided in and the 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, 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;
- competitive pressures;
- inflation or deflation, generally and in particular product categories;
- the amount of Walmart's net sales denominated in the U.S. dollar and foreign currencies;
- the financial performance of Walmart and each of its reportable segments and the cash flows and stock price of Walmart;
- Walmart's effective tax rate and the factors that can affect that rate as discussed in this call;
- consumer confidence, disposable income, credit availability, spending levels, shopping patterns, debt levels and demand for certain merchandise;
- customer traffic and average ticket in Walmart's stores and clubs and on its e-commerce websites;
- the mix of merchandise Walmart sells;
- availability of attractive opportunities for investment in the e-commerce sector;
- consumer acceptance of Walmart's stores and clubs, e-commerce websites, mobile apps, initiatives, programs and merchandise offerings;

- disruption of or changes in seasonal buying patterns in Walmart's markets;
- the level of public assistance payments;
- natural disasters, public health emergencies, civil disturbances, and terrorist attacks;
- commodity prices and the cost of goods Walmart sells;
- transportation, energy and utility costs;
- selling prices of gasoline and diesel fuel;
- disruption of Walmart's supply chain;
- cyber security events affecting Walmart and related costs;
- trade restrictions and tariff rates;
- the turnover in Walmart's workforce;
- labor costs, including healthcare and other benefit costs;
- casualty and accident-related costs and insurance costs;
- delays in opening new, expanded or relocated units;
- changes in tax, labor and other laws and changes in tax rates;
- governmental policies, programs and initiatives in the markets in which Walmart operates;
- unexpected changes in Walmart's objectives and plans;
- developments in, outcomes of, and costs incurred in legal proceedings to which Walmart is a party;
- Walmart's expenditures for FCPA- and compliance-related matters;
- changes in generally accepted accounting principles and unanticipated changes in accounting estimates or judgments; and
- 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 through this call's date.

Walmart urges you to consider all of these risks, uncertainties and other 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 forecast 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.

One of the Sam's Club comparable club sales and certain other financial measures discussed on this call exclude the effect of the fuel sales of our Sam's Club operating segment. Those measures, as well as our return on investment, free cash flow, amounts stated on a constant currency basis and certain other financial measures discussed in this call may be considered non-GAAP financial measures. Information regarding certain of these non-GAAP financial measures and reconciliations of certain of these non-GAAP financial measures to their most directly comparable GAAP measures appear in our press release announcing our earnings for the quarter ended April 30, 2015, which is posted in the Investor's section of our corporate website at <http://www.stock.walmart.com> and is an exhibit to our Current Report on Form 8-K that we furnished to the SEC on May 19, 2015.

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