Walmart Stores Inc. (NYSE: WMT)
19th Annual Investment Community Meeting
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Transcript Index

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Jeff Davis – *SVP Finance & Treasurer Walmart Stores, Inc.*

Good morning, everyone. Before we get started with the webcast, I wanted to go over a couple of quick housekeeping items. And at the risk of sounding like your flight attendant, I want to make sure everyone knows where the exits are in case there is an evacuation but most importantly if everyone could use the exit and entrance over here to the right as you're entering the presentations.

Outside you'll see there is a beverage service set up for you during the course of the day. One thing that many of you are going to be using the iPad® and the conference app. The first app that is downloaded is the Walmart U.S. app presentation. If you have not seen that as of yet it won't come up until bill is ready to come on stage. If you have any issues with your iPad® or the app we have support back here on the right-hand side. Also if you requested a USB for the meeting materials that will be available for you at the end of the meeting and you can get that at the registration desk out front. That won't be available until affiliate meeting is completed.

If we can now get ready to start the webcast.

Jeff Davis – *SVP Finance & Treasurer Walmart Stores, Inc.*

Good morning. My name is Jeff Davis. And I am the Senior Vice- President and treasurer for Wal-Mart Stores. On behalf of our global leadership team, I would like to thank everyone who has traveled here today to be with us in northwest Arkansas and for those of you webcast for making it part of your day also. Hopefully last night you had an opportunity to enjoy the time at crystal bridges museum. We not only had an opportunity to see some of the finest art, American art here in northwest Arkansas but you also took the opportunity to spend time with our business leadership team to learn a little bit more about Walmart; however, if you didn't have an opportunity to spend some time with us last night we still have an exciting line- up for you today.

But first I have sort of a shameless commercial for our IR team. As you can see on the screen behind me, in April of this year, we had the opportunity to launch a new application. That app is now available not only on the iPhone® but Android® devices and what we really are excited about this is the fact that we have the opportunity to provide this great tool to you such that you can access information any time any where that you would like to. We believe this tool will be good for you to be able to download certain information like key news, our releases, and all the other types of information that you would normally retrieve from our website; in fact, if you haven't downloaded already, there is a QR code behind us and you can go ahead and download that right now if you would like. So moving on to our next slide, please.

As you can see from the agenda today, we have a very exciting line- up. In addition to the warehouse clubs that you saw yesterday as well as the stores, you'll see that we have a great line-up. Mike Duke will kick it off for us today. In doing so, he'll have an opportunity to talk to us about the business strategies; in addition, you'll see that we will have our business leadership, and they will go through and discuss with you each of the respected businesses. At the end of each one of their sessions, you'll have an opportunity to ask questions, also.

We'll have Charles Holley come up and provide us with a financial update and, also, outline our fiscal 2014 capital expenditure plan.

As you'll see, Mike will close with some final comments. And he'll be joined by his Executive Team to take Q and A at the very end.

For planning purposes, you'll see that we have a break at 9:25. And you'll have an opportunity during that break to go down the hall and actually spend some time with some of our merchants who have a great display of merchandise for you, something in addition to what you may have seen already in the stores. And, in addition to that, you'll see at 11:45 we'll actually break for lunch.

Just as a quick reminder, all of our presentations are actually archived on the investor portion of our website and today's meeting will actually be made available and a transcript on October 11th, which is tomorrow.

As you can see we have our obligatory statements and today our business leadership will make a number of forward-looking statements not only during presentations but during the Q and A. As a reminder, many of the statements we'll be making may differ materially from our actual forecast or actual results that compare with what we've talked to you about today. And what you'll see behind me are a number of forward-looking statements if you take a look at that as well as on our website for other filings that we've made to the SEC. Now without any further adieu, I would like to welcome to the stage, Mike Duke, our President and CEO.

[Applause]

Mike Duke - *President and CEO Walmart Stores Inc.*

Thank you, Jeff. Good morning! Great to see all of you. Welcome back to Northwest Arkansas. I always enjoy visiting with you and I really enjoyed getting a chance to talk to many of you last night at Crystal Bridges. And I do hope -- I know Jeff said that -- I hope you also enjoyed the evening. I know that some of you thought it was a difficult tradeoff from Leslie Dach to Crystal Bridges that we've had -- Leslie in the past but that is a very special place, I think, for all of us that lived in the Northwest Arkansas and get to take advantage of it. And we certainly really grateful to the Walton family, and especially Alice Walton, for the development of that Crystal Bridges project. But it's just a special, special place and really having a whole -- an impact on the whole region so I hope some of you can come back when you'll have a little more time and can enjoy it more.

I also hope that you enjoyed the store and club visits. I know that many of you -- I heard that even more than in the past -- spent a lot of time out visiting local stores in Sam's Clubs and really hope that was worthwhile for you.

I will tell you, Jeff just covered the agenda. We have a lot of time on the agenda today for Q and A. That's my favorite part. I like to listen to your questions. I think your questions have great depth and they mean a lot to me and you'll see me taking notes and we may even refer to some of that at the end of the meeting. So again, I look forward to the discussions and have this, especially the Q and A part.

You know, last year in my closing remarks, I said that our business was stronger than it was the year before and that it would be even stronger when I stood here today in front of you. Today I want to appreciate all of our managers and our more than 2 million front-line associates, especially all over the world, because working together, this team has made good on that promise.

Throughout the day you'll hear the message from our leadership team that you've consistently heard over the last few years: growth, leverage, and returns. With my remarks, I also want to focus you on three additional words: momentum, discipline and investment. Because these are driving growth, leverage and returns.

We have momentum in our core business that's producing top line and bottom line results. We're delivering on the productivity loop and we're being even more disciplined about operating expenses and capital spending. We're making investments that are creating a better business. We certain live areas where we can improve. And believe me, we are focused on those area that we need to improve in. But let me be real clear. Walmart is strong and we are getting stronger.

In Walmart U.S., our business is in a very good place. Bill and his team have made progress on a number of fronts that are driving stronger comp sales. We're executing on the fundamentals of assortment and price. Driving success and key merchandise categories and we are focused on the customer. We're delivering on leverage and productivity goals and investing those savings in price leadership.

For these reasons and others that you'll hear later, Bill and his team are optimistic about the second half of this year and about keeping the momentum going through the holidays. And I believe they're right. I'm impressed by their plan and the energy that I'm seeing throughout the organization to give America the absolute best possible Christmas.

Now at Walmart International. I like how we are positioned around the world and the markets that we are in present great opportunities. Our growth is strong and we are winning customers. We are gaining share in almost every country that we operate in.

Doug and his team are making progress on delivering EDLP and EDLC. And they are very, very focused on improving return on investment. Their focus on the Walmart way of working is leveraging best practices and productivity and systems all around the globe.

By the way, the Massmart integration. That has progressed really, really well. Our entry into the growing African economy will benefit shareholders. As we've discussed before, we made a decision a year ago to slow our new store growth in Brazil. We've also slowed in China to improve the quality of our new store openings. And as you know, we put additional procedural steps in place in Mexico.

While the quality of openings is our priority, we will still expand at an aggressive rate in international and add between 21 and 23 million total square feet in the international business this fiscal year at Sam's Club.

Rosalind and her team continue their strong performance. All of you know wholesale clubs as a channel are growing more and they're growing more competitive and we are focused on providing value and price for our members. We have a clear strategy to further strengthen our merchandise offering at Sam's. We're testing new ways to engage existing and perspective members and to increase memberships and renewals and revenue. So far we were pleased with the results of these tests. Of course, they are still in the very early stages. You hear more about this.

When I think of momentum, I also think about the leadership that Walmart is providing on issues like sustainability, economic empowerment of women, nutrition and hunger and agriculture. This leadership is being recognized.

A couple of weeks ago I was honored. President Bill Clinton called me. I was in the office and I took his call, of course. He asked me to come and to sit on the opening general session panel at his Clinton global initiative in New York City.

The President was very, very kind with his words about Walmart and what great company for our company to keep there in that event. At Walmart, we thrive on the highest expectations that the world has for us.

My second message to you today is on the discipline. Discipline about both operating expenses and capital spending. At Walmart we are disciplined about how we spend money, and this is an area where I am personally committed. It's essential to our business model and it is a part of our DNA.

Sam Walton taught to us count every penny and to make every penny count. Three years ago at this meeting we committed to leveraging expenses. Last year we raised that bar further by setting a goal to reduce SG&A as a percent of sales over at least 100 basis points over a 5-year period. I'm really proud because Walmart has now leveraged expenses for 11 quarters and it's on track to meet that larger five- year goal. All of this is part of our re-commitment to the productivity loop and it is paying off in savings, lower prices, and more sales across our business.

Now, you're going to see us bring the same increased discipline to our capital expenditures that we've been bringing to operating expenses. You'll hear more details today about our capex plans and for next year and our strategies for on-going capex discipline. We are driving efficiencies and new stores and remodels by reducing construction costs while keeping our square footage growth where we want it to be. We're smarter about matching our system's investments to the size of the box and the needs of the market.

Let me assure you, I am personally committed to discipline in how we spend money at Walmart. It doesn't matter whether our business is facing headwinds or if the wind is in our backs. We will only spend wisely and those investments will be good for our shareholders.

We are making investments that are building our business and positioning Walmart to succeed in the future. Both in short-term and the long-term. These are being done with a tremendous amount of discipline. Our primary investment continue to be in the new stores and improvements to our current stores and clubs. But, this has also been an important year of progress for us in the area of global e-commerce. We've assembled best- in- class teams in Silicon Valley and around the world for that matter. I believe we are playing to win in a very real way now. Driving innovation. Working together across the entire business and investing in this vision. Our efforts are strengthening and already good business in e-commerce. Let me give you three examples.

The first is our new world class search engine which is already improved conversion rates on Walmart.com by 10 to 15%. Another example is the new global platform that we're building that will significantly increase the assortment of products available on our sites around the world. A final example is our investment in Yihaodian which we hope will close in a few weeks.

I feel even more strongly today that our trusted brand, our relationship with over 200 million customers, and our operations in communities for where those customers live and shop, position us really well in e-commerce. You'll hear more about our e-commerce strategies from Neil and each of the segment leaders.

Another place where we're making investments is in shared services, systems, and global processes. We are seeing the productivity and expense benefits of our global process working scheduling in the back room operations and in the front ends of our stores. Our shared service strategy will increase productivity as it roles out around the world. Most recently we had the consolidation of several of our simple financial shared services locations into a single center based in Costa Rica.

As I said at the start of my comments, I believe the combination of momentum, investment, and discipline will continue to deliver growth, leverage, and returns for our shareholders. We will generate top- line growth through comp sales, from our -- all of our existing businesses, from new stores, and from e-commerce. Our international business will continue to be a growth venture. And at Sam's, we're pushing hard to accelerate growth and membership and in top- line sales.

Our op-ex and capex discipline, combined with our initiatives in our areas such as shared services and global processes and sourcing will help us to continue to deliver on these leveraged goals.

You know, people keep asking me, how much more can we do in this area of leverage? To be sure, we have come a long way with leverage in the recent years. But, frankly, we're at an earlier stage of that and we're at an early stage with capital expenditures. So there is a lot more opportunity.

My commitment is that we have a lot of open road ahead, even beyond our current plans. We'll also continue to deliver returns to our shareholders through dividends and share repurchases. You'll hear from the presenters today more information on returns and our strategies to maintain industry-leading return on investment level for our businesses.

I'm proud that our strong and consistent financial results and our strategies for the future, I'm proud that they're reflected in our stock performance. It is a credit to the hard work of all of our Associates around the world.

At Walmart, we have the strongest management team that we've ever had. We have more depth and more expertise in key areas like merchandising and operations and all across the business. We have a business that delivers for our customers, our Associates, our shareholders, and our communities. As far as we have come, I believe we still have a great deal of upside. Our strategies are creating an anytime, any where relationship with our customers that will allow us to serve them better than any other retailer in the world.

In this changing landscape of commerce all around the world, I believe that we will continue to be the healthiest and the best positioned global retailer.

I really appreciate the time this morning. I look forward to coming back and seeing you later in the day. So thank you now. But I now would now like to ask Bill Simon to come up and tell us about the Walmart U.S. business. So, Bill, welcome to the stage.

[Applause]

Bill Simon - *President & CEO Walmart U.S.*

Appreciate it. Morning, everybody. How are you doing? It is a great pleasure to be with you this morning. As we were preparing for the presentation, you know, I had a chance to reflect back. This is my third time in front of this group in this role. Three very different distinct meetings. Two years ago at this this meeting my first -- I'd been in the role about -- well, just a few short months. Frankly, we were just beginning a journey towards where we would like to be. And I didn't even have a team with me at that point. I didn't have a Chief Merchant -- had not appointed a Chief Operator. If you recall, I did the whole presentation nearly by myself. I had to ask Andy Barren, who runs our merchandise group, to come up and do one or two slides so I could go get a sip of water. That's where we were.

Last year was a little bit different. We had started in our business to see a result an impact on the actions that we had been taking focused merchandise activity, reduction in price. But you hadn't been able to see it yet. So we were anxious to talk about it but we couldn't because it was not showing up in the business result yet.

This year is completely different. We're very, very proud of the result that we've been able to deliver with the focus -- the teams been able to bring forward. And I'm very proud actually that I don't have to do all that much of the presentation. What you'll get to hear today is from two very, very talented executives who you know. Duncan Mac Naughton, who runs our merchandising group. And then this year we added to his responsibilities Stephen Quinn and his marketing group, which has been able to provide us a very, very integrated and affective merchandise marketing mix as we work towards broad assortment in a lower price. We're now able to communicate that affectively and directly to the customer. So Duncan and Stephen and teams have been very, very affective in that space.

Gisel Ruiz, who you know who grew up in our stores 22 years -- 21 years -- don't make you that old -- 21 years in the company. Started in our stores and worked her way up through store management positions. Had a tour through Human Resources at a couple of points in her career. Was a Regional Executive Vice- President in the field and now is doing an incredible job as Chief Operations Officer so Gisel will be up to talk to you as well.

I have the pleasure of starting out with a bit of a recap over the past 12 months in the first half of the year. As I said, we're really excited because the strategy's working. We have a business model that when executed properly and affectively drives traffic, drives sales, and fuels itself. We call it the productivity loop.

As we're affectively able to lower prices we drive traffic into our stores and that volume allows us to leverage our expenses. And that is what we have been working on.

From the merchandising perspective, Duncan and the team has been expanding assortment in team categories, depth focused on pricing, but a broad -- a very broad -- not a key value- item price reduction strategy. And those improvements in key categories and merchandising and focus on pricing is working.

We have been made -- we made a substantial amount of progress in this multi- channel world, the intersection of Neil's e-commerce space and store space and we're continuing to make progress in that area. We launched initiatives this year like pay with cash and I'll talk about that in a little while. But they're impacting the customer and providing us growth opportunities in this space.

We also have made progress in our real estate in the real estate strategy and a market- share focus that we delivered. And I'm going to come back and talk about that a little bit more.

But before I do I want to sort of refresh everybody's memory if, you need it, on our first half, which for us was very, very good. Overall sales were 48, 4.8% sales. 6.6 operating income so profit growing faster than sales. Comp of 2.4 in traffic, positive traffic in our business. I had to put those little blue numbers over there on the side because we always have to put things in context. 2.4 comp in our business is $3 billion in comp sales. And 4.8 overall is $6 billion in additional sales that we've been able to put through our buildings.

The team's focus delivering against strategic initiatives are seasonal execution all the way through our business for the last 18 months has been very, very good and improving. And our ability to deliver general merchandise comps in addition to food comps is what I think's helping our business. The more traffic we get in our buildings, the better able we are to leverage the broader assortment that we have in our stores.

I shared this chart with you -- reversion of this chart with you last year when we talked about the rising price that we had been seeing in our business as we'd been focusing on key value items and reducing assortment. The price reflected here is the gross margin had drifted up. We knew that our business model required us to have the lowest prices in the market so we began a constant broad, steady focus on reducing prices that allowed us then to leverage our SG&A expenses more broadly which created the opportunity through the productivity loop to further invest in price.

Now, we talked last year about investing $2 billion in price through fiscal 14 and we're on track to deliver that and the affect has been exactly what we thought it would be. Traffic, comp sales and happy customers.

So here, as I said, the third year in front of you or the third time in front of you, I would tell you that we're well- positioned for success. This is what we're going to talk to you about today.

We're executing our strategy. And these first two points, Duncan will take you through the first. Gisel will tell you through the second -- are what Walmart does. Broad- based merchandise assortment with low prices in the marketplace driven and fueled by -- and fueling opportunities to leverage productivity, which allows us then to invest in price. That's what we have to do. When we do those first two things it gives us permission and opportunity to do many, many more things. And so what I'm going to do is come back after Duncan and Gisel, take you through the first two bullet points and talk to you about some of the really exciting things that are happening in the convergence of e-commerce and physical retail and we're calling it seamless access for customers.

And then I'm going to take you through in a little more detail that market- share driven real estate strategy that we're shifting towards and what that means to Supercenters and the acceleration of our small- store square footage.

So with that, as I said, very, very pleased to be in front of you today. The team's excited. And I'm going to turn it over to Duncan so he can take you through a merchandising strategy. Thanks.

Duncan Mac Naughton – *EVP, Chief Merchandising and Marketing Officer*

Thank you, Bill. Good morning. It is great to see many of you. Two key focused areas for me today, okay. I would like to give you a perspective of -- as Bill indicated what the merchants are working on, what the team has been focused on from a strategic perspective. And then second, I want to talk to you about the back half and why I'm so excited about our holiday plans and what you can expect to see in our stores and what the customers will hear in a big way from Walmart this holiday seasonal.

I think the slide says it very well. We're executing our merchandising strategy and it's working. Simply stated, we're investing in everyday low price. We're broadening and localizing our assortment and it's resonating with our customers. Two key facts on this slide. Pretty impactful. Bill walked you through some.

Our traffic is up 70- basis points in the first two quarters of this year. The compelling piece there is that's 24 million more transactions this year than last year in the first 26 weeks. Just short of 1 million transactions per week.

Another very compelling number is our market share as defined by Nielsen in food, consumables and OTC is up 70- basis points in the first 26 weeks of the year. Achieving this growth in the marketplace means, in these areas we're growing three times faster than the marketplace so we're executing the strategy and that, in fact, it is working.

EDLP is the cornerstone of our strategy. Price is one of our strongest equities at Walmart and it matters to our customer. It's a big deal. Our plans are to invest $6 billion in retail price by 2017. $6 billion. We'll deliver that through productivity initiatives, logistic initiatives, and cost of goods savings. $6 billion in price.

Our investment, as always, will be broad- based to drive basket savings across the box for our customer. It will primarily be in food and consumables. We'll continue to utilize our ad match program to give our customer the confidence that when they shop in Walmart, they're getting the absolute best price. And if a competitor has an ad, we're going to match it at the register. It re- enforces one- stop- shop and our price leadership.

Since we started our price investment, we have been communicating our price leadership to what we call our local basket campaign. And it's working. It's local. It's customer centric. It's real- time. And it is driving the customer. In these markets, we're up 1% in comp sales and 1% in traffic. It's resonating with the customer. To date, we've aired these campaigns in 31 markets across the United States that cover about 40% of our sales in food.

Our average price gap in these ad campaigns against food competitors has been 17%. Against health and wellness, 20%. When we run this basketball campaign against the store at Albertson's it is 22%. The ad against Safeway, 23%. Publix, 15%. Kroger, 12%. Since launching this campaign in these markets, these 31 markets, we've grown our market share 30- basis points above the total chain.

You know what's really excite about this is the innovative way the marketing team has pulled off these commercials. It has broken the advertising mold quite frankly. It's real- time. We've taken 15% of the cost out of producing ads and our dollars are working four times harder than before. That's big time.

So since we're local with this campaign you may not have seen these so I have two examples that I would like to share with you this morning. One is a Dollar Store campaign. The second is a grocery campaign. Now remember, this is the customer's basket. It's what's important to the customer. It is not my list. It is not your list. It is our customer's list. Let's take a look.

[Video]

Duncan Mac Naughton – *EVP, Chief Merchandising and Marketing Officer*

I love the campaign because it is real- time. The team leaves our building on Monday. The customer is there on Wednesday and at sunset on Tuesday we do it again the next week. That is the focus of the team.

In addition to driving our focus on price, the team has been working on merchandise, right? There's four key areas that we're focused on. Each one of our business units is looking at these four key planks and you can see them on the slide. We have an example of grocery and we have an example of general merchandise, right? But the first one is ensuring that we have the basic destination items in every category that we participate in. We will deliver on basics for the destination trip across the box without question.

The second area of focus is book ends, right? It's good, better, best. It is covering opening price point, meeting the needs, features and benefits that our customer needs and also that aspirational product.

And if you were in the stores yesterday and you happened to run into somebody like John Aiden or Jeff Evans or Michelle Glockner [sp], they probably pulled you into their sections and showed you how this comes to life at store. Price points. It is resonating with the customer. Third area of focus, relevant brands. For two reasons, right? It gives us credibility and it gives us authority in each one of these categories which is critically important. It also drives our price leadership and our price separation. Because when we win on price on relative brands, customers can compare regardless of the outlet that we, in fact, have price leadership. And the fourth is localizing assortment. This is a big growth opportunity for us at Walmart. We've done some great work here.

As a matter of fact, the dry grocery team has done significant work using new data sets. They went into 14 categories. Categories like cereal like pasta like canned vegetables and they put the right assortment across the United States market- by- market, brand- by- brand.

We saw a 400- basis point improvement in sales over the total food sales which has been quite good. That allowed us to grow 100- basis points in dry grocery and market share as defined by Nielsen. So bottom line, it allows us to drive relevant assortment but keep a keen eye and a disciplined eye on inventory in the box and in the DCs.

Our price investment driving traffic to the box, as well as our assortment approach, is basically giving us balanced growth that Bill talked about. The box is working. We're seeing balance growth across the business.

Some of the examples up here, I think, are worth talking about, right? Underwear, 9.8%. Very impactful. Look at general sports, 5.6%. Inside of that, basketball up 10%. Baseball up 10%. Football up 16%. That resonated from the assortment ads. Good, better, best. You can now shop for team sports at Walmart.

In home, sheets up 8.8%. That's 1000- basis points acceleration from the beginning of this year. Because if you walk the stores, you saw clarity for the customer. You saw good. You saw better. And you saw best. You saw appropriate colors. You saw sizes. You saw fitted sheets. You saw flat sheets. That is what the customer wanted and it is working. Microwaves up 14.8%. It's working because we have price leadership across all the sizes that matter. From $5 a microwave to $20 a microwave. The right sizes. The right features. The right power. The right colors. In a way that's easy to shop for our customers and it’s working. Item and price merchandising. Big, bold Walmart displays with a microwave and a price point. It resonates with the customer.

Hunting, up 24.8%. Driven by guns at 76% increase. Ammunition up 30%. Hunting accessories up 65%. And again, if you had a chance to get in the Supercenter, this should have come to life. If you didn't see it, you weren't looking, right? That's about hunting accessories. It is about being proud of the merchandise that we have.

We've made this progress by leveraging strategic data with the merchants and working with our supplier partners. We have used this data in three different ways. It is the syndicated data as well as our consumer insight data.

First is a performance lens. We've always had internal data. We know what our categories grow. We know what's winning and losing inside of Walmart. But now we have an external view. And we can look market- by- market and category- by- category and get a perspective on where can we accelerate growth and where we have an opportunity to grow share and we take the appropriate actions real- time.

Second area is price leadership and price separation. Meaningful, meaningful data here. Market-by-market, category-by-category, brand-by-brand, product-by-product. We're diving deep into what products sell for. Not shelf price. Not average price. But at what rate is the product moving. Where do we need to be priced? It's changed the game for our customer. It's changing the way we talk to our suppliers and it's working because the customer is buying, right? And the third area is about bringing local assortment.

I gave you an example of this 14 categories in grocery. In addition to that, we added pasta back in a number of our markets. We grew our sales 550- basis points in the last 13 weeks. Again, using the data, closing the void, being relevant for the customer.

The other thing it's doing is making us more affective with and optimizing our investment in future space, modular activity, right? Making sure our modules are most protected and also maximizing new item innovation. So the data is working and it's delivering a compelling offer to our customer.

Other opportunities we see in the marketplace. We're expanding our service offerings in health and financial services. You've probably seen some of this. But where are we focused in health? Three key areas, right? First, health screening. Second, immunizations. So we'll give over a 1.5 million flu shots this year.

We also offer another 10 CDC immunizations at our stores so we can fix the needs of our customers. We are also growing our pharmacy partnerships that help bring customers to our stores. It is very important work.

The other area that we're focused on is financial services. Earlier this week you heard us announce the Bluebird initiative that helped our unbanked customer get access to the services that they need with value fees, right?

We're testing Met Life in a few markets. It's two simple insurance programs with four age groups and two insurance limits. We also announced our rapid reloads. So customers can reload their debt cards at our cash lines taking trouble and taking cost out of their financial needs.

We're enabling all this by driving cost of goods efficiencies, right? So we're looking at this with our merchants and our supplier partners saying four key goals, right? What do we want to do? We want to lower costs, right, acquisition costs. We want to deliver on our EDLP model, right? We want to ensure a stable supply of products. And we want to increase freshness and quality. How we're going to do that? In four key areas. You can see them on the slide. First is upstreaming or hybrid upstreaming. So when we look at a lot of the cost of the products, particularly items where transportation costs and packaging costs is a significant part of the product cost, how can we work with our suppliers to take that out -- either the packaging cost or the transportation cost? So we're working with our supplier partners to get that done now.

Other areas we're working with our suppliers are joint business planning process. Our joint business planning process started two years ago and we have got good traction here. It gives us an opportunity to share growth targets with our suppliers and share investments where it makes sense. It allows us to invest in innovation, expand lead times, and drive exclusivity and products that people can't buy except for at Walmart. The third area is global sourcing. Leveraging our scale and direct imports to lower cost, improve lead times and end quality all at the same time.

Finally onshoring. Building partnership with suppliers bringing manufacturing back to the United States. This makes sense in many of our businesses and we're able to lower costs and actually increase flexibility and fulfillment times.

And so I want to stop now and I want to switch gears and talk to you about the back half. I'm very confident about our plans. I'm very excited about it.

You heard us talk a bit about back to school and back to college. We had a very strong season. We got off to a great start. We had writing accessories up 8.4%. We had our planners up almost 18%. Apparel basics were up. We had a very strong back to school back to college season. The results are exciting and we think that momentum will, in fact, continue into the holiday season.

We launched a cross- functional team we call Straight Force 1212 the day after Christmas last year. The primary and sole purpose was to, how do we make sure that Walmart wins this holiday season? And they have built a plan, a multidimensional integrated plan that will deliver great holiday success at Walmart. I just want to talk to you about a few of the key elements. Let's start with layaway.

This year we brought layaway back 30 days early. Our customers said we want more time to make our payments, two pay cycles. We did it. Our customers said, we want more items on layaway. We added small appliances, large sporting goods like basketball goals and trampolines. It's resonating with the customer. We're off for a very strong start with layaway.

When we close today, we'll have $400 million in our layaway. That's basically over half of what we had in layaway all of last year and we didn't start last year until the middle of October. Top items this year, iPad2, iPods®, large TV, 50- inch television, ride on toys, trampolines, leap pads, Furbys, and home coffee brewing systems. So a wide variety of items across the layaway. Layaway is set and has got great momentum.

Halloween. We set our stores for Halloween the day after Labor Day. We decided to be the family- friendly destination for Halloween this season. And I tell you what, we're very encouraged with what we're seeing so far. Both with candy and the decor and with seasonal elements. We improved our assortment for Halloween by 80%. We improved our quality significantly. And we added more price points. From $6.97 a costume to make sure we win on opening price point to $22.97 on the higher end. Great quality costumes that compete with the specialty stores. If you haven't bought your child's costume, buy it at Walmart. You're going to save money and your kid will look awesome.

We move from Halloween into getting ready for Thanksgiving. We're ready for the Thanksgiving Day meal. Hopefully again when you walk the stores you saw that. Both in the neighborhood market as well as in our Supercenter. We're ready with our bake center and we're ready with our meal train. The meal train takes pressure off our side counter so we can stay in- stock in the items that matter most, right? The bake center, just like our assortment, has been localized so we have the right brands in the right markets for our customer, right?
We then look and say Black Friday is here. We're ready for Black Friday. We know it is going to kickoff that weekend of great sales as well as a great December, which I'll talk about in a minute.

We set our Christmas decor outdoor decor out early this year and it's already resonating with the customer so we feel good about the offer that we made. We have a strong food and food entertaining plan. We're investing in price. We're making sure we have the right entertaining guides, the right recipes for our customer, and we're making investment in adult beverages to drive traffic to our stores throughout the holiday season.

We're going to continue to invest in price from gifting to food through the New Year's. And in January we'll wrap it up with a back- to- basics campaign that says, whoo, the holidays are over. It's time to save money. We'll be there for our customer.

The other thing we did because we brought layaway early, 30 days, we had to work with our suppliers further in advance than normal so we bought deep on items that matter for our customer. Our team worked the suppliers and said, what are the top toys? What are the top items for this year? And we made a difference by buying deep, right? So we bought significantly deeper in TVs. We bought over 2 million televisions that we'll feature, right? We doubled the amount of tablets and iPads® that we bought this particular year. We bought very deep on ride on toys and bicycles. And Furby is already in our store because they were -- Furby was there when we kicked off layaway. And if you have not had a chance to meet Furby during break you can meet Furby. It is kind of like talking to merchants. It is really exciting.

So we're going to have the right number of items and the right prices. And whether our customer comes to shop whether it is today or whether it is Black Friday or whether it is Christmas Eve, we're going to have the items that matter most to our customer.

We're part of this plan and we're going to tell our customer about it. What you see on this slide is a comprehensive marketing plan that will ensure that we have the No. 1 share of voice. Multi- channel and straight media will be No. 1 share of voice.

We have a strong TV campaign up 35%. We'll be price and product focused. We have a vehicle that is delivering. We're going to continue to exercise and implement that. Radio will be up 50%. We have a very strong print campaign. From our circulars to our tabs to toy catalogs to entertaining guides. We're going to be there for our customer. With solutions, great prices, and top toys. We're going to leverage our online and in- store capabilities. We're going to integrate it and make it different.

We're also are going to have a very, very strong mobile, digital search campaign and a social campaign. And let me just talk a little bit more about our social media.

Our insights have showed us that they'll accept social messaging from us if we will do two things. Drive value and utility. So I'll listen to you if you have something to tell me. And guess what, we're doing it and we're going to do it in a big way. We're going provide value to our Facebook members. 22 million strong. With over 2 billion impressions of the season. That's three times greater than last year. We're going to align all of our social media against our marketing platforms so we have a consistent message no matter where you are whether you're on your digital phone, whether you're in the store, or whether your home computer.

A couple of applications I want to highlight for you. First Toy Land Tuesday. This is pretty cool. This program basically features fan- based -- Facebook fan- based rollbacks. So on Saturday and Sunday our Facebook fans vote what toys they want a rollback on. We implement the work and start it on Monday. On Tuesday the rollback hits the store. In Get Connected we're going to feature specific deals to our Facebook fans throughout the holiday season. Walmart gifts. An integrated application between dot com and our labs team and social media that we're going to launch at the end of October. What is it going to do? It's going to say, these are top trending toys. It is going to offer gift suggestions based on Facebook friends lists and their want lists. We're going to feature top- pinned product on Pinterest. And wish lists will be shared across Facebook. We're going to integrate our tab, both with Facebook and with Pinterest. And we're going to have 100 Twitter calls that help our customers with gift suggestions or customer service. Bottom line, we feel very good and very strong about the back half of the year. The holiday looks good and we're going to go after it.

What I want to do now is share with you two layaway commercials that are just about to run, right? And as always, we like to have some fun. Create awareness. And have a little fun. The lady in the second commercial reminds me of Carol Schumacher and we can talk about that after this.

[Video]

Duncan Mac Naughton – *EVP, Chief Merchandising and Marketing Officer*

Sorry, Carol, but I just couldn't let that go. It's a great campaign. It resonates with the customer. It is action oriented as you can see at the end. Get in the store. Do it today. Have a longer time to pay with layaway. So with that, I would now like to bring up Gisel Ruiz, our Chief Operating Officer, to walk you through some of the really strong productivity initiatives.

[Applause]

Gisel Ruiz – *EVP, Chief Operating Officer*

Thank you. Good morning. So you heard Bill and Duncan talk about some of the great performances. We've got strong comp sales and we have positive traffic, positive ticket. A lot of really great things that are going on in Walmart. What I'm going to talk with you about today is one of the many enablers in order for us to invest in price and that is about leverage. So for the Walmart U.S. team creating leverage is more than just about productivity or efficiency initiatives or reducing costs. At Walmart, the way we think about leverage is it has to also improve the customer experience and it has to be about making work easier for our Associates and what doing right for the environment as well.

So I get the privilege of traveling to stores all across the U.S. and I talk to a lot of customers and I talk to a lot of Associates when I walk the stores. And week after week I get to personally experience the pride and passion they have about their jobs and the commitment they have. I have never met a group of people that are either more committed to having people save money so they can live better than our Associates out in the field. They're as committed as anyone that's going to be up here on stage. So for our Associates --   no, let me go back. There we go.

Our Associates are taking care of their customers more than ever and they're actively contributing to the success of our company and their own success. So for the second consecutive quarter in a row more than 80% of our eligible hourly Associates are going to receive near record bonus payouts. They're really proud about that. And with growth like ours, which Billy is going to talk about later, this gives our Associates more opportunity to grow in their careers. Over the last four quarters Walmart promoted more than 162,000 Associates in the U.S. In fact, nearly three quarters of our management teams started out as hourly Associates in the stores. And we're committed today as we have been for the last 50 years to promoting from within.

Our Associates also benefit from affordable healthcare. In fact, over 1 million Associates and their family members are covered by a Walmart healthcare plan. And our plans continue to be affordable compared to those offered in retail industry. The lowest Associate only healthcare option is available for about $17 per pay period. And only an additional $10 to add children. And that plan includes preventative care. It includes a no lifetime maximum. And also includes a $250 company contribution towards medical expenses. The $17 premium is half of the national average for a single coverage per pay period.

Walmart also continues to pay the majority of the premium plan cost for our Associates. Over 75%. And people want to work at Walmart. Last year alone we had over 5 million applications to come and work in our stores. As you think about Supercenter openings and I get to attend a lot of grand openings and hear from our field Associates, when we open a new store in a town it is not unusual for hundreds even thousands of people to be lined up around our hiring centers to come and try to get an interview with Walmart.

We recently received our Associate Opinion Surveys for about a quarter of our stores, and I can say with confidence that Associate engagement is strong at Walmart. And in case you're wondering, what about our customers? What do they think about what is going on at Walmart and the changes? Have they been impacted? They have in a positive way. This discipline productivity approach and efficiency is not about ignoring the customer; in fact, everything that we do in store operations is all about the customer. We're consistently measuring customer satisfaction. Especially in our core four focused areas that we've talked about already. Brought us assortment, everyday low price and I'm going to talk about fast check out price. In all of these four core areas our satisfaction has risen every year for the last four fiscal years. For our scores fiscal 14 we're going to close that trending even higher. We're not just becoming more efficient Walmart. We're becoming a better Walmart. And we're not done. Everyday in every plan I see teams across the U.S. business pulling in the same direction. Suppliers, merchants, logistics, supply change Associates with operators, Human Resources, real estate, every function across our U.S. business has strong alignment. The strongest that I have seen in my 20 years with Walmart. So I'm going to talk with you about how together we're helping fuel that productivity loop that Bill talked about.

Walmart is known for its efficient operations and in fact I talked with several of you yesterday and we even brought up the subject of leverage or you brought up the subject of leverage with me. It is something that we're proud of; and, in fact, we often get the question, you know, does this opportunity remain to exist leveraging costs? And my answer is, yes, always. It is just part of our DNA. It is part of our culture for striving for excellence. So no matter how well we're doing, we can always do just a little bit better. From the back room to the front end, leverage opportunities exist everywhere in our business.

Last year, I believe you heard us talk about MyGuide and the productivity improvements that we had with stocker productivity. As a refresher just as a reminder simply put MyGuide is a terminal where managers can direct work assignments for our Associates and the Associate can go to that station and basically track their progress for the evening. Last year this pilot was limited to third shift and as a result we were able to get -- make it easier for our Associates to get the sales floor ready for our customers and our overnight productivity improved by 5%.

Today we're going to take what we learned in MyGuide overnight on third shift and what worked and we're going to apply it to the front end. This is something that you told us is really important. We know that checkout service and fast, friendly checkout service is really important to you and important to our customers as well. So we're going to apply that to our front end. And fast checkout experience starts with having the right number of registers open and the right type of registers open.

Through MyGuide, we're testing a way for our cashiers to go to a MyGuide station and be assigned their register. You see the system will analyze our customer traffic at the front end and it will recommend the optimal register for that cashier to open. Programs like this make work easier and helps us reduce time that the cashier spends kind of waiting around for their supervisor to assign them a register. It frees up their time and front end supervisor's time to be able to have them do what they do best and that is check out our customers quickly. The productivity examples like this across the entire box we will contribute $500 million towards our leverage goals.

Now, let's go to the sales floor for just a second. There are a few things in retail that are more important than making sure that our customers have the product that they need on the shelf. So last year we made a big shift in how we measure in- stock. We went from replenishment metric to an audit of on the shelf product availability or shelf count. By manually auditing all the stores on 1200 key items we were able to see a huge improvement in our in- stocks.

Well, while this new way of measuring in- stock was very successful last year, 1200 items just isn't good enough at Walmart. We can always do better. We can always improve. So we now have a system that we imported from our colleagues in Asda and you see that manual audit was just a snapshot in time. It's snapshot of the item when we go looking with that item. With OSA 2.0 we can watch the rate in sale from every store and every item and it can tell us when an item will start to lose sales which usually means it is about this much out of stock.

Let's take an item like Tide. Here is how it works. First our system keeps track of sales for Tide in every store. Next it compares stores with similar department sales volume and it marries them up into a group. The system will send a designated Associate an alert. If that store stops selling Tide while the sister stores are continuing to sale the item. So OSA 2.0 is about all stores, all items, all the time, real- time.

Imagine, imagine this advanced technology with operational execution that is very strong in Walmart U.S. These are the types of initiatives that we're working on to get better in- stock and to get ahead of our competition. This is really exciting stuff. I love talking about OSA 2.

Now, let's look at supply chain and the leverage that they're creating. Some from supplier to shelf at Walmart world class supply change organization continues to drive productivity and improvements and you heard us talk about this before.

For instance, over the last six years we've opened up 400 new stores without adding a single Distribution Center. During that time we've grown our sales by about $25 billion. That's really close to Kohl's and Dollar Tree's annual sales combined. That's leverage and that is the capability that is a competitive advantage.

As we drive additional sales volume through our stores, our Distribution Centers are able to increase efficiency and deliver even more savings to help fuel that productivity loop. And we're not done. There is more. Over the last three years the transportation network has also achieved significant productivity savings through routing efficiencies, loading optimization and fuel economy and efficiencies. What does that all mean? Over this time period we have been able to efficiently handle the increase in cases while actually decreasing the miles driven by 4%. This performance has helped minimize the 36% increase in fuel costs. That exposure it has helped minimize. Delivering an additional $120 million to the bottom line. That's big news. That is great productivity performance.

But this is what we do, isn't it? We strive for excellence in everything that we do and at Walmart that means it is not at the expense of our Associates. It is not at the expense of our customers. And it's about doing what is right for the environment.

And I think this fleet example is a great example. How it is good for business and we focus on how to reduce the burning of fuel. We did what's right for the environment. That's a terrific example. In fact, we learned that many of our sustainability initiatives actually are great for business and help keep prices low for our customers.

Today, we are using the power of the sun and installing solar energy to help lower energy costs. We have 148 sites with solar power now. And earlier this year, we announced that 50% of our stores in Massachusetts will have solar energy by the end of 2013. That's enough to power over 1000 average Massachusetts homes. That's a pretty big deal.

Through many of the on- going recycling and waste reduction programs that we have inside our stores across the U.S., in 2011 the U.S. operations team had prevented over 80% of store waste from going into landfills. And we're not done with that either. We're continuing to press forward with our zero waste initiatives. And these are only two examples what we're doing for sustainability. Doing what is right for environment and doing what is right for business.

With all our sustainability initiatives combined we're planning to save over $150 million. So as I think about leverage as an enabler to help invest in price, here is what's different. Making work easier for our Associates and making our stores better for our customers. Those are guiding principles around our productivity and efficiency initiatives. It is not cost versus experience. It's both. And leveraging costs is also a team sport. Every function across the United States, as I said before, is growing in the same direction. We have got the strongest alignment that I have seen in 20 years and it is alignment against a winning strategy.

And then finally, even the smallest changes in our network or in our stores equate to potential big savings. So the leverage opportunity continues to exist and we're not done. So, Bill, back to your earlier point. When we work on point No. 1 and point No. 2, that gives us the opportunity to work on other stuff. So Bill is going to come back and talk to us about the future and some of our multi- channel work. Thanks, Bill.

Bill Simon - *President & CEO Walmart U.S.*

Thank you. Hopefully you can see why I'm so excited about the business. We have a great business model that we're now executing very well and some great leadership in Duncan and Gisel as they lead very large organizations on the two most important and imperative initiatives that we have, and that is executing our merchandise strategy, the EDLP merchandise strategy, and our EDLC cost structure. So with that, I would like to transition into some really exciting things that we're doing as we position ourselves -- as we position ourselves for growth in the future.

We talked to you earlier about what we call or starting to call seamless access. And it has been a bit of a journey. We've over the last several years we've set the foundation for that. Several years ago as you know we launched a program called site to store. Pretty simple program where you could order online and pick up your product, have it shipped to the store.

A year or so after that we implemented a program that we called pick up today which is the same thing but available as early as today. These two programs now merge together. They're called site to store as soon as today. Programs that we have been working on in and of themselves are interesting but primarily what they do is set the foundation for this merged seamless access program. Very simple. And what the customer can understand is that there is a convergence of channels. The customer gets the product when they want it and where they want it and we have the ability to do that now. And that is what is so exciting about our business. And we are moving into this sort of next current -- the next- generation, the projects that we're working on today you would have heard about some of them before and I would have covered them shortly or briefly here for you. And I mentioned at a conference a few months back that we have been working on store fulfillment for certain Walmart.com purchases. And the products already in the customer's zip code. It is come on 53- foot trailers through the most efficient logistic system on the planet and maybe braggingly so. There might be people who dispute that. But we believe it is. And so the cost to fulfill from one of those stores is much less. The products already in the customer's zip code. So a dozen or so stores around the U.S. we have been experimenting with store fulfillment and the cost structure is really quite good. We launch a program called pay with cash. Talked about it earlier. It is exactly what it reads at. Order online and pay with cash. We thought we wanted an opportunity for those customers who didn't have access to credit to participate in the e-commerce world. What we found out was there was a substantial number of those customers. But surprisingly, a large number of customers were going online and ordering with paper cash and going into the store and paying with a credit card. And also a group of people who would rather do that and we can provide that opportunity as well. We moved through our work with our mobile team to an in- store mode on our website that provides all kinds of features for the customer to have in the palm of their hand from shopping lists to price check to an in- store network that they can talk to the store managers and get service on and a lot of that is being piloted and tested in the U.S. And we're doing that now. With the foundation in place from site to store with the building blocks of these next initiatives. It's allowing us to improve the customer experience in a way that will transition into something that we're really excited about because we believe it is something that we can do today that others only aspire to do.

These things are allowing us to do things like mobile self- checkout and if you would have toured the store yesterday you would have seen this demonstrated. With your smartphone, you can check yourself out, get an e- receipt and get out the door. Mike mentioned briefly and Neil is going to go into a lot more detail about the technology behind a much improved self- developed search engine that is improving our conversions and our online customer experience and of course the combination of all those available anywhere any time in the form of digital ads and information is really, really exciting. And so if you take the assemblage of the building blocks over the last several years you would have seen a lot of progress.

But very, very exciting things are happening in the space and we announced yesterday that we're launching same- day delivery in four markets around the U.S., the D.C. metro area and it is a little inside the beltway but not quite downtown, Philadelphia, Minneapolis, they're up and running and the Bay Area will come online shortly. It is an opportunity for customers to go online, order before noon, and get the product the same day. We can do this today.

And as demand gets gauged and scale gets delivered, with 4000 pre- positioned Supercenters/fulfillment centers/warehouses we have the opportunity to give the customer what they want today. Now, as these two channels converge, it is really, really exciting and customers are delighted when imagine their package shows up in just a few hours.

So this is for us really sort of a new frontier and Neil is going to talk to you in more detail how this is working and e-commerce prospects and things that his team is working on out in San Bruno. But we're excited about this as an opportunity and our stores are executing against it along with the e-commerce teams.

I'm going to transition to another exciting area for us because it's allowing us to reach customers that we have not been able to reach affectively in recent years. And that is the focus on market share and driven real estate strategy.

We have -- you would have heard us talking in recent years about top 15 metros. We have made some progress in those markets. We're opening stores in Chicago, some in the California markets and we have got sites in Washington, D.C. that we'll get opened shortly. We're excited about those prospects.

But as we transition to the next phase of that, our focus would be to grow Supercenters in our core markets. The medium to high share markets that we have and we believe there is still an opportunity from a market share perspective deliver to customers. And that will be the focus of our Supercenter business.

And then we're going to accelerate our small formats. The small formats are really affective and I'm going to give you a little built more detail about that. The combination of these two strategies with what Mike discussed with you earlier, a focus on capital and operating efficiency is allowing us to do some things to our business that are going to have a very, very positive impact on the P&L and on the broader business. Let me give you a little more detail.

By changing the strategy just a little bit with Supercenters, we're able to lower the cost, the average cost of construction and building of a Supercenter and that is coming in a couple of different ways. A large part is coming from the strategy and land and construction costs and some of the markets we're recently building in are higher than some of our core markets. This gives us an opportunity to build more stores for less money. And we're going to do that. Reducing change order fees, and making sure every dollar that we put into the capital in our buildings and fixtures has a value for the customer. Some of the things we have been doing on the exteriors and fixture that we put in as we review and analyze have not added the value that we thought they would. As we pull these things out it allows us to lower the development and build costs of these stores.

So what that will allow us to do is to continue to focus on Supercenters where we have strong returns as you all know where we're able to build market share. But again a focus on core markets where we have the opportunity to move a medium share market up to a higher share market. We'll keep our Supercenter unit count roughly flat from where it has been and we'll do this very, very affectively from a capital basis.

These markets are primarily above average in profitability and above average in market share. And customer reception is already in place. The customers like us. They shop us. And we believe there is an opportunity to grow market share. They will remain a market share growth vehicle for us and we believe there is a substantial runway left in these markets for Supercenters.

One of the really exciting things that has happened in our business over the last say 24 months has been the emergence and the continued development of our small format strategy. So everybody is on the same page, small formats for us are anything in the 40 or 50,000 square foot and below range. These stores give us a competitive advantage in the marketplaces in which they operate because they're Walmart and because of the way we've merchandised them and the learnings that we've had over the last couple of years. Let me give you a little more detail.

If you think about it, these stores compete well not only against one or two of the channels that they're laid out to compete against. Dollar, drug, regional grocery. Think about it. Our stores compared to a dollar store have a much broader assortment. These stores would have a much broader assortment including fresh food and pharmacy. And increasingly capability to be connected to our system through e-commerce and Walmart.com. Imagine the power of a small store -- the power of a large store with the CAPEX of a small store. That is what we're seeing. But that doesn't stop there because as you compare and analyze these things compared to drug they have a huge price advantage. They have fresh food, produce, meat. And increasingly we're adding gas to these. Along with being wired with all these capabilities that we just talked about as we connect these two worlds, the virtual and the physical. And against grocery with gas and a price advantage, regional grocery, are small formats have evolved into more of a hybrid than what you would think about as a traditional grocer. They compete as we've seen, compete very, very well against a broad, broad breath of competitors in different channels.

And so that gives us the flexibility that we're really excited about in size all the way down to 10 or 12,000 square feet. All the way up to potentially 50 or 55,000 square feet in capital. So capex. How much do you want to spend? How much can you afford? All the way down on one end, all the way up on the other end. The ability to address the sales opportunity that might exist in the market with the flexibility and the range and compete affectively in the marketplace against all of the channels in all of the retail that might be available in your space.

We talk about these things as though they're different and they're evolving a little bit differently than you might have imagined. The express which is -- we've had in as small as 10 and as large as 15,000 square feet. We will have 12 of these in the ground by the end of the year. But the earnings from these stores are now being applied to the biggest stores that are 20,000 and above that are branded neighborhood markets.

We're building these things in now a density test that is underway that will allow us to understand how these interact in a market that already has a penetration of retail stores. Learning will help us as we figure out the build out of these in the future.

The really exciting piece of this we're well on our way of ruling out our small format strategy under the brand of neighborhood market. This hybrid store that we've built now will be over 500 stores by fiscal 16, over $10 billion in sales. We've affectively doubled and doubled again the business over the last few years and the really, really exciting thing about this is the comp sales of new stores are tremendous. Two times the rate of the fleet at over 5 comp. So the further opportunity for us to accelerate these is very exciting to us and we have a very robust pipeline in place.

Let me give you a bit of a perspective on how far and how fast we've been able to accelerate these. This is square footage over the last several years. We went from a few years ago really just playing to over 4 million square feet next year. If you take fiscal 13 and fiscal 14, that is 7 million square feet of small format stores. Just to put it in context, about an average of 10,000 square feet for a

Dollar Store, that is 700 dollar stores in two years that we have been able to put in the ground. And they're competing at a much better much more affective way against not only that channel but drug and regional grocery and delivering comps that are above our fleet average by a factor of two. So we're really excited about these and we're going to accelerate them when and where we can.

The way that all adds up --   and this will all get summarized for you so you can write down or wait or you can focus on the presentation is the focus on capital. What we've been able to do is hold our capital roughly flat over the last three years. In fact this year down slightly. As I said, the location strategy and the Supercenter strategy is allowing us to pull costs out of those and invest in small stores. So we're able to build more stores and more square footage with the same or less capital. It is really exciting. It is very affective. The unit growth will become probably a little bit more hard to digest over the next several years as you transition from larger stores to smaller stores and the door count might be a little bit difficult to process so we're providing square footage growth as well and what you can see there is an acceleration. One that we're going to continue with the pipeline of small stores that is already well on its way in a lot of very interesting markets both markets where we have established our business and new markets.

So let me just wrap up here with a few takeaways. First and foremost, you could see that we're really pleased with where we are. I got to tell you I am so proud of the team, the leadership team that we have in the U.S. led by these fine people here are just doing a tremendous job.

Our 4th quarter we're ready and we're prepared and we're excited. We do think it's going to be competitive. And we're ready for that. We like that. Our merchandise strategy and our operating strategy are the starting point of our business and those are working well as you heard Duncan and Gisel tell you and once that is happening, we're now able to focus on future growth. Seamless access is a really exciting space. We're doing things today that others aspire to and that is huge.

New stores continue to deliver market share through Supercenters with a disciplined capital efficiency. It is allowing to us redirect some of that fund to accelerating a small store format square footage.

So there is a lot of really wonderful things going on in the business. Hopefully you can tell that we're enthusiastic about it. And with that I thank you for your time and I think we're ready for questions. I'll ask Duncan and Gisel to come on back up and if you stump us we any we may go back to other team members that are over here.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. Most of you guys know the drill, but just as a refresher, we have a number of people in the aisles with microphones. We have 20 minutes for the Walmart U.S. Q and A. And please raise your hand, wait for a mic and state your name and your firm, please. We'll start with Chuck.

Chuck:

Thanks, good morning. Duncan, on the price match guarantee, can you just give us exactly what you meant by that 1% lift in the test markets? And I guess, what are you waiting to see to roll that out across the entire chain?

Duncan Mac Naughton – *EVP, Chief Merchandising and Marketing Officer*

The -- what t we meant by the comp sales are up 1% higher in those markets which is the base of the company in the controlled stores and 1% traffic improvement versus control stores. >>

Chuck:

What are you waiting to see?

Duncan Mac Naughton – *EVP, Chief Merchandising and Marketing Officer*

We are in 31 markets and in 25 today and we also have three Spanish- speaking ads that we run and we're always looking at the fun part about this it is in fact real- time. So we see opportunity we can make a difference. We're always looking at opportunity to grow share and to grow traffic. So it is a very dynamic process. We will actually increase our spend in the back half of the year to continue to drive this campaign.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay, next, Deb.

Debra Weinswig from Citi Group.

Can you elaborate on your improvement in terms of localized assortment and if there is any tools that have allowed you to do that? And as you move forward with some of the smaller boxes, how will you continue to enhance that assortment?

Duncan Mac Naughton – *EVP, Chief Merchandising and Marketing Officer*

Deb, thanks for the question. The localized assortment to me I think is going to be a growth opportunity for us for probably 25 months plus because it really is. It is using the syndicated data, The Nielsen data that says, items not carried in the market. And as our team works with the supplier base, how do we get closer on the brands that are very relevant to our customer base? So working with suppliers to add the appropriate assortment in the store is working. We look at capacity in the modular as well because there is a trade off, right? This isn't just about adding stuff in. It's about adding productive SKUs and managing our inventory appropriately. So we're looking at mod capacity, what our shelf capacity is, and then making sure we have the relevant assortment. We take those learnings and we work with our small format teams and translate that even one step further to make sure again space is tighter there. So what are the most important brands? And in some cases, Deb, we've actually taken some products out to drive capacity in the modular that is driven top line sales.

Bill Simon - *President & CEO Walmart U.S.*

One of the things I would love to add to that is the capability that we had because of the breath of assortment that is in our system is about 600,000 SKUs in our stores and then millions through e-commerce. And as these things merge, we get to choose all the way down to a small store or 10 or 12,000 square foot store from the 600,000 items in our assortment, our broader assortment through our distribution system. One of the competitive advantages that we have is against traditional retailers who operate small formats. Their system capability is only limited to 10 or 15,000 SKUs for 10,000 or 15,000 square feet. But because of the data management capability and the system effectiveness that we have, if we have a store where there is a micro assortment need all the way down to a particular zip code or street even, we have the system capability to get it to that store that they don't have because they don't even have that item in their system. So those -- that is what we're seeing one of the reasons we believe our comps and Neighborhood Marketsare above the fleet average.

Karen:

Sorry, I think I have the mic, right:

Carol Schumacher - *Walmart Stores Inc. - VP – IR*

Yes.

Karen Eltrich from Goldman Sachs.

Can you please talk about the comparison of return- on- capital between a neighborhood market and a Walmart Supercenter? Furthermore, can you also talk about how you are using -- as you mention technology, social media, the Internet to really connect with your customers. Thank you.

Bill Simon - *President & CEO Walmart U.S.*

I'll take the first one on capital efficiency and return and then I'll kick it over to Duncan. We told you in recent years that Neighborhood Marketswere approaching Supercenters in return. That approach has been successful. They're now on par with our Supercenters and we're very excited about that. The size and the scale and the efficiency and the capability that we've developed in our system has now translated into Neighborhood Marketsand we're very excited about the return of that format.

Duncan Mac Naughton – *EVP, Chief Merchandising and Marketing Officer*

Thanks, Bill. I think the opportunity with social, digital and mobile technology today allows us really to have a different relationship than we've ever been able to do have with our customer before. We have over 22 million Facebook fans, for instance, that we're talking to all the time and they're actually talking to us and we have an interactive way for our stores to talk to our Facebook fans. As I demonstrated also, there's ways to talk about gifts and ways to use the utility. We also advanced our search so that we can also be very helpful and meaningful to our customer. And whether you're standing in a store and you need some answers, we can do it there real-time. So GO targeting and GO fencing. And the team has done some really strong work being real deliberate with our social media. I'm really excited about what we can do with it going forward.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

We'll spread it out a little to the side. Dave, you're next.

David Strasser Janney- Montgomery Scott.

Yesterday doing the tours of the stores and you talked about book ends today and in the tours yesterday it seemed particularly in the Supercenters you were edging up in some categories up the continuum, so to speak, with higher price points and the current view, for example and end cap at $2.29. There is stuff in grocery that were up. You have been very successful doing it in the electronics area. At the same time, you go back five, six, seven years with the infamous $39.99 sweater where the customer didn't really go you know up the continuum with you there. I'm just trying to think a little bit more about how you're thinking brake light higher price points, how you can make sure that that is --   something like that doesn't happen again and you're not going too far.

Bill Simon - *President & CEO Walmart U.S.*

We're very conscious of that. One of the things that we learned --   and I'll let Duncan answer after this --   David Glass tells a story and one of the things I did when I first got into this job I started talking to people. And he tells a story about shotguns And we always have --   we've had an assortment that has been book ended in shotguns, for example, in many years. He said he would say that every time there was a new buyer in shotguns they would want to do an analysis and they would look and say the $1000 shotgun doesn't sell. So one of them would say that they wanted to go try to move the $1,000 shotgun. And the next buyer would say it doesn't sell and we want to eliminate it and just focus on the $100 one or $200 one. And our business because of the breath that we can offer needs to show both, because many, many customers come in to look at the $1000 item, whether it is a shotgun and vacuum cleaner, and buy the $100 or $200 item. And that is the magic of our store. You have to carry the breath of assortment on both ends to sale both ends and the middle. And neither of them we get to decide. That is our perspective today. And that is where we have got to be sure that we're never going to go wrong. We want to offer them to the customer and then let them decide. We never want to try to steer them or move them in a direction beyond where they need to go. Our bread is always going to be buttered on the vast middle. And that's where we're going to focus on. We're a mass merchant discounter and we're going to be proud of that and we're going to deliver against that forever that. Requires us to offer a breath of assortment, but our bread will be buttered in the middle.

David Strasser, Janney-Montgomery Scott.

Is it fair to say this last time you were trying to dictate the customer and this time you're trying to listen to the customer and where it can work?

Bill Simon - *President & CEO Walmart U.S.*

Yes. We're agnostic to what the customer buys. We want to offer and show them what they need and they'll decide where the assortment goes, not us.

Duncan Mac Naughton – *EVP, Chief Merchandising and Marketing Officer*

Yeah. It is an ad strategy not or but making sure we have the rolling products and opening price point in mainstream. And then offering with the credibility the customer allows us to have to be inspirational. That home brewing system that you talked about, that is a new initiative in the marketplace. We sell a lot of K cups to refill those products. Does it work for the customer great? If it doesn't, we'll refocus our assortment real-time. So I think it is really about that credibility and being real- time.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Next, Colin.

Colin McGranahan from Sanford Bernstein.

I just want to focus a little more and get more specific on the rollout of small formats. I think Neighborhood Marketsfirst you have got 240 by the end of the year you're saying 500 plus by fiscal 16. And that would imply kind of 85 stores a year assuming by the end of fiscal 16 versus fiscal this year you're opening something similar to that if the returns are now at the Supercenter level what's holding back some acceleration in that growth?

Bill Simon - *President & CEO Walmart U.S.*

Nothing. Nothing. We're going to accelerate it. You'll see that happening. What we're giving you is the numbers that exist today. The pipeline is filled. They're staged over the years and we're excited about the format. We're looking for opportunities to grow that. Sites that might be -- that might come available. As you can imagine the sites that are available in 30,000 or 35,000 square feet are much, much greater than they are in 200,000 square feet and so the opportunity is there and we're after it.

Colin McGranahan from Sanford Bernstein.

Let me ask it a different way then. If the sites are available and there are some appropriately sized retailers that might have some capacity up for grabs coming forward in the next few years, what's the maximum rate you think the organization can potentially do?

Bill Simon - *President & CEO Walmart U.S.*

The maximum rate that we could do?

Colin McGranahan from Sanford Bernstein.

Neighborhood openings in a given year.

Bill Simon - *President & CEO Walmart U.S.*

You know, at our peak I think we were over 300 Supercenters a year. So if we could do 300 Supercenters I would think smaller stores would far exceed that.

Colin McGranahan from Sanford Bernstein.

Okay. And then in the express it sounds like you're still very much in learning mode, applying the learnings to Neighborhood Markets, still doing the density tests. What have the learnings been that you have made in the first 10 stores and what changes do you think you need to make in the next group of stores if that is going to be a go forward?

Bill Simon - *President & CEO Walmart U.S.*

I think express for us is a choice. We've opened them and been very pleased with the sales as they have come around each other. They have comped better than we had imagined. As they've hit their first year they reached profitability faster than we thought they would. What's in play for us today is the ability to go now as fast as we can with neighborhood markets. So as you look at that you know we said there was a time when neighborhood market returns were not what Supercenters were and we worked on that and we got them now on par with Supercenters. Well, profitability in Express Storesis better than we thought but it's not -- the return is not where these other formats are. So we're continuing to work with those. I wouldn't say it's still under development or we always learn from everything. But what we're doing is continuing to build out our small format strategy that would be a mix of both of these things. And much like we did with Supercenters to neighborhood markets, there will be a point at which we get even the smaller stores to be as productive as the midsized Neighborhood Markets so the 30,000 square foot Neighborhood Markets and then we'll roll those out at the same pace. And that is really what we're working on is improvement. Constant improvement. We're very pleased with the effectiveness of the neighborhood market against all those channels that we were trying to develop a smaller express store for. They're actually competing as well, if not better, against each one of those three individually. So the ability to deliver against all of them at the same time is very exciting to us, and that's where we're leading into now.

Gisel Ruiz – *EVP, Chief Operating Officer*

Bill, if I could just add an example to the question because I do think we've learned a ton and will continue to learn from opening those express stores. But my -- the thing that I really love about the Express Stores is that because of the capital of constraints it forced us to really look differently on the cost that we're going into the building or systems or infrastructure or management structure, et cetera, et cetera. We took a lot of what we learned in the express format and began to apply that to building Neighborhood Markets to Supercenters. So it really forced us to think differently about capital expense and where we could save a lot of money. That's an example.

Bill Simon - *President & CEO Walmart U.S.*

Yeah, that's a great point, Gisel. The reason we went from approaching Supercenters to being on par with Supercenters is we learned from express stores. For example, how the front end information system register technology piece applied. We were spending it Supercenter rates in a neighborhood market we designed Express Stores with a much lower cost basis, capex basis for the registers in front end for example and now we applied that back to Neighborhood Markets which allowed that return to accelerate.

Carol Schumacher - *Walmart Stores Inc. - VP – IR*

Peter and then Teresa.

Peter Benedict from Robert Baird.

Duncan mentioned 6 billion price investments by fiscal 17. I just want to understand how that fits into the 2 billion number that you guys had articulated earlier. And then secondly, any staffing changes to the stores that are required to support same- day delivery?

Bill Simon - *President & CEO Walmart U.S.*

I think that 2 billion is a subset of the 6 billion. So once we get to 2 billion we're not stopping is what Duncan is saying. We believe that our business model allows us to put a very broad, very constant downward price reduction in the marketplace. It is very apparent when you shop a basket like those customers in the ad do. It hard to see when you measure KVIs top 50, top 100 items. But as we go through the business using elasticity as a driver, we believe there is an opportunity for us to continue to invest in price to the magnitude that Duncan suggested. With respect to the operations stores for same day.

Peter Benedict from Robert Baird.

Same day, yeah.

Bill Simon - *President & CEO Walmart U.S.*

I think what you're seeing is the same operational constraint that existed. If you could imagine. Pick up today or site to store is the same kind of a labor requirement. So you have to connect the wire from Walmart.com to the store and an alert that is sent to the store that says, pick this package. Under pickup today, the Associate goes to the shelf and pulls it and then puts it in a bin in the back. Under the same- day delivery, the same thing happens. The Associate goes to the shelf. They pick it. Goes to a box and UPS picks it up and delivers it. So the labor constraint broadly rolled out is not substantially higher than we have today. But as the business scales we could have a shift in where the labor in the markets are and we don't anticipate it being substantially higher and we certainly -- we don't believe that it actually will lower the labor hours needed in the store. Now, for the test and the first four markets I would tell you that we're investing in making sure that it works really, really well so customers have a good experience.

>> Female: I agree.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Next Teresa.

Teresa Donohue, Neuberger.

I had a question on the modification of the real estate strategy. It was my understanding last year that the small stores and the Supercenters would be kind of a hub and spoke thing and what you're saying today seems to imply that's no longer the case. The small format will stand more on its own. I'm wondering where you are in terms of operational and logistic changes and opportunities that may need to be made to accommodate that?

Bill Simon - *President & CEO Walmart U.S.*

One of the things that we're trying to understand with that express store density test is exactly what you described that we talked to you about last year. Is that if you go to a market and you have you know a dozen or so Supercenters and then you pepper in 20 or 30 small stores, can you operate under a hub and spoke cross doc from a Supercenter to a small store? We don't have the density yet to be able to tell you that from a small store perspective. Neighborhood Markets are a little bit different. They warrant the truck ride today. So as we build out Neighborhood Markets more aggressively, that's not in play. Once we get to the density understanding around express stores, we believe that is a huge opportunity for us to serve those stores affectively.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

We'll come back to this side. Dan.

Dan Bender, Jefferies.

Really kind of a couple of follow on questions that were asked. First is 2 billion price investment and then the 6 billion over the longer period. And I know you do roll backs every year. I'm just curious in those numbers how much of it is incremental price investment versus stuff you have been doing in prior years? And the second question kind of just a follow- up to the last question was on the neighborhood market strategy. Because given success and planned to accelerate, do you think that going forward the neighborhood market is predominantly going to be in markets where you can't build Supercenters versus the fill- in that I know you're also doing? I'm just trying to get sort of a distribution of what that will look like.

Bill Simon - *President & CEO Walmart U.S.*

Sure. The first question was what again, Dan?

Dan Bender, Jefferies.

About the 2 billion.

Bill Simon - ***President & CEO Walmart U.S.***

Two billion --

Dan Bender, Jefferies.

Two billion and 6 billion. How much is incremental?

Bill Simon - ***President & CEO Walmart U.S.***

When we look at the price reductions we're taking that off of kind of a -- of a, you know, the run rate. So we're investing -- while we're investing in items that we believe have price elasticity, we're not simply going out and lowering prices for the sake of lowering prices. If we lower prices on an item either through a roll back or permanent price reduction, which by the way successful rollbacks turn into more times than not a permanent price reduction. So the question about whether it is going to be in the form of a roll back or price reduction, the customer decides. So if we roll an item back and find out there is elasticity that drives more volume and gross profit dollars by a lower price, we'll in many, many cases keep the roll back price in the market. If it doesn't perform the way we would have expected or the fundamental mechanics of the price profit relationship change, the roll backs will expire in 90- days or so. So the 2 billion and 6 billion for us is a very broad, very focused approach primarily around elasticity. As Duncan said, food and consumables are OTC driven because those are the traffic velocity drivers and those are more typically the expandable consumption categories and that is where we'll be focusing there. The small store strategy for us, that was the second question, right?

Dan Bender, Jefferies.

Yeah, just trying to get a better understanding of what the distribution is going to be for stores that will be --

Bill Simon - ***President & CEO Walmart U.S.***

I think the way we're looking at it is where are the opportunities? Many times we'll find a trade area that we think we could serve and either because there is no real estate available or -- at a big size -- or because the trade area itself may be smaller than we had previously looked at. We wouldn't have built there.

And so to answer your question, the placement of the Neighborhood Markets could be in either of those. We're looking more broadly at opportunities to place those stores to serve customers that we haven't been able to serve in the past. Might be in places where we're not today and it may very well be in smaller trade areas inside of fill- in opportunities and markets where we are and you would see the fleet that we built this year had applied -- we've applied that to both of those areas.

Dan Bender, Jefferies.

Great. Thanks.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

We are out of time for Walmart U.S. Remember on the agenda that Jeff laid out for us at the start of this morning, we have our merchants available both from Walmart U.S. and from Sam's in various areas on this side of the Hammond Center and they are there to answer your questions, particularly for those of you who may have had some travel issues yesterday and couldn't get to see everything at the open house. So we are going to take 20 minutes now. You'll also see our management team from Walmart U.S. here throughout the day. You'll have a chance to interact with them at lunch as well. So we'll take 20 minutes. Please check out the merchandise areas and come back in 20. Thank you.

[break]

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay, everyone. Please take your seats so we can get started again. The beverage area will still be set up for a little while so feel free to still grab something to drink when you would like. Good morning again. Welcome back to the Walmart meeting for the Investment Community. I would appreciate the time you took to meet with some of our merchants and the additional questions that you all had for management. You'll have an opportunity to continue with that during the rest of the day. Now we would like to get back to our agenda and we're going to kick it off with Sam's Club. So I'm very pleased to welcome to the stage Rosalind Brewer, President and CEO of Sam's Club.

[Applause]

Rosalind Brewer – *President & CEO, Sam's Club*

Good morning. It gives me great pleasure to be here this morning. Many of you all know this is my very first meeting in this format. I took over the Sam's business earlier this year so I'm 10 months in. But it's been a great opportunity not only for me but to look at this business and look at the strong foundation that it has been built upon and then begin to talk about how do we create even more -- more growth in this business and then to carry out the momentum. So we're here this morning to share some of those things with you. But before we get started, I want to give you all a glance at my leadership team.

Many of these members of my team you know already. We have two new members to the team. Our new Chief Merchant Officer, Charles Redfield, is joining us from the ASDA business. Also joining us is our new Chief People Officer, Ismat Mirza joining us from Sears Holding in Canada. That is my team and you'll hear more from them this morning.

So you know, this is a good time to talk about Sam's. We've continued to strengthen our focus on our member value and we have done this in three ways and three pretty significant ways. And we have begun this conversation with you probably two fiscals ago but it's about three areas. First of all, merchandise relevance, our in- club efficiency and our member engagement. I'm going to dive a bit into our merchandise relevance.

And as Sam's continues to see great improvements in this area across multiple categories. One of those categories -- and you have experienced that as you all walked the club and I heard from many of you all last night what our preference is like in our fresh business and it's clear to us how important fresh is to our overall category strategy. Nearly 90% of our current members are buying fresh. This is significant for us. We know that this is a traffic grower. We know that this is what our members want. And as we develop further merchandising initiatives, you'll see us talk about responding to our members.

We've also added additional strength in our grocery business, our health and wellness business, and our apparel business. Sam's has seen improvements in our private label business. In fact, about 8% increase we've seen in our private label sales in the first half year- over- year.

But ultimately, I want to remind you that Sam's is a house of brands. And so while we enjoy responding to our members with some significant private label initiative, we really feel that our response is from a grand perspective.

Also, we've got great strength in what we're doing with our member engagement and the response that we have gotten in the work that we do with our supplier community. We have very strong relationships and it is playing out for us in many ways. It starts with our joint business planning process that we're well- known for. It is allowed us to bring some brands into the club that we've significantly not had in the past. Some of those you'll see as you venture into the next room but our Apple position is much stronger. Our position with Samsung is very strong. You'll see Eddie Bauer playing out not only in apparel but in our home goods business and then Children's Place. We will be initiating a relationship -- we have initiated a relationship with Children's Place and you'll see it in our club starting the holiday season. We will be the first and the only retail outlet separate of their own retail stores. And these are the kinds of relationship that you'll see us building in the out years.

For in- club efficiency, we've had a great response to our self- check out so far. 42% of our members in the club with self- check out have used them. Our productivity improvements are reflected in our internal metrics, for instance. We monitor units per labor hour. Units per labor hour is up for us 76- basis points in the first half of the year. And as we're providing access to our brand any time any where, we talk to you last year about our iPad® app. That iPad® app which is really -- seen some great response from our members has done extremely well. In fact, we have had 3.4 million downloads of our mobile tablet apps to date and that includes our iPad® app. Almost a third of the traffic on our digital platform today comes from either a mobile tablet or a mobile access. Our online sales, while still a low percentage of our overall sales, are seeing strong growth in the first half. In fact, double- digit growth in our total digital platform.

So all our efforts at Sam's Club rather around merchandising, productivity, or engagement are focused on delivering superior value to our members, and that remains our same focus as we go forward.

So in recent years you've appreciated, just as our members have, our consistency and our adherence to savings made simple framework. So our strategy really isn't changing. As Mike mentioned, it's about momentum for us. And, in fact, strengthening as we note our success in the first half of the year. So let's take a look at our first half results. Very good first half. We're really excited about it. We've had first half comp, excluding fuel, 4.7%. And in the first half our operating income grew faster than sales at 9.3%. This performance is visible in our many efforts in an area around our business. Let's look at merchandising to start off.

In merchandising, we talked to you last year about four key categories. We talked about fresh being very important to us. Fresh meat is up 7%. Dry grocery up 9%. Apparel up double- digits at 12% and our baby care business is up also double- digits to 12%. We also continue to see significant efficiency gains across the business this year. This allows us to operate for less.

So we're driving in- club efficiencies through innovation like our self- check out mentioned earlier. We're operating a much more efficient logistics network. And we do that through continuous improvement in our D.C. network and our fleet operations.

Sam's Club is leveraging the common infrastructure that we have with Walmart. Into an increased extent it allow us all our location benefits in allowing lower fixed costs. So we're driving further capital efficiencies as well. We're spending less on our remodels this year and they're less invasive remodels which is allowing us to deliver remodeling at 10% less the cost of prior remodels.

As Sam's continues to engage our members through multiple platforms. So traffic to our site is up 22.5%, our online orders increased 19.1%, and we're really excited to have more members visiting our site through our mobile devices.

Price, quality, innovation, and e-commerce have led to our solid performance that you're all seeing in the first half. But let's quickly take a look at a deeper dive in the first half P&L.

So we tend to look at our business from the red, green, yellow sort of the stoplight look. So this is your glance at our performance. And if I were to grade our recent performance, I'm certainly happy with both our top line and our bottom line performance and I would rate our performance a green overall. But let's now focus on that middle portion. What's driving our profitability today? So our membership trends. As you will hear again just a little later, we're continuing in a positive direction in that area; however, it's clear to all of us that we need to accelerate those trends. We need to take a look at what are our opportunities to respond to our members and to get that membership income to grow to drive profitability in a healthy and sustainable way for our business.

So we're not driving enough profit from our membership fee income and it has caused us to compensate that through our gross margin. Successfully accelerating our membership trend allows us to get back to the business principles that are important to the club channel and to further invest in delivering what we think is significant around superior value to our members through price in the future and you're going hear a lot more about our price leadership position. In fact, we've already seen a significant improvement as we begin to take steps to invest in price recently and our members are definitely responding.

But that's what we've done this year. I want to take you through sort of a glance what to expect in the next years in terms of how we plan to drive growth, leverage the business, and create returns for the future growth.

A little bit about our growth position. So we're driving more members to the club more often through our superior merchandise value. We have an accelerated growth plan through new clubs. In the past we've mentioned a productivity savings goal of 6 to 8%. And that was through fiscal year 16. And we are on track to achieve that.

Sam's continues to leverage our global capabilities to drive more efficient interaction with our members. So our primary driver as a club, as a club business, is our membership fee income. That is important for all of us to remember. We're focused on delivering more of our operating income from the membership fee income. So let's talk about our strategy to deliver this growth leverage and returns over the long term.

This morning you'll hear from Charles Redfield, our newly appointed Chief Merchant, and Todd Harbaugh, our Head of Operations. Then I'll be back to talk to you a little bit about our e-commerce, our digital capabilities, as well as some really exciting news about our member offering. So I'll turn this time over to Charles for a merchandising overview.

Charles Redfield – *EVP, Merchandising Sam's Club*

Thank you. Good morning. Everybody doing okay? At Sam's it's very simple. It's about great items at a great value. Our members tell us the reasonable they actually join a club and stay at our club is because of merchandise. So let's take a look about what they're really saying about the merchandise portion of it.

Two of the top reasons why members join Sam's Club is because of price and because of bulk. Now that makes a lot of senses to us. If you pay a membership fee to shop at Sam's, you would expect to recoup that savings back in the prices that you pay. Bulk also has that same affect because you buy in larger packs you save more money. But there is also a small business aspect around bulk that I'll talk about a little bit later.

Members also tell us one of the main reasons why they renew their membership is because of the quality of the merchandise. What happens with the merchandise after they purchase it and once they get home?

And finally, another top reason why they join Sam's Club is around excitement. They're interested and curious of what we have to offer. They want to see things that they don't see everywhere else. So let's talk about a few examples because we're really an item merchandising business.

Let's talk about price real quick. Rotisserie chicken. One of the most visible items that we have in our club today. 3- pound bird. We took the price from \$5.99 to \$4.88 three weeks ago. Just three weeks ago. The response from our members was immediate and it was strong. Let's talk about bulk.

Now, a 50- pound bag of popcorn may not be the greatest item to you guys in the audience today. But if you run a concession stand during football season, that's an item you can't live without. I think the Razorbacks are probably selling a little less of that but they're still selling a lot of it. Okay.

What the great thing about this is, a couple of months ago we were selling this item for over $26 for a 50- pound bag. And in a market that's been going up, you can see right now our price is below $22. Once again, especially during this time of year, the member response has been strong.

What about quality? Ros talked a little bit about quality in our fresh departments. Okay. The most important thing in our fresh departments our members tell us is quality of the merchandise. This is a 12- inch assorted pie sampler. This is an item that we have been working on for over 12 months. It has apple, blueberry, peach and cherry all in one. And the reason it has taken 12 months is because the quality of the merchandise that our members expect it takes us that long sometimes to develop items to make sure when they get it home and cook it off it is a great eating experience. Many times the item development process in fresh is 12 to 18 months. We have over 100 new items coming in fresh and freezer cooler this year for the holiday season and when you're on a limited SKU business, that's a lot of items. And we have plenty more in the pipeline coming down in the future.

Let's talk about excitement as well real quick. If they're interested and curious what we have to sell. Now, this picture does not do this justice. So at lunchtime if you have not been to our merchandise room, go down the hallway. Hang a right. And look at our sharp 90- inch LED- TV that has active 3- D capability. You're not going to see a 90- inch LED television everywhere, where you shop. And if you do, you're not going to find it for below $10,000, I promise you. That's the type of things that our members get excited about.

Will this item be the best- selling item we have? Maybe. Maybe not. In less than a month we're going to have it in some of our clubs. But I tell you what, our members will talk about it. You won't see it everywhere else. The other thing I'll mention real quick as you go down to the room, take a look at our Christmas tree this year. It is around innovation. We have a 7- foot and 9- foot pre- lit tree that we call a quick set- up. We're first to market on this innovation where there are no cords in the tree. Just at the bottom where you plug it in. And when you put the tree together, that's what connects the connectivity around the lights. Great innovation. We had that in the room. First to market on things like that. Our members expect that and that creates excitement and that is why they sign up for a membership at Sam's Club.

I tell you what, we're excited about this 4th quarter and the holiday season. As I mentioned, it is about merchandise. But we've got to deliver on all aspects of this. Yeah, it's about price. But it's also about quality. It's about bulk. And it's about excitement. We have to deliver on all those to deliver for our members to drive the membership and the renewals.

Now, that's a little bit about our item business and what we're focused on. What is important to the member is important to us. Let's talk a little bit about what we're looking at going forward. I want to talk to you about three things. First it is price. It is the No. 1 reason why members join up. Again they pay a membership fee.

We will continue to leverage our data and analytics to make pricing decisions that matter most to our members. How are we going to pay for that? In just a few minutes you're going to hear Todd come up and he's going to talk to you about innovation and about leverage and about productivity. As we get those savings through that innovation and productivity, we're going to re- invest that into price where it matters most for our members. We'll put a lot of energy around that.

Next, let's talk about new and relevant merchandise. When I came on the job a few months ago one of the things Ros told me is, Charles, don't screw up what's working. So my answer was, yes, ma'am. We're going to do the things that continue to work for us. Okay. Quality and fresh and what the response we're having for our members, we'll continue to do that, okay.

Ros mentioned dry grocery and sales increases there. I tell you what, proprietary brands, okay. Daily Chef that we introduced over a year ago is helping to drive a large part of that increase. Health and wellness in baby care our Simply Right Brand there is, it is also driving a lot of the sales increase for that part business. We're going to continue to do the things that our members have responded well on and we have plans for that.

Not only is it about products, it's also about services. Let's talk about services and technology. A buyback program for your mobile home, warranties, data back- up systems. Our members tell us those are important things for them. So if they're valuable for our members, they're valuable for us and we can present that at a great value for them.

Also about health and wellness. I'm really pleased at where we are with our strategy around health and wellness. We talked about awareness, prevention and solutions. And it is really resonated with our members. Especially from a service standpoint. Around immunizations, hearing aid centers. They love our hearing aid centers. You'll see us continue to invest in the services part of technology and health and wellness because that's what's important to them. But what is going to be the biggest difference?

The biggest difference will be is the role our general merchandise plays within our building. At Sam's, because our members are interested and curious about what we have to offer, that is the key to differentiation is our general merchandise business. And we've made loads of improvement from the past few years.

You heard Ros talk about relationships with our suppliers. We continue to get new brands into our building. And Eddie Bauer and Children's Place are in the same room in our merchandise room that you can take a look and it is becoming a significant part of our business. So supplier relationships are strengthening and we're investing in quality

For the last three years we've had a relationship with our partners William Fund and they have given us access to new direct sourcing and we have getting that access and at the same time reducing cost. And what are we doing with those cost savings? We're investing it back in innovation and in quality. Because that's what will drive membership renewals for membership. We're really pleased with that. So expect to see a difference in that going forward.

Finally, the last thing I'll mention is the small business member. We have a really strong foundation with small business members with Sam's Club. In fact, they're our most loyal members many times. Now, we're going to continue to serve them better than we ever have. We're going to save them time and money because that's important to them. We're going to provide them solutions because that's important to them. But we can also make a difference in their world in a sustainable way.

We at Walmart and Sam's have learned to operate our business more sustainably that has worked for our business. We can share that with small businesses. We can share what we've learned running our business and how they can apply the same thing to their business and make them more affective. And we can also do it through products. We can sale them more sustainable products that they could either use within their business or resale in their business. And they can deliver for their customers sustainable products for a lower cost as well.

So where are we focused? I'll tell you what, it is not about any one thing. It's about price. It's about bulk. It's about quality and it's about excitement. Delivering that all around the club. And where we're going is we'll put some investment and energy around price where it matters most. We're going to have relevant and exciting merchandise and it is by item because we're an item business. And we can really differentiate ourselves in the warehouse club channel and among other channels by being better at serving the business member. That's where we are.

Now I mentioned a few minutes ago we had some innovation around efficiencies and productivity and I would like to invite Todd up right now to give you a little information around that. So, Todd.

Todd Harbaugh – *EVP, Operations Sam's Club*

Thank you, Charles. I appreciate it. Good morning, everyone. Last year I had the opportunity to present to you and talk about how our clubs are driving productivity through innovation and that continues again this year. Working very closely with our global leverage team and, in particular, our global front- end team, this year we implemented self- checkouts in our clubs. And I know what you're thinking. Self- checkout has been around for years. But we implemented something a little different. A new kiosk. New technology. And I'll tell you what, our members have responded unbelievably. They really like our new self- checkout. In fact, we have self- checkout now in half of our fleet with plans to grow it to even more clubs next year. And we will continue to develop and test new technology as much as we possibly can.

Just like our newly patent convertible register. And I'll talk more about that in just a few minutes. We're also using mobile technology at our checkouts as well as tablet. And many of you probably had the opportunity yesterday to visit our local club where you were able to see all of these things in action. If you were not able to get over to our club yesterday and see that, I would ask that each and every one of you head down the hallway and go to the right during a break. We have all four of these set up in the Sam's room where you can see and touch the technology. It is very exciting and our members are very fired up about it.

I mentioned our convertible register and many of you are thinking what is a convertible register? Well, it's a register that can be manual and operated by one of our Associates and simply pulling a button and turning it like a lazy Susan. Within seconds the technology updates and turns it into a self- checkout.

Now, the reason why we're so excited about this is because in the next two weeks we're going to open up our first new club where every one of our registers will be either self or convertible. This will give us the opportunity to have the most productive and efficient front- end in the industry. And we are extremely excited about it. It will be in Kansas City, Missouri and I would ask all of you at some point to swing by that club.

You know, like Gisel talked about, the importance of driving productivity while still making sure that we are exceeding our member's expectation is so very important. And, in fact, as we go through and survey our members every single month, we call it our member experience survey. Yesterday we just got back our results for the month of September, and I'm proud to tell you that our survey results are the highest they have ever been at Sam's Club. We are focused on exceeding our members' expectations every single day. And not only are our members telling us that we're doing a much better job in customer service, but others are beginning to recognize Sam's Club as a leader in customer service.

In fact, earlier this year the Tempkin group recognized Sam's Club as the No. 1 company in the United States around customer satisfaction. And you can see all the different companies up there. It wasn't Chic- Fillet. It wasn't the Marriott Group. People who are recognized around the world for having great customer service, it was Sam's Club.

And just recently we were recognized by JD Powers for having the No. 1 customer satisfaction for mass merchants in our pharmacies. It's an incredible honor and we feel very proud of where we are. Our 107,000 Associates around the country worked every single day to make sure that we treat our members special. Because when you pay a fee to shop at Sam's Club, they expect it and quite frankly they deserve it.

Over the next several years we will continue to focus on driving productivity through innovation but more importantly exceeding our member's expectations. So, Roz, I would like to welcome you back up to talk about a few other initiatives. Thank you so much.

Rosalind Brewer – *President & CEO, Sam's Club*

Thank you, Todd. Well, as you can see lots of excitement happening but most importantly you can see that this team has deciding to really operate behind a really strong foundation and a really strong strategic plan to make sure that we put the member right in the middle of our decisions. So I'm really proud to see where we are right now. But I want to share with you some exciting news in terms of look forward for our business and we continue to be very optimistic about a couple of various areas of the business. Our e-commerce and our digital opportunities because our members are increasing their engagement with us online. In fact, as I mentioned earlier, all key measures like traffic, like orders, like sales are all up significantly this year. So we know -- we know that our experience with our members extends beyond the walls of our club so we love what we've done from a customer service standpoint in our club. We love the way we're engaging them one- on- one through our Associates. But they're also engaging with us prior to their shopping trip. And they do this through things like product research. And since all of our clubs are equipped with WiFi, they're using digital resources during their shopping trips. And after they browse or shop, we're also continuing the dialogue with them and building a relationship with them and let's think about each one of these pieces. So prior to the club. Prior to the club, we've created an extended content for our members to help them identify what they should see when they venture into our clubs. And it tells the story of our products. It is really significant for us to get that message out there. And members can use the site to purchase or renew a member or check their instant savings at that time.

And then while they're shopping. While they're shopping in the club we make it very easy for our members to access the extended content through our QR code process and they can learn more about the unique products and the benefits that they'll see in the club.

Online we offer product assistance when shopping for a specific replacement items like tires or ink cartridges. But after shopping we know that the relationship does not end there. And after the purchase, not every interaction ends with a purchase. So we're focused on maintaining that engagement. The more our members are engaged with us in the club or online, the more they tend to be loyal Sam's Club shoppers.

So when we think about that loyalty, we think about how do we retain our member? I spoke to you earlier about the significance of our member income, and it is the most significant key driver of our business. We are in the business to give superior member value. So we have seen steady improvements in our membership results and remember I talked to you about the middle piece. We have grown our pay primary member base. We've improved our advantage renewals. And we've seen increases in our business member sign- ups. We've also realized plus member penetration improvement. All important to us.

But now, while we like our trends and our membership today, we are looking to accelerate that further so we're introducing a new membership pilot program. Just this past Monday we launched an initiative that includes 75 or more clubs in the Texas area. Let me tell you how this looks. The members continue to retain all of their benefits that they enjoy today. Nothing changes there. And we're including new member benefits as well.

So we have reviewed our membership program and realize the opportunity with us is to simplify our fee structure. So we're piloting two fees: one for plus at $100 and then $45 for our base members. So going to two fees. Our base membership fees are $45 for both Sam's business and Sam's savings. In other words, this is a $5 increase for Sam's savings and a $10 increase for our Sam's business members at the base level.

So it's important to note that this is the very first fee increase since 2006. This increase will provide greater strength in our membership income stream in the future. During the pilot, outside of Texas, the current fee and benefit structure remains in place.

So let me tell you about a couple of the added benefits from this new offering. It is not just about the fee. In the pilot we're leveraging our e- values platform which we now call instant savings. This will allow us to deliver more savings to all members. In the pilot the base members get instant savings just like our current national plus program members. So what about those plus members? We don't want to leave them out?

We're excited to announce that we are introducing a new cash rewards program for our pilot in Texas. This benefit will provide $10 in cash rewards for every $500 spent on qualifying purchases. Sam members can earn a maximum of $500 in rewards annually. And these rewards are in addition to the cash rewards associated with our credit card offering today. So on top of current savings.

So this is really exciting news for us. We've been asked about this from our members and we're taking a stand on this. We continue to monitor within Texas to ensure, first of all, systems are a go and our processes and our tools are fully tested prior to extending this pilot further.

But just to reiterate, this membership pilot is designed to enhance the value of Sam's Club membership and generate a stronger membership fee income stream in the out years.

Another way we can successfully drive membership is through our new club growth. So let me transition a bit what we plan to do with our membership growth and how we plan to do that through membership income to our Real Estate Commission.

End of third quarter early November we would have opened three times the number of new clubs this year relative to last year. So this is the largest number of clubs we've opened in a single year since fiscal year 2009. Our planning includes a higher level of openings next year as well. So our new clubs are performing well. They're indexing ahead of plan. And while we'll deliver the same number of remodels next year, they'll be at 10% less cost. So much efficient use of our funds.

So in closing, Sam's Club momentum. It continues. As you can see we're excited about what we have been able to establish in the customer experience inside the club. We're working to meet that customer online in our digital requirements and our strategy remains consistent. First through our member- driven merchandise and Sam's price value offering and then through improvement innovation and technology for our first front in which drives our productivity. Sam's has an accelerated growth plan both in membership as well as our clubs and remodeled clubs and I'm optimistic about the membership clubs that we're testing. So far so good. While it is extremely early these initial results are positive for us and I look forward to evaluating how this initiative is going to play out with our team and something that's in the heart of our strategy. So we're confident that the combination of our new club growth, our enhanced merchandise quality and value benefits, along with our continued contribution to our membership will create even further momentum for our business. So we remain committed to our savings made simple framework which allows us to do what we commit to do with our members and deliver superior value to our members in the future. So I'm going to stop there and take questions and ask members of my team to join me. Thank you.

Carol Schumacher ***- Walmart Stores Inc. - VP – IR***

Okay, just as a reminder again, please wait for the microphone. We have people in the aisles to be ready to take questions. We have 15 minutes, Roz, for you and your team for Sam's Q and A. We'll start with Mark.

>> **Mark: Hi. Mark Wiltamuth from Morgan Stanley.**

Is there any way you can give us your member totals so we can get some sense how much the membership fee increase will change your results for the year and how fast do you think you'll roll out this across the nation?

Rosalind Brewer – ***President & CEO, Sam's Club***

Right. So we typically don't issue our member numbers, our member data. But I will tell you that what we've seen so far is exciting for us. We have seen this as an opportunity for growth if that gives you any indication. And we look forward to rolling this out just as soon as we get -- we put new systems in place. We want to make sure that from a cash back perspective we're able to deliver on that. So as soon as we see that all systems are a go we hope to run this nationally.

Carol Schumacher ***- Walmart Stores Inc. - VP – IR***

We'll go to Greg next.

Greg Melich, with ISI.

Roz, on the pilot you're running in Texas, how long will you give that to see if it works or not and would you conceive of having that split go into more markets or ultimately do we need to make a decision for the whole chain? How long for the pilot? The second question was in terms of accelerating growth is that end fills or new markets or how do you think about that?

Rosalind Brewer – ***President & CEO, Sam's Club***

Two questions there. In terms of accelerating the program, we're pretty excited about where we are. And if we continue to get this response it will dictate just how quickly we roll this. It could go regionally or we could go nationally right away. So it just depends on the kind of response we get to it. Your second question was around our remodel or our new clubs. And is that a fill- in strategy or new geographies? We're doing a little bit of both. I will tell you this -- we have some markets that when we look at our real estate position, we looked at those markets that we need to protect and saturate and we're doing a bit of both. Going into some new geographies as well as filling in in some of our historic areas which we all know those are some of the rural areas. We think that we have benefits still in both. You know, everyone knows we're roughly at 610 clubs. We feel there's some upside to that, Greg. And, so, it is a bit of blended strategy.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. Next question Deb.

Debra Weinswig, with Citi Group.

You spoke about leveraging data and analytics with regards to pricing. Can you speak about anything that you're doing with regards to just for me marketing with the consumer?
>> Rosalind Brewer: Yes. So if you're familiar with our e- values program, we do take our data. We manage what we know about that member and then we speak to them in terms of the savings that we provide them and the programs that we offer them from an instant savings standpoint. We have room to grow on that. And when you hear Neil's discussion, you'll see we're doing some platform building right now. Those are enablers that will help us get closer to our members. We have the data now. What we would like to do is be in a better position to manipulate that data and speak even further to them.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay, Peter.

Peter Bennett, Robert Baird.

Can you speak maybe what you guys are seeing on the inflation front in terms of food inflation, how that was over the first half of the year and what you envision for the second half? And then secondly, what percent of the transactions are completed through the self- checkout? I know it's early but just some ideas on that. Thanks.

Rosalind Brewer – *President & CEO, Sam's Club*

I can't speak to our forward look on inflation but I and tell you first half impact to us was about 150 to 200- basis points in the first half. Second half, we're not in a position to disclose that right now. But, Todd, why don't you talk about the self- checkout percentages. And I think that it is 40%.

Todd Harbaugh – *EVP, Operations Sam's Club*

We're extremely pleased. Over 40% of our members have used them. And what we're finding is that the clubs that actually have the engaged hosts. And we transitioned from a cashier to more of a host position. And that host position then can, you know, supervisor somewhere between 4 and 6 registers. Where that host is extremely engaged, we see transactions through the roof. So it depends on the engagement of the host and we're driving to make sure that we really do that well.

Charles Redfield – *EVP, Merchandising Sam's Club*

Roz let me say something about the inflation number. It's really all over the board. Some parts of the business are inflation and some parts are disinflation, and actually some parts are deflation. So it is managing all across the assortment of broad merchandise categories that we have. And, so, Roz talked about the numbers that we saw in the first half. Second half will be what it happens to be. But it is actually an item- by- item category by category decision how we have to manage that.

Rosalind Brewer – *President & CEO, Sam's Club*

Yeah. Just one example how that plays out. We saw meat inflation after the first year. And we were able to assist the member and what they typically do is trade down to different proteins like chicken and seafood. We were able to see that foresight and be ready for the member and have the right amount of inventory to respond to that. But, you know, we're helping that member with that decision as they have to do make these trade offs. So we're doing that affectively to make sure that we stay in line with what we're seeing with inflation.

Carol Schumacher - *Walmart Stores Inc. - VP – IR*

Roz, we're going to Karen on the other side.

Karen Eldridge, Goldman Sachs.

A couple of questions. Can you maybe talk about your retention rates on memberships and how that is trending given the changes that you made? And also can you please talk about Health Care Reform and in terms of how that is going to impact you internally and externally?

Rosalind Brewer – *President & CEO, Sam's Club*

Okay. First of all, on our numbers in terms of our renewal rates, we typically don't reveal those numbers. But I can tell you that that is important to us as you think about the way we are really managing this new initiative. And, so, if we think we can get that renewal right in there that is that retention that we have been talking about. Secondly around Health Care Reform, that is a big discussion. I can tell you how we're responding to that from a Sam's Club perspective. One of our highest growing categories is our health and wellness business. And we have days in our club where we provide -- we do immunizations and we actually have health screenings. And on those days, the traffic on that part of the club is massive. And so we know that we are probably in an opportunity to provide even more programs inside the club around health and wellness. Our business members are the ones that we're most concerned about because we know the small businesses are not able to really provide healthcare to their workforce. And, so, our discussion has been what could we do more to meet our business member halfway? These health screenings and the immunizations and the consultations that we do with our pharmacists have really paid off. That is why we won that JD Power Associates award. So more to come from Sam's in that area.

Karen Eldridge, Goldman Sachs.

Internally. There is --

Rosalind Brewer – *President & CEO, Sam's Club*

Internally. I don't know if we have anyone here that can talk really about what we're doing from a healthcare standpoint overall for the company. Is that a question, Carol, we want to capture for later?

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Yeah, we may hold that question for later when we do the bigger company discussion.

Rosalind Brewer – *President & CEO, Sam's Club*

We'll come back to you on that. We'll do that entire company. Okay. Other questions?

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. Is that Mark in the back?

>> Eden:

That's Eden Gordon from -

Carol Schumacher ***- Walmart Stores Inc. - VP – IR***

Sorry.

>> Eden:

That's okay. Can you give us a little color on the small business customer and compare and contrast that with your consumer customer?

Rosalind Brewer – ***President & CEO, Sam's Club***

So one of the things we monitor with our small business customer is what's on the minds as they monitor their business? We spend a lot of time with them in their workplace. We're seeing that they're still a little hesitant to really take out that second loan on their business and to expand and grow. One of the things that they count on Sam's for more so in this economic environment is for us to be almost just in time delivery. So they're carrying less inventory but they're able to come in to Sam's and pick up on the spot and go directly to either if they're a small restaurant owner, they go directly to table in the day of the production of their meals. So we're seeing immediate purchases on the day of use from our small business members, as an example. So we know that they're not extending their businesses as quickly as they had in the past. We have third- party relationships with small lending firms. We see a lot of those inquiries up. And, so, we monitor that very carefully to make sure that we know what's on their minds. We also know this re- enforces why our price leadership is so important and so that we can enable arise same sea store businesses and partners and restaurant owners to do the very best that they can. We see it and we respond to it through price and being ready at the club in terms of in- stock.

Carol Schumacher ***- Walmart Stores Inc. - VP – IR***

Okay, next question is Chris.

Chris Horvers, JP Morgan.

I just want to follow up on the healthcare question previously. Would you consider adding like a minute clinic to the club format and then later on if you could, you know, bring that to the Walmart level as well?

Rosalind Brewer – ***President & CEO, Sam's Club***

That is an area that is interesting to us. We're trying to engage our business member to understand that better so we're doing some research in that area to understand exactly what is the best way to respond to the supplying healthcare needs. We're not quite sure yet if it's a clinic or not.

Chris Horvers, JP Morgan.

Fair enough. Could you also speak to where you are in terms of SKU count in the store, how that's changed over time and perhaps where you would like to take that? Thanks.

Rosalind Brewer – *President & CEO, Sam's Club*

You know, we are a pretty efficient pallet driven business and don't disclose the number of SKUs we have. But we feel good about where we are from looking at what we should offer in the club and what we should offer online. We've got opportunity for some category development online. So pretty efficient in that standpoint.

Carol Schumacher - *Walmart Stores Inc. - VP – IR*

Okay, we'll take a question from Maggie in the front and then we'll go to the back where we have Sally Wellborn on our HR team who will address more of the healthcare discussion. But first we'll do Sam's question from Maggie.

>> Maggie:

I was wondering, was the change in the fee structure, you've goat a pretty narrow spread now between the business membership and the plus and I gather that's to encourage the plus membership. Is that correct? Then I have another question.

Rosalind Brewer – *President & CEO, Sam's Club*

That's correct.

>> Maggie:

And the other thing I'm wondering about is that with the talk of freshness and health and wellness, can you talk a little bit about the advantages you have now with Walmart and the integration there and how much you're doing on your own to distinguish yourselves?

Rosalind Brewer – *President & CEO, Sam's Club*

We do leverage the whole company in terms of what we're doing there. If you're referring to from a product standpoint what our offerings are in the club versus the store, I think we're both really working on this price leadership business in the U.S. It's important to all of us. There is somewhat of an overlap when you shop a club in a store. We know our members also shop the Walmart Store and we try to make sure that we have a consistent offering there and there is not much difference between shopping experiences but if I answered your question correctly, you know, we both understand, you know, who the customer is in the store versus who the customer is in the club.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. We'll take the healthcare question from --   with Sally Wellborn answering.

Sally Wellborn head of Benefits Globally for Walmart

Hi, I'm Sally Wellborn head of Benefits Globally for Walmart. And our programs that we offer in the United States for your Associates currently exceed the minimum requirements under the Health Care Reform Law that is in affect in 2014 so we're already in compliance basically.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. Other Sam's questions? Okay. Rita.

Rita Spitz with William Blair.

I wondered if you could elaborate on some of the vendor partnerships you've talked about with Children's Place, for example? Are you trying to have more continuity in certain SKUs, or are you still trying to encourage the treasurer hunt kind of merchandising philosophy?

Rosalind Brewer – *President & CEO, Sam's Club*

Charles.

Charles Redfield – *EVP, Merchandising Sam's Club*

Yeah, it is more about the treasurer hunt. We've worked hard the last couple of years on our joint business planning supplier relationships. From my point of view, we're not touching enough suppliers. But our suppliers are giving us feedback that it is a strong relationship. They like the process that we're going through. And what that's doing is, it's opening doors for us. And whenever we see an opportunity, we have those discussions and it will become an opportunity. And we're getting more and more of those opportunities right now than we ever have been. So as we get those and we think it is right for our member --   and we're not jumping on everything --   but when we think it is right for our member and the right brand in the right category, we absolutely take advantage of those.

And Eddie Bauer and Children's Place are just two of the most recent examples where we have done that and both parties are really happy.

Rosalind Brewer – *President & CEO, Sam's Club*

Including Nautica.

Charles Redfield – *EVP, Merchandising Sam's Club*

Nautica would be another one we've had in the last year. And those opportunities are coming. When we feel it is right for our members, we'll absolutely take advantage of it.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. With that, we are going to thank you, all the Sam's team. Thank you, Roz, Todd and Charles. And now we switch over to Walmart International. I'm pleased to turn the program over to Doug McMillon, President and CEO of Walmart International. Doug.

Doug McMillon – President & CEO of Walmart International

Hello, everyone. We're excited to have some time with you this morning to give you an update on Walmart International. I want to start by introducing you to others that will be joining me up here. Hopefully these are faces are familiar to you.

Cathy Smith, leading Finance and Strategy. Eduardo Solorzano, for Latin America. Scott Price leading Asia. And Dave is responsible for the UK/Canada and Africa. And they'll be up in just a few minutes to tell you what's going on in their various regions.

When we look at the results that we delivered through the first part of the year we're really excited about it and pleased to see these numbers. On reported basis what you've seen is 10.5 and 12.3 up in operating income. Reported without currency impact and increased over 15% and operating income over 18%. And I would like to thank our teams around the world that have delivered these strong results and in some cases in a difficult environment.

In terms of what we committed to you last year, these are the takeaways that we put up on slide 31 if I remember correctly from last year. And I want to commit to you that these are the things that we're going to continue to drive. We have a mentality around growth that requires discipline. We know the expectation and look forward to delivering increasing returns over time as we continue to drive aggressive growth. And in every market around the world, with the exception of China, we've grown faster than the market. We've stayed disciplined as it relates to capital investment. We've leveraged expenses. We're focused on EDLC and driving the productivity loop and operating income as you saw growing faster than sales and return on investment improving without acquisitions.

From a relative performance point of view, we do our best to find market data that we can compare ourselves against taking out sales of automobiles and things like that to try to create direct comparisons on the categories where we sell merchandise. And in some markets we can get scanner data that's more precise with resources like Nielsen and some markets we use government published data, like in the case of China. So what you're looking at here are various sources from around the world and us doing our best job to give the right proxy.

So in Argentina grew faster than the market. This is a highly inflation another environment. Something like 20% of this number would have been driven by inflation. Our team is executing there very well and it's good to see that we're growing faster than the market.

In Brazil in recent times through the first half we had been able to grow market share. That was not the case last year. And we're very pleased to see that happen in Brazil. Good to see them delivering results faster than the market.

Also stronger in Chile, Mexico, and Central America where you probably saw our results yesterday that were released. They were quite strong. And as I mentioned in China not keeping pace with the market but where we see ourselves compared against others where data is available, we're fairing well within the market of China for the retailers that publish data.

Japan growing fast than the market but it is our most difficult external environment from a growth point of view. Growing faster in the market in South Africa, faster in Canada and really strong relative performance in the UK.

As it relates to the environment that we're operating in, we have these cool jobs where we can see what's happening around the world. And there are big things that are changing from a trend point of view.

The inner connectiveness of the economies has been very interesting to watch this year. It feels like it's going to be almost impossible for a country in the world to break out and drive sustained high levels of growth if they have any scale at all because of the inner connectiveness that exists globally these days. We also are seeing tremendous increases in the middle class. Middle income levels in some markets like in China, in India, and some places in Africa.

Technology is changing everything. You'll hear a lot today and you've already heard quite a bit about e-commerce and technology and how that's changing and customers get information. How they shop. And it's happening throughout the world, whether it is an emerging market, a small town in India, or it's a city in a developed market like London. Customers are shopping differently and getting information differently and that's changing so much of what we do.

And then a fourth key trend that we would call out is a strain on resources. We are seeing high utility costs in places like Japan, in Mexico, and other parts of Latin America as this strain on resources plays out around the world.

But the net result of all of it is that it is Walmart time. A great time for us to deliver value for customers and grow market share. They need us. Customers are under pressure. Customers are under pressure in developed markets. They're under pressure in emerging markets. And they're looking for value and that's what we do every day. So we look at the global environment and we see great opportunity.

As I think about the portfolio that exists in Walmart International, you know that a vast majority of our operating income comes from three places, the UK, Canada and Mexico. Those markets are very important to us. Internally we call them the big three. And we want to keep performing in those areas. And if those three markets do well, international is going to do well as a division. But strategically what we've got to do is bring along some of our other markets. And we prioritize Brazil and China as the two key markets from a return point of view.

So we're going to drive high levels of growth in a market like China, in a market Brazil. But as we're driving that growth, we've got to make the changes necessary to drive the return on investment and make the big three the big five. And then what you're going to see is the returns in the division come along at a faster pace which I know is what you want to see. The other markets matter and they present great opportunities and in many ways we'll be following some of the same changes that we're making in China and Brazil. But what I'd like to do with the time that I have got with you today is to use Brazil as a bit of a case study. And I'll start with this slide. You have seen it before. This is our business model. And when you think about Walmart's international portfolio, what we're trying to do is to move on a few key issues. Our purpose, our organizational culture, and six operating principles to a more consistent way of working.

Our leaders in the markets make a lot of independent decisions. They know the customer. They want -- and we want them to move with speed as it relates to decision- making. We don't want to create a bureaucratic company. So it's really important that we know what our framework is. And this is our framework. This is our business model. This is what makes Walmart, Walmart.

So whether it's in a market like China or a market like the UK, we are moving our businesses to having united purpose, a consistent organizational culture based on four core values, and then these six common operating principles, including EDLP and EDLC and global leverage which relates to the point that we're all working together to drive the productivity loop and to help serve customers more affectively.

So what I'd like to do is take Brazil and talk to you about this business model and how we're making changes to deliver against it and again I want you to thank of it as a case study.

We started in Brazil in 1995 with one store. We entered the market, Greenfield, and by the end of 2003, we had 23 stores doing less than $1 billion. So all the way from 95 to 2003, we built 23 stores. Then we get to the second phase where we pick up two acquisitions. Those of you that know Brazil know that it is run regions, three big regions. And we picked up two acquisitions in regions where we were not present and created a much bigger business.

We picked up more formats and we ended up with 290 stores by the end of 2006. So we go from 23 stores to 290. Then we get to this third phase and we ramped up new store growth. And we took some of the formats that we'd picked up from the acquisitions and we spread them to other regions where customers didn't know those brand names and had never seen them before. So we layered on acquisitions that had not been completely integrated with a large number of new stores on top.

So if you think through the three phases that we went through, I think it would make sense to you by the time we get to the forth phase that we're in today, it was complex. Brazil was complex already. The tax environment is challenging. Taxes change frequently. And there are a lot of national and regional and local taxes that move around a lot and that creates a compliance opportunity for us. But there are other complexities in the business, too, that are external. And on top of that, we had a situation where we were not integrated and, therefore, the business wasn't simple enough to execute.

So what we've been working on since 2010 in the name of driving returns up is to simplify this business. Get to the right business model that I showed you just a moment ago, and make the whole thing simpler so we can drive growth and returns.

So what we're trying to do is move from an environment where we were internally focused, thinking about our systems for example, and delivering profitable through buying merchandise through supplier allowances to a place where we're customer focused and we're thinking about our assortments on the side counter, a customer decision tree, good, better, best merchandising. Forward- looking and customer oriented rather than internally focused and looking backwards.

Moving from high/low, which brings cost with it because of what happens with the supply chain to a lower cost EDLP, EDLC approach that builds trust with a customer.

Integration has to move from being different systems to the same system. We just closed our August P&L in Brazil for the first time with the same finance system last month. So if you heard a cheer in August, it was us being very happy about the fact that that accomplish took place.

Disciplined execution. Routines that deliver productivity. And applied best practices. So what we've done is we've partnered with Rollin Ford and Rick Web and our global process engineering team, our global process team, and they have been working in Brazil and Mexico and China, in particular, to help get us up the maturity curve. So if you think about processes for a moment not even just systems but we have processes in a Supercenter moving freight from the back receiving dock through the cash registers and home with the customer that need to be consistently practiced and done with excellence. And what we found is randomness. And while we want our markets to make independent decisions, when we know they're a global best practices, they need to be applied to drive productivity and ultimately drive returns up.

So what we're trying to do is grab those immature processes where they exist and in the markets where they exist such as Brazil and pull them up that maturity curve faster than they would be able to do on their own. So you could think of this in terms of the inventory flow from forecast to a supplier through to the replenishment process and modular integrity, how it arrives in the back room, how it's handled at the store and then gets checked out at the front end and out the store. And what we'd like to do is show you a brief video from Brazil from one of our Store Managers and some other leaders there on how this is changing their business.

[Video]

Doug McMillon – President & CEO of Walmart International

A few weeks ago I was in Brazil and I was in Joe's store, a store we were just looking at. And he's been in that store for about a year. He said that when the engineers showed up and told him he could execute these processes and make this type of improvement he said, I thought they were crazy. But now that he's done it, he says he would be crazy to stop. And he told me as I was leaving the store that as they implemented it and the inventory in the back room started to melt down where they could manage it, he actually found where he had a receiving dock in the back of the store he didn't know he had. So we have opportunity. So much opportunity to just get better at these processes and drive productivity and I'm so pleased to see how Brazil is embracing this.

So another thing that we've invested a lot of money in both operating expenses and in capital expenses in Brazil is integration. I mentioned the complexity of the systems primarily driven by acquisitions, the complexity of tax, et cetera. We have been implementing a process of integration. We're about halfway through. 18 months into a three- year plan that moves us from this list to that list. And I'm so excited about what this is already started to deliver in that market and what it will deliver. And again, integration and systems, not only Brazil but in other markets are a key part creating simplicity, especially when we have grown through acquisition as we have already have.

So how is it working? First half in Brazil our market share is growing and expenses are down 126- basis points. Now, we have room to improve. And the retail side of the business in Brazil is stronger than the wholesale side, which includes our maxi format. But there is progress there. And again for me it's a case study and an inspiration on what can be done in China and other markets. So this business model that we've described is what we're going to carry to China and to other places. And we'll take learning that we've acquired from Brazil most recently and go apply it in those markets to drive both growth and returns. And now what I'd like to do is to tell you a little bit about what to expect for the next 12 months. Discipline growth will continue. And EDOP mission is going to continue around the world and we have been making steps in every market to be more pure as it relates to EDOP. New store executions are going to improve. The slower rate of growth in Brazil and China, in particular, will help us open even better new stores. And we can talk some more about that in the Q and A if you'd like. Improving returns. And in three key enablers. Deeper talent. We have a great team today. It's very talented. But when you look at the amount of growth we're capable of delivering, we need more expertise. We need more leaders. We need more functional expertise in areas like merchandising and real estate. And we need Associates that are engaged and trained. So we have programs in place and some of which are being expanded to develop more depth in those areas because talent is the key enabler for our business. But also very important is compliance and leading on social environmental issues. And on social and environmental issues, we're leading in areas like women's empowerment and sustainable agriculture. And on the compliance front whether it is permits and licenses in Latin America or food safety in China, we are moving with processes, systems, different organizational structures, clarifying the role of internal audit, setting the right tone at the top and developing a culture of compliance throughout organizations to make sure that Walmart's reputation is protected and developed. And most importantly that our customers are served in a way they need to be served. So I'm pleased to see a lot of progress happening in that area. And as you look at the next 12 months, those three key enablers will be a very important part of the work that we're doing. I would like to invite

Eduardo Solorzano to come up now to give you some more specifics on the next 12 months and to tell you about Latin America. Welcome, Eduardo.

Eduardo Solorzano – *President & CEO, Walmart Latin America*

[speaking in Spanish].

Good morning. It is my pleasure to talk about Latin America. I will say that Latin America remains as one of the biggest opportunities that we have as a company in order to expand our business. As Doug mentioned, we have a great talent in Latin America. I am very pleased to see the quality of our team in all the regions and happy to see that because that is very encouraging for the future of the company.

I will share you some highlights and the different markets of Latin America with the exception of Brazil that Doug covered that part. So I will start talking with Mexico.

Mexico we are investing a lot in pricing and excitement. In Mexico we started recently with a special buy program that worked pretty well followed with immediately with a prize perception EDLP, role backs and things in place as we speak. Very good results. We're excited to see the trends in sales in Mexico it is getting much, much better. Information that we have from NTEL which is National Retail Association in Mexico show that we gained 160- basis point ahead of the market which is extremely good, you know.

Central America is something that we continue to strengthen our long term position. We believe this is something that will create a lot of long- term right decision for Central America so we're doing that continuing relationship with Central America. In Central America we already converted all the stores to Walmart systems. And we are in the process in order to convert the distribution centers in Central America. So we're just on track in the case of Central America.

Moving to Chile, we are very pleased to see that Chile's very, very strong performance. We're pleased to see the performance of Chile. I am really amazed with the commercial integration how fast our team did that in Chile. And when I talk about commercial integration, it means that we introduced in Chile our private brand. Very, very successful. And I think our Chile team has done a great job in order to incorporate a lot of the merchandise that we provide as a global company which is extremely, extremely good. We have a great management down there and clearly the performance is above the market as well.

Moving towards Argentina. In Argentina, we are consolidating as a multi format operation. What that basically means, that means that we open what we call a super Walmart which is a new super market that we are opening in the capitol of Argentina, Buenos Aires. And it is successful so far. We're very excited to see the performance. And also we're building the Changomas. Changomas is the old discount] type of format that we import from Mexico and we're deploying that in Argentina. We're very excited also to see the results that we have of Changomas. So Argentina is now consolidating as a format market that we have in there and so we're pleased in order to see that. Also it is very important that in Argentina we're gaining market share and growing much faster than the market. And also we started to launch the home delivery in Argentina which is very, very, very important.

Doug mentioned a few moments ago the importance in order to train to create deliveries and to learn for each order. And I believe this is something that creates for us a competitor advantage as a company. We asked ourselves how we can escalate our e-commerce business in Mexico and how we can do it the best way possible. We decided to ask questions around the world in order to see what we can learn. And I will tell you what is amazing, you know, the quality of the response that we receive, you, know. From California to Japan from the logistic teams in Europe in order to develop new tools that help us in order to accelerate our deployment and our launch of the e-commerce business in Mexico. It was fantastic to see how we learned from San Bruno all the things that we apply as well with the logistic team and the Bentonville team in order to have a much better value proposition.

After this, we have a much faster, better, and cheaper valid proposition with our much better work and that is approved that we work in a global manner much better than doing just that. I would like to introduce Scott Price for the Walmart Asia.

Scott Price – *President & CEO, Walmart Asia*

Thank you, Eduardo. Let me diver right in starting with India. India's macroeconomic environment right now is a bit muted with GDP forecast slightly lower than they have been in the last few years; however, with our [inaudible] Walmart partners and franchise stores we are still seeing double- digit growth slightly reduced late levels.

On FTI we are still very early in the process. We welcome the move by the government to introduce 51% FDI for retail. Albeit now still with conditions that we are working our way through. It's a long journey but we're optimistic about the future.

We do believe in an economic environment of slowing GDP and private consumption though this FDI in our investment in multibrand detail will allow us to create thousands of jobs in India, invest in the back end to improve the livelihood of farmers and as well develop things like cold chain [sp]. And as well help customers save money and live better through the introduction of EDLP.

In terms of Japan after a strong first half we are seeing an increasing challenging macroeconomic environment. Consumer’s sentiment in Japan, it's weak. We continue to perform ahead of the market through the strength of EDLP and the price gap that we have created over the last couple of years. EDLP works. It works everywhere.

We continue in Japan to drive leverage and to focus upon innovation as a way to continue to drive EDLC so that we can continue to drive through EDLP our price gap.

So let me quickly give you a few examples. First in terms of leverage. Through our colleagues here in the United States, we are now importing into Japan beef that we are able to save on direct cost 205 and then through a more efficient import system actually versus our competitors that sell at a retail price beef that's 30% cheaper to the customer which has had a very big impact in terms of our sales. These types of initiatives are very, very helpful.

In terms of innovation to reduce cost in the operating model, Japan as a result of the tsunami, has nearly eliminated all nuclear power and so they have introduced a 12.5% increase per kilowatt hour. We introduced and invested $86 million in LED lighting, a number of initiatives, including changes in refrigeration. So our absolute utility costs have come down overall and as well those investments have delivered a very high return.

We took that experience that we were focused upon and understood our customers were also struggling so we introduced a number of new products that actually helped our customer. Personal fans so that they could reduce the amount of air conditioning. Cold towels quite an innovation as well. And LED lamps. All of this has resulted in quite a powerful position.

Moving on to China. I'll cover China in a lot more detail in the next slide. We are really focused now on initiatives that build the foundation for the business enabling us to grow and give us solid returns in this market.

As Doug mentioned, we adjusted our retail growth levels statistics to remove segments that we do not participate in to try and come up with what we think is a fair comparison. And for the relevant market in which Walmart participants, we see ourselves performing ahead of our national peers in Q2.

Sales trended stronger in Q2. Comps came in at plus 5% versus the 1.2% growth in quarter one. So that brings our first half in line relative to competitors in a softening economy.

As it relates to our more recent performance during the mid autumn festival which ended several weeks ago, we really don't see any encouraging signs in terms of customer confidence.

And just building a little bit more on China. Much like what you heard from Doug earlier on Brazil, China is a complex market and we have a complex business in China today.

So we're working on a number of the issues. Geographic dispersion, process maturity, talent scarcity. And a challenging compliance in the environment. Our approach to China is very similar to the approach taken in Brazil. We're focused on driving simplicity, we're employing a much more disciplined approach to our growth. Focus on the basics while also leveraging global best practices and then tailoring them to the local Chinese market. We were helped by the fact that the trust mart transaction was closed in Q2. We've now rebannerred the majority of the stores. There's a few remaining stores that we're going to rebanner when it makes sense. But overall, this portfolio is driven and managed as one single entity.

Let me touch a bit on the customer here. We're driving a lot more focus on the relevant assortment on our customers and implementing merchandise and well disciplined for the buyers. So this is really resulted in tabs that are not only increasing the sale- through but able to resemble Brazil and to reduce the overall inventory.

EDLP it is a long term strategy but we truly know it will work and it will work in China. We know that it will work in terms of being able to gain trust and also drive out performance versus our competitors.

So we're introducing through the International Merchants Academy the experiences and the education to embed with China and also sustain globally the proven expertise that we have from various markets.

On real estate, we will continue to grow but we will grow responsibly. We will open fewer stores this year as compared to our original plan. But even with that reduction, Walmart will open more stores than almost every other competitor in China. We want all of our new stores in China to exceed our customer's expectations. We plan on strengthening our leading market position in the south, in the west. But still continue to grow concentric circles where we have existing stores in the north and east.

Sam's Clubs are continuing to perform as well and we are going to continue to build the format -- build the pipeline for this format in China.

On operations and logistics and back room designs and work floor mapping, simplified procedures, we really are beginning to see some great results in terms of operational efficiency that translates for us into tangible results like improved availability which allows us to serve our customers better and importantly lower our cost to operate.

We're continuing to leverage global best practices. Three important in- store processes, Associate productivity, merchandise floor, and operational excellence are just a few.

Talent. Critical for us. Our people make the difference. This was true when Sam Walton founded the company and it remains a key pillar today. While talent continues for us to be a priority for all companies, not just ourselves, our approach is centered very much on building the deep pool of leadership talent transferring global best practices and skills and training in terms of taking from Sam's Club and as well our store talent out of China and cross pollinating them to international markets around the world. So we're creating a global talent pool but we're also leveraging the global network to be able to develop that talent.

Finally on compliance, our approach is a philosophy of compliance. Everywhere, every day. We continue to create new systems, tools and processes that are bringing a vigorous approach going much beyond just food safety.

Our aim is to exceed the expectations of our customers and the regulators setting the standard in the industry in China. Sam Walton said importantly, we have got to have the basic foundation of honesty and integrity or sooner or later we'll stumble, and that is still very true today. I would like now to hand this over to Dave Cheesewright who will talk about EMEA. Thank you.

David Cheesewright – *President & CEO, Walmart EMEA/Canada*

Thank you very much, Scott. Good morning, everybody. So the region of Europe, Middle East, Africa and Canada is almost exactly a year old and trying to run three very different businesses across three continents certainly has its difficulties. But if I reflect back on the first year, the thing I'm most excited about is the ability to improve our growth and leverage and therefore returns by working in a more robust granular way across those different businesses.

I'm going to spend the next five minutes just giving you a quick update on each market and then we'll finish with one example of best practice from the ASDA [sp] business to share with you.

So let's start with the Canadian business. The first thing I tell you about Canada is the business still performs well. I know you had a robust view of Canada earlier on this year in April up in Toronto but you saw from the chart that Doug put up the business is outperforming the market and that is driven by very single- minded focus on price leadership.

Over the last three years we built certainly in Canada one of the most robust price audits there is. We take a lot of learning from the UK market in the way they've approached pricing and we can now look at over 120,000 item competitor combinations every week. We've got an independent team that will analysis the every week and come up with recommendations and those are implemented within the week. And that granular detail attritional work on pricing the EDLP is certainly one of the engine rooms behind the growth in Canada.

Now you also remember from April this is a very big year for real estate in Canada. And overall it is our biggest year of development since we acquired the Woolco business in 1994 with 73 projects. Half of those are ongoing programs to convert division one stores to Supercenters. The rest comes from the 39 stores that we acquired from Target.

Now, it's early days we took possession of the Zeller stores towards the end of June. Our first store opened in Newmarket north of Toronto and within about eight weeks so a very rapid turnaround. We've got two open now. A further nine open this Friday and by the end of this month we will have 30 of those conversions done. So still a lot of work to do on those and the early results are very encouraging and we're very pleased with the way the Canadian market managed what is a very complicated program.

The final thing to mention on Canada is Target centric next year and again we covered a lot of that in April. But the message I want you to hear from me is we're ready. We're certainly not complacent about a retailer of target of this caliber coming to the market but we know Canadians very well. We've been in the market for 18 years with the help of Duncan, Bill and the U.S. team and we got to know the target very well. And we've had a couple of years to prepare so we're certainly not complacent but we will be ready for the registry next year.

So moving on to Africa. And, Doug, I think it would be very fair to say we had high expectations of both the continent of Africa and particularly the business we chose to partner with at mass mart. A year into that acquisition I can tell you we are very pleased both to be in Africa. We see great potential there and particularly with our partner mass mart. They really are an outstanding business.

So a couple of things to tell you about. The mass mart business first of all, they're performing very well. The results came out in June. Just over 15% top line growth. Just under 10% comp growth. In a market which for them has relatively low inflation. Outperforming the market. And that is being driven by their reputation as the price leader. You'll start to see a trend emerge here.

In terms of integration, we are very pleased that they're ruling on Monday on the supplier fund and reconciled once and for all. We think it's a positive ruling and in essence it allows us to continue the work we're doing to develop a vibrant and growing local supplier base in South Africa and beyond.

In terms of our integration, again we're very pleased with the progress. We finished the basic leveling phase so across compliance programs, culture and financial systems. We're now in line. Mass mart will run a sub year from June through the end of this year and from January next year we work on to Walmart's financial calendar and so all that has gone very well.

I think the thing I'm most excited about in Africa is the upside potential of working together. And what we're now starting to see across the business in Africa is everything from EDLP and pricing strategy through supply chain strategy and sourcing strategies, we're able to connect that business with experts across the Walmart world and add value to their business. I think probably their most important is their understanding of food. For those of you that know Africa the growth of food is going to be something that will dominate the next decade. And when you put together the very mature cash and carry business that mass mart has through their jumbo and shield formats together with the stand alone Cambridge food format and drop ins that will add to both their big box macro format together with their gain format I think we've got a portfolio of food offers that will allow us to capitalize on that growth.

The final thing to mention in Africa is it is as important to know what they're going to do to help Walmart become a better business as well as a very, very high caliber management team. The way they run a group structure across a very segregated divisional organization and drive best practices is something that we've been using across the region and particularly a lot of their work around time development is something that will make Walmart a better business as well as us helping them.

So finally on to the UK. And the UK continues to perform very well in a very tough market. Outperforming the market being driven by -- you guessed it -- a focus on price leadership. I think you'll all know about the ASDA [sp] price guarantee which is a web- based automatic basket level guarantee of unbeatable prices. That continues to gain great attraction to customers the only one that is genuinely across all the basket and is genuinely independent.

In addition to that the work that Andy and the team have done in the UK on quality is also paying great dividends. With the re- launch of the mid tier private label under the brand chosen by you with its backdrop of very rigorous consumer paneling and choice questionnaires, we're seeing great growth from the partnership with [inaudible] which is one of the most premier food academies in the UK. Both of those are starting to see significant end roads to quality perceptions from our consumers.

The final bit in terms of driving the growth in the UK is our multi- channel business. And certainly across my portfolio it's the most developed. It's to a large part through a store picked food delivery operation which continues to grow very strongly. We now cover 98% of the UK population with next day delivery. But we're also seeing great progress on the ASDA [sp] direct business which covers general merchandise and apparel. We're very, very optimistic about the partnership with Neil and his team in GC and particularly the work that [inaudibl] Thomas is doing in developing mobile in the UK is really starting to have a lot of traction with customers. It's a very positive about the UK.

So let's finish with a quick example on best practice. And this is an everyday low cost example. And it's a program that has been running in the UK for actually since about 2007. Its foundations are from a piece of work that we did with the Corbett organization in Australia.

As you probably know Roger Corbett was CEO at that time and he's now on the Board of Walmart. And he very kindly supported us in developing a much more methodical approach in taking cost out of our business.

Now although the initiative across varies by individual countries, what is unique about we operate for less is its process. It has executive level sponsorship on all of the programs that run cross the business whether it's from goods not for resale or store wages or logistics. The program is branded and everybody in ASDA [sp] knows we operate for less. A program that people want to get involved with. And if you like it has mad saving money pretty cool [inaudible] and that is a great place to be when you're a low cost business. It's very visible because of the branding right across the business. And the structure process that is put in place has given very good tracking and governance and allowed it to be an integrated program across the business.

I guess in all things it's the results that count and you can see on the right- hand side of there the impact it's had on costs as a percentage of sales, steady improvement over the last five years, and over $1 billion of cost savings.

Now whether initiatives from individual countries will vary from country to country and that methodology has great applications to everywhere with both within the region and across Walmart world.

Now, as well as the approach I'm going to leave you with a quick video before I come up and wrap up. And this is just an example of how ASDA [sp] also pushing the boundaries in terms of driving cost out the business. And this is using tablet technology to take what has been a very robust program of defining what are the most important tasks in the store but allowing the manager to do that while they're in the most important place which is on the shop floor which both customers and Associates. So if we can roll the business -- roll the video sorry.

[Video]

David Cheesewright – *President & CEO, Walmart EMEA/Canada*

Okay. So hopefully that gives you an insight. As in all retail businesses we're pretty simple. If we could execute every single program every single day we wouldn't have too many problems here hitting objectives. So the region performing well every country outperforming its market in terms of market share. I'm very excited about some of the opportunities which is about being more focused and sharing ideas across the countries in a much more focused and granular way. Okay. To wrap up the international session I'm now going to hand it over to Cathy Smith who is going to walk you through the financial side. Cathy.

Cathy Smith – *SVP, CFO & Strategy, Walmart International*

Thank you, Dave. So I'm 5- foot 6 and I wear a 4- inch heel and I have to tell you, I'm not small. And seeing that size of head up there is very disturbing. But it is quite comforting to see so many familiar faces. We really appreciate that you like to follow our company and we do have a great company. I'm going to spend a moment here talking to you a little bit about how we're driving growth and returns. Both Mike said it in his beginning and Doug said it that we are very, very focused on driving returns in international division and along with our growth. You should take away four things from this slide when we're done. First and foremost we understand our responsibility at Walmart International as we continue to be a bigger part of the total to lift the company by improving our returns. Secondly, in doing that, all of our markets strive to adhere to these core principles on the side of the slide. They're going to drive their sales faster than their markets. Operating income faster than sales. And they're going to leverage their expenses.

And then Doug mentioned that we're very focused on particularly two markets right now and lifting the total portfolio and that's Brazil and China. And one of -- two of the biggest drivers that we can do for driving returns is driving their profitability. So you're going to see that we have plans to do that over the next three years as well. And then lastly the thing that you should take away is we're going to continue to invest in the markets that have great returns.

Let me describe this chart before I show you the movement from FY13 to FY16. This chart has on the vertical access return on investment and on the horizontal access nominal GDP. The size of the bubble is a size of our invested capital in those markets. And first I'm going to show you FY13. This is where we're at today. And then let's watch and you see what happens over time for the next three years. You'll see that we are lifting both China and Brazil. You'll see the size of the bubble increase because we are -- although we've slowed growth we are still investing in those markets and we're improving their profitability which helps their returns.

You also saw that we're going to continue to invest and so the size of those bubbles got bigger for those markets to have great returns for us. In aggregate what it means is overall Walmart International will grow or improve its return on investment 100 to 200- basis points over the next three years.

The most affective way to drive growth is by driving our comp store sales and our new store sales. So we'll continue to drive new store sale growth and you'll see 20 to 22 million square feet this next year is our plan. And as you would expect, that investment will go predominantly towards the emerging markets where there is bigger growth opportunity and bigger share opportunity.

We're doing some pretty cool things around driving capital efficiency and discipline in a number of fronts. First and formats, we're continuing to invest in the formats that produce well and we're stopping or slowing our investments in the formats that aren't performing and we look at this every single month and we make a decision on if we're going to continue to invest right now or if we're not until they get their execution in the places where it needs to be.

In construction, we have -- we use engineering around the world and our expertise and we've now driven out some of the customization that was happening in our construction of our brick and mortar stores as well as using more repeatable layouts.

And then lastly, this is I think one of the neatest things we're doing around fixtures and equipment. Things like LED lights. You heard Scott mention it in Japan around the energy pressures. LED lights typically consume about 50% less energy than normal lights. And in almost all of our markets in all of our nonsales floor space, we're at LED lights. And some of our markets like China and Japan with new stores we're testing even out on the sales floor.

And then in refrigeration, we've harmonize our standards them around refrigeration and doing a global buy, a global event around refrigeration. The largest in the refrigeration industry. And by harmonizing those specs we will be able to drive great first time purchase price but also lifetime cost of that refrigeration. Typically in a store 30% of our energy consumption happens because of refrigeration so there is some huge opportunity here.

Everyone always wants to know about how we're thinking about mergers and acquisitions. So first and foremost let me tell you we like the markets we're in. So that we're very focused on just executing well in those markets. BUT EMEA can be an effective tool in a number of places. Specifically if we have market share gaps in existing markets it's a great tool to look at to fill in those gaps. In addition we'll add capabilities through EMEA like we have done in e-commerce or this last year we introduced our small GAT and turkey sourcing acquisition we did for our George business. So we'll do capability acquisition when it makes sense.

And then lastly we'll continue to selectively evaluate new market entries just that handful of ones that make sense for us when the growth and the returns are there. So with that I'm going to turn it over to Doug. He'll wrap us up and he'll share with you our capital expense plans for this next year.

Doug McMillon – President & CEO of Walmart International

Thanks, Cathy. Alright. Let's put the CAPEX table up and I'm going to start with last year. We'll talk a bit about this year and show you the forecast for the coming year. As it relates to last year's number, you'll see that we had $5.3 billion in capital. 250 million of that was a buyout of some leases in Brazil. And the 23 million in square feet for FY12 does not include the acquisitions we have in the UK in NETO or mass market. So looking ahead to FY13, you remember last year at this time we estimated a range of 5 to 5.5 billion in capital. But after the second quarter this year we came out and restated our capital expenditure number and clarified the reason for that change. If you look at the new store changes, you'll remember from the release that we had adjusted in Mexico, Brazil and China -- for three different reasons but nonetheless an adjustment -- and that took us to 4.6 to 5.0 billion in terms of dollars and 21 to 23 million in square footage.

Now, looking ahead to next year from a new store point of view, our range is 2.2 to $2.5 billion. The remodel number goes up because the installed base is larger. It goes up to 700 million as we keep our fleet up to date. We do have some more investments in logistics. We're investing in Latin America to support our growth. We're investing in Canada to support the Supercenter expansion that continues. And then we have one D.C. in the UK that's in that number. In the other column, there are two big components of other. The IT investment and then we have some fulfillment capabilities that we're adding in the area of e-commerce. And then there are a few other various items in there. And that number from a range point of view comes down a little bit relative to FY13, which takes us to an estimate of 4.5 to 5 point billion in capital for next year delivering 20 to 22 million in square feet. So that's what the capital plan looks like. And if we summarize the presentation this morning and move to our key takeaways, I had this slide up before. But continued discipline growth, improving returns and focus on moving forward with three key enablers. And Carol, with that I would like to invite the other speakers to come up and we'll field all of your questions.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. As a reminder, please wait for a mic. Please give us your name and your firm. And we are going to start with Bob.

Bob Summers. Susquehanna.

So last year you talked about driving 3 to 400- basis points of improvement in our life from fiscal 12 to 17. Today you're talking about one to 200 basis points from 13 to 16. So I guess the question is, what are the main drivers behind what appears to be a meaningfully moderate piece of improvement?

Doug McMillon – President & CEO of Walmart International

Yea, it really is moderated. Really only three key drivers. The first one to remember that you're looking at a different time horizon so the number of years involved is different than the five year number that we showed you last time. The economic environments around the world have changed. And what we now estimate in terms of SGA improvement in Brazil and China is more moderate than what we had in last year's number. We've learned a lot as I covered earlier as it relates to Brazil and what it's going to take till we've moderated our plans to reflect that.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Next question, John.

John Heinbockel, Guggenheim.

So two questions. I know every market is different but if you look broadly speaking when do you think traffic returns to positive territory broadly across the whole enterprise? And then secondly, if you think about reinflation next year, you know, how much of a challenge is that going to be for the global consumer? And what will you do to manage that?

Doug McMillon – President & CEO of Walmart International

Yeah. I'll respond, John. And if you any of you want to add any color, you can. On the traffic issue we were concerned to see last quarter's performance with every market down in traffic. That's obviously not what we want. And every market is different. And some cases there are legitimate macroeconomic concerns in those markets. But in other cases we just need to improve execution. And in some case where we've converted the EDLP, we're not getting credit with the customer in some of those markets to the extent that we should. And we just have to execute it for a while I think to turn that around. Petro prices, fuel prices do impact trips around the world. But I think it's partially our execution and partially what's happened. And my expectation is that you won't see the trend of all of the markets being down. Quarter- to- quarter you'll see some improvement. And I think customer price perception is probably the No. 1 lever that we need to work on through marketing but more importantly through the delivery of low prices to cause that to happen. Inflation in general for the division right now is running 2 to 3%. As I mentioned before Argentina is really an outlier. And I don't think it's a big factor in numbers going forward. Customers are going to be under some pressure. But while there'll be some extreme cases as it relates to commodities, I don't think it is a huge issue for us looking ahead in the next year. Anything you guys want to add to any of that?

John Heinbockel, Guggenheim.

I guess one last thing. On the chart you showed with the ROI for the different countries, did Canada come down or did the one next to it go up? It looked like Canada came down a little bit.

David Cheesewright – *President & CEO, Walmart EMEA/Canada*

Canada comes down a reasonable amount and that's primarily the fact that we own our own banking in Canada and it's the fact of the receivables on that line. Of course you measure a bank in a different way so --

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Carol Schumacher - *Walmart Stores Inc. - VP – IR*

Next question. We'll go to John --

Doug McMillon – President & CEO of Walmart International

Leave it to John to pick up the one country that went down:

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Yeah.

Doug McMillon – President & CEO of Walmart International

Thanks, John. You're paying attention.

Cathy Smith – *SVP, CFO & Strategy, Walmart International*

The one that was next to it that is an upper that stayed big was Mexico just so you know.

Doug McMillon – President & CEO of Walmart International

And I hope you saw there were a number of those bubbles that grew. So we'll go to Robby who hasn't had one yet.

Robby Holmes [sp] Bank of America and Merrill Lynch.

Doug, maybe you could help us understand where you are on -- it looks like price leadership is where you're performing the best where you get that going. But where are you not the every day low cost leader by market? And then, you know, then maybe rank the ones that are going to take the longest for you to get to being the cost leader because it sounds like you can't really turn a good ROI until you get the ELDC right in every market. It is hard for us to see how you're doing say in China, how you're doing in terms of everyday low cost relative to the local competition and et cetera. You know, go down through Brazil and maybe each market for us.

Doug McMillon – President & CEO of Walmart International

Yeah. China is the one I would pick out and Scott you should comment on it. More generally if you look at the big three markets we're in good shape. We'll continue to drop productivity but from an SGA, we're in good shape in those markets. I'm really pleased with Eduardo and the progress that we're making in Brazil which is the other key strategic market and China has work to be done.

Scott Price – *President & CEO, Walmart Asia*

Yeah. In China the five competitors that we're tracking were ranked No. 2 in price perception. So it's not like we're way behind and have to catch up. But we're not happy with where we are. If you look at the portfolio in the basket I'm pretty comfortable where we are with general merchandise. The fact is, it's a very complex grocery food profile in China. So we're going to start with consumables in Q1. That commitment was made the last time we talked about the fact that we will introduce EDLC in China. I think that if you look at our experiences in the markets like Japan that we will continue to be able to drive the EDLC while investing in price and both perception and as well the traffic and the return should be able to come up all at the same time

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Robby Ohmes, Bank of America and Merrill Lynch.

But I guess my question then so China --   are you the --   is the structure of your business in China more expensive than your No. 1 competitor?

Scott Price – ***President & CEO, Walmart Asia***

I think in terms of the post trust mart integration there's opportunities to reduce cost. Relative to national players. So those that we can benchmark ourselves versus the regional players. I'm not happy where we are. We are not the lowest cost player. But similar to price perception I don't think that we're that far behind. Therefore, there is quite a bit of progress we can make in the next six to 12 to 18 months.

Robby Ohmes, Bank of America and Merrill Lynch.

And then same thing. Would you be the low cost player in Japan?

Scott Price – ***President & CEO, Walmart Asia***

In terms of national players I'm pretty comfortable that our EDLC position is the lowest or one of the lowest. Some of the regional players obviously have a smaller type concentric model and allows them to be potentially in terms of the net cost but then they don't have the purchase leverage to hit us on the price. In Japan we're by far every one of the metrics we look at the lowest price player not only the absolute real price gap but also the highest price perception in terms of that gap. So we're really comfortable with where we are in Japan today.

Robby Ohmes, Bank of America and Merrill Lynch.

Just lastly Brazil is Walmart the lowest cost player in Brazil?

Eduardo Solorzano – *President & CEO, Walmart Latin America*

We are not. We are working on that -- part of the plans that we have for integration would allow us to grow and get there and I think that that is -- as Doug mentioned, the progress that we have made of course is amazing and we continue doing that in order to make sure that we have the lowest cost. Whenever we compare apples to apples you know because whenever you have the public information you have to make sure that you are comparing apples to apples. Comparing a super market with hypermart is a different matter.

David Cheesewright – *President & CEO, Walmart EMEA/Canada*

I think maybe just one thing to add in terms of our ability to move up that curve that Doug talked about very quickly is that around the globe we have businesses at every level of maturity. And we are going to put basic building blocks in place and similar other markets. You know, whether it is Mexico or ASDA [sp] we've got the modules that will plug into a very mature market. Once you get those foundational boxes in place your ability to move up that curve very quickly because you have the solutions. You own the proprietary information. It is actually very easy to do as long as the building blocks are in place.

Carol Schumacher - *Walmart Stores Inc. - VP – IR*

Okay. Next question will go to Maggie in the front.

>> Maggie:

I'm wondering with respect to historic expansion next year, you haven't talked much about the formats that you will be going forward with and I'm a little curious about the super [inaudible] in Argentina and that is something new in [inaudible]. I assumed it was going to be broadened out a little bit.

Doug McMillon – President & CEO of Walmart International

Yeah. Maggie across the vision it's the discount compact hyper which is like the bodega in Mexico. It's the Supercenter and it's the Sam's Club or membership format. Those are the three that we're primarily vested in. As you go we have about 10 but those are the three big ones and do you want to comment on the others?

Eduardo Solorzano – *President & CEO, Walmart Latin America*

[inaudible] is something that more store that we basically developed for the market Buenos Aires market in Argentina. We're testing and we're very happy to see the results that we're having very encouraging and we believe opportunity to expand in the business. As you know we also have our cash and carry business as well. We're taking a look about how to do better in that business as well. So this is a matter that we continue to -- [inaudible] self- discounts. We have self- discounts in Mexico with [inaudible] express. We have Central America and Belize and we have in Brazil with [inaudible]. We have in Chile and so we continue to strengthen the formats in order to make sure that we have kind of a blueprint that we are working with the global development team in order to make sure that we will have the exactly the DNA that we need to have for each of these formats around the world I would say so.

Doug McMillon – President & CEO of Walmart International

You bring up a really important point. I think the flexibility that we have today to not only allocate capital by market but by format and do it affectively in a way that the sum is greater than the individual parts the way that they're complimentary in the way they are in Mexico is a real advantage.

Cathy Smith – *SVP, CFO & Strategy, Walmart International*

It also allows us that capital discipline because we're looking at by format and region even so if we have a region of a market that's not doing as well and a format we just are stopping or slowing that investment and that flexibility has been and that insight has been really good.

>> Maggie:

Will the cash and carry business preempt further development of Sam's Club in certain markets?

Doug McMillon – President & CEO of Walmart International

No. They can work together for sure. We have seen that before and I think that will continue to be the case because of who they serve.

>> Maggie:

In Africa and Chile?

Doug McMillon – President & CEO of Walmart International

Specifically cash and carry in Africa?

>> Maggie:

[off mic]

David Cheesewright – *President & CEO, Walmart EMEA/Canada*

In Africa we have enough formats to worry about but the cash and carry format is very well developed in South Africa and in emerging economies it is a very good way to start getting into food so we're pretty happy with having that in the portfolio.

Doug McMillon – President & CEO of Walmart International

And for Sam's specifically the two biggest opportunities would be Brazil and China.

Carol Schumacher - *Walmart Stores Inc. - VP – IR*

Okay. We'll go to Deb and then Greg after Deb.

Debora [inaudible] from Citi Group.

Can you talk about how global sourcing is giving you an edge on proprietary product and also quality of product?

Doug McMillon – President & CEO of Walmart International

Deb, direct importing or global sourcing international has been growing at a fast clip the last three years and some of the changes that Rollin and Ed Kolodzieski have made recently to align resources by market is helping us accelerate our direct import growth. So it's helping us from a cost point of view. It's helping price points and values and some of the markets where we wouldn't otherwise but also picking up a little bit on the example that Scott gave of Japan on the branded side of importing we've still found growth to move branded goods around for market to market like the Hershey's example in Japan. Reese's Peanut Butter Cups weren't available in the market and now Scott I think it's our top item in the candy category.

Scott Price – *President & CEO, Walmart Asia*

It is.

Doug McMillon – President & CEO of Walmart International

In Walmart Japan. So the Japanese didn't know it but they needed peanut butter cups. So we can still find places like that and create uniqueness and get cost structure down.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Next, Greg.

Greg Melich with ISI

I just wanted to follow up on China going to EDLP. You mentioned committed to consumables in the first quarter next year. What should we expect the timing of that rollout to be? Will the conversion of EDLP in China be one year, four year process? Give us some --   how you think it will play out?

Scott Price – *President & CEO, Walmart Asia*

I think in terms of the initial timing post Chinese New Year. Obviously that keeps us pretty busy. That's towards the latter half of January and then we'll begin the process. I think the experience that we learned in Brazil is that you need to move at a pace in which the customer and the supplier can move to support. I don't know how long it will take. I know that Doug's pretty keen for it to be fast as are we and I think our customers as well. And so I think, you know, let's get through the one or first couple of categories and then be able to map how long we think it will take to cover all the categories.

Doug McMillon – President & CEO of Walmart International

Greg, just to add a little bit about China. It's going to be particularly difficult because of the way the supplier network works in China. As the country grew out, even some of the multi- national companies that we work with all over the place used distributors to take care of regions. So when you think about EDLP don't forget the cost negotiation that needs to happen underneath that to get net invoice costs to help EDLP work. Some suppliers are familiar with it. They come along faster. Other suppliers in China will be completely unfamiliar with EDLP and that negotiation will take a while. And we have to get that work done underneath before we start showing the customer too much on the retail side of things or you find yourself in a margin situation that's unattainable. So it will take a while. My guess would be we're talking about a lot of progress in a year but more than a year to get it done but not four. And as we've learned in other markets, it's not like you've flipped a switch and all of a sudden the whole thing moves to EDLP. It moves deliberately a category at a time. We play around with advertising to try to find the right way to communicate to customers in a new way where they weren't used to being you being EDLP and now you are. You have to manage that customer relationship through that transition and it does take a while. So I think in China, a year from today we'll give you a good update and we'll be knee deep in getting it done and then we'll just keep taking a step at a time. We won't know for sure when it is done until we start seeing the results on the other side.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay, Dan.

Dan Bender, Jeffries.

Given your time as dedicated to transitioning these markets, you know, how are you thinking about acquisition activity? You've been active for several years. Are you more inclined to sort of slow that activity down as you go through this? Obviously, Brazil is very tough. China would be a lot of work as you've already outlined. Just kind of curious in terms of resources how much you want to dedicate to that versus --

Doug McMillon – President & CEO of Walmart International

Yeah. Dan, we have got a lot of resources so we can do more than one thing at a time. The way that I think about it is as we entered the beginning of this year --   and I think we communicated this pretty well --   our focus was on the existing markets. And I am really encouraged by what happened in Brazil and I don't feel like we're on our way down in Brazil. We have been on our way up for a while. And in China things are not exactly the same as they were in Brazil. That P&L has not been under the same pressure that we experienced in Brazil going back about 18 or 24 months ago. So they're different in that respect. And I think that we can manage the change in China without it being as disruptive as it was to Brazil because they're in a different situation. As it relates to EMEA our work has continued. There have been some opportunities that we have chosen not to act on. I wouldn't want to miss a really important one. But we look at it through the lens of how are we doing in our existing markets and how do we think growth and returns will be benefited from this acquisition? So I wouldn't rule out us taking some action but if we take action you know it has been within that context of not taking our eye off the ball in the places where we already are. We have a lot of invested capital in some of these markets and we have to generate returns there. So if we think that the talent will be too stretched, people are probably the first filter that we would go through as we think about an acquisition. We probably wouldn't do it. But if we think we can do it without distracting another team or another market in any way, then we might take that on. So we'll be thoughtful about it. And we don't want to miss a key opportunity. But if you've watched what we have been doing this year, we've been focused on our existing markets and my time has been spent on the existing markets.

>> Male:

Just a follow- up to that. I remember at one presentation I think it was a slide that you had shown about the various markets had different points of pure EDLP and even some mature markets I think like Canada and UK weren't necessarily the way you wanted them. I'm just curious kind of go around the world real quickly. Kind of give us an update. There is no Brazil in China. But when you moved beyond that, what do you see as the next big work that you need to do to get some of these other markets smaller or larger to do EDLP?

Doug McMillon – President & CEO of Walmart International

Yeah. So I showed that slide, Dan in Canada and then I started traveling to markets and they started getting upset with me because they felt I had them in the wrong bucket. So we went to Chile and they said, woe, woe, woe, woe. You've got us over here in this non- EDLP bucket. Let us give you an update. And they went through 10 things they had done to move towards EDLP. So I didn't show the slide this time because it is a little too premature in nature. If you look at Brazil we moved the retail business to EDLP but didn't move the wholesale business until this year. So it was a bit misleading to have it be that simple. But I think the headline would be while they're all moving towards more of a pure EDLP, EDLC environment to drive the productivity loop the big headline is what we do in China. Brazil is going to keep going. China is underway. David mentioned what's happening in South Africa and you guys can add color to this if you want to. But we're not pushing EDLP at this point. The market leaders are pulling EDLP. I don't get any questions or any debate about whether they want to be EDLP. The questions I get are about how.

Eduardo Solorzano – *President & CEO, Walmart Latin America*

Chili is just around the corner.

Doug McMillon – President & CEO of Walmart International

Chile is just around the corner, Eduardo says. Remember there are different formats, too. It carries out differently in a cash and carry environment than it does in retail. Sometimes we struggle to communicate to you in simple ways when there is a little more detail underneath that.

Carol Schumacher - *Walmart Stores Inc. - VP – IR*

Doug will take one more question on international. Karen.

>> Karen:

Sorry. It's not just one. I've been told I'm the Queen of multipronged questions and you're going to get it. So for China. As we look at your expansion to that, what are you finding to be the most optimal formats and how are you looking at Tier I, Tier II, Tier III, Tier IV markets? What are you -- you said that you are focused on food safety which is obviously an issue in this country. Can you please elaborate on how you are, in fact, endorsing that? What are some of the biggest regulatory concerns? And what are you seeing in the economy for that country?

Scott Price – *President & CEO, Walmart Asia*

Multi questions and countries..

>> Karen:

It was all about China.

Scott Price – *President & CEO, Walmart Asia*

It was. In terms of growth, Supercenter and Sam's as Doug said is our focus right now. And we see a lot of opportunity in both of those formats. You know, we have roughly around 384 stores today. You have a population three times the United States. So clearly there is a lot of upside. We have a good presence. 112 cities. Mainly focused in Tier I and Tier II. A lot of the growth and retail right now is in Tier III and Tier IV cities. So as we balance strengthening the foundation as we talked about we're as a national player we're still adding a lot of new stores and we're adding a lot of new stores at the top of very near the top of all of those national players. So we are foundation building while at the same time being able to add much more stores into the future. In terms of food safety, as I said, it's more than just food safety. We have an overall and robust compliance program. When it comes to food safety per se, we start first with the fact that every one of the suppliers that we work with are government certified suppliers so that's the first filter. After that in order to become a Walmart supplier you follow a process that includes a number of self-audits. We then go back and we do our own audits and then on top of that three times a year we do for food areas we do other sort of laboratory type of testing and so there is quite a robust protocol in place in terms of food safety. See I forgot three and four.

Cathy Smith – *SVP, CFO & Strategy, Walmart International*

Overall economy.

>> Karen:

Overall economy and regulations.

Scott Price – *President & CEO, Walmart Asia*

Overall in terms of the economy. You know, if you drive on the Autobahn and you suddenly slow to 100 miles an hour it seems really slow but it is still really fast. So the economy is going to grow at 7.5%. There's still a robust growth in terms of the middle class. The average consumer is cautious right now. Overtime is being cut because exports are reduced, et cetera. So I think there is a moderated sense of confidence but still in a very high- growth market. So we're very confident about moving forward what our opportunities are both in terms of leveraging EDLP in that environment and moving them in that direction but also in terms of the returns we can get. In terms of the regulatory environment, if I could understand that, I don't find the regulatory environment any more difficult than any other market quite honestly. I think, you know, we work closely with the government. Every government in the world reinterprets rules as environments change. The key there is to have a close relationship so that you're the forefront of that process so that you can of course adjust as they interpret and work together how you execute that interpretation.

Doug McMillon – President & CEO of Walmart International

Somebody asked me last night if we were being held to an unfair standard in that country from a regulatory point of view and I would tell you whether it's in China or it's in any other country, we're held to the highest standard and we're used to that and we hold ourselves to the highest standard. So I think the way to think about China is that we want to be transparent and collaborative. We'll put resources in place and we'll put subject matter expertise in place and we'll be the best in that country on that issue and we'll tell everybody including members of the government what we're doing. And if they have a better idea what we should be doing we'll do it. At the end of the day we will make a difference. So whether it's on compliance in the area of food safety or compliance in other areas, we welcome that and relish it. And it is actually a way to use for scale for good in some of the countries and, you know, it is one of the things that makes me proud to work in this company.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Thank you, Doug. Before we break for lunch, Roz wanted to provide a little more context on one of the questions that came up in the Sam's Q and A.

Rosalind Brewer – *President & CEO, Sam's Club*

Actually, there were two points, Carol. I wanted to give some further expansion. On one of those was do we typically talk about our member base? What I will reveal to this group is that we do talk about our cardholder base and that's north of just 47 million on our cardholder base. The other question was around our renewal rate. And while we don't discuss that broadly, I will tell you that we're right now experiencing some of the highest renewal rates that we've seen in a decade. And, so, while we understand what this new program could do for us, we're also very cognizant of the programs that we put into place so that we make sure that we don't deflate what we're seeing right now in our renewal rates but we're really pleased with where we are. Hopefully that helps. Thanks.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. For those of you listening on the webcast we are going to take a break for lunch. We'll be back in roughly an hour. For those of you who are here live in Bentonville, lunch is going to be served in the room behind the stage. And also at the same time if you have some extra time in and around lunch, feel free to look at or check out the merchandise in the other areas. Our merchants are also available during this time to answer your questions. And we will come back in here for the afternoon program in about an hour. Thank you very much.

[Lunch]

>> Announcer:

Ladies and gentlemen, please take your seats. Our program is about to begin.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. Please take your seats so we can get started again, please. Before we start the webcast, okay, we waited a few extra minutes to warm the place up. Because I'm usually freezing and I thought it was just me, but when I have men telling me it's cold, then it is really cold. So hopefully we have warmed it up a little in here so that we don't have to hand out blankets for the second half and hopefully we'll keep it a little warmer for the second half.

So Sara, if we can go back to starting up the webcast, please. Welcome back to the afternoon session for Walmart's investor relations update to the investment community. Before we get underway, though I have a couple of announcements and introductions that I would like to make. Some of you know that our team at times has been small, but mighty. We certainly have tremendous resources within the company, as well as a lot of resources that we pull in for a meeting like this outside the company. But we now have a full team onboard for Walmart investor relations, and that will hopefully allow us to do a better job of serving you.

Before I introduce the core team, though, there's also been one other individual who has been part of our team for six months. Walmart has a program in place called accounting and finance development program. And it's a rotational program that allows us to use young people to rotate through every six months over a two- year period to get a taste of different areas of finance and accounting in the company. And during the time that we weren't at full staff, this individual has been part of the IR team. He's a young man. His name is John Gold. Not only has ebb part of the IR team, but he's also a famous kicker from the University of Texas. He played for the Longhorns before he joined Walmart. So this is John's last day with the investor relations team, and I just have to say thank you for all the hard work that he has done for our department and for me personally while we weren't at full staff. Now I'd like to call the rest of the guys all up, and yes, they are guys. John, come on up first. John will be leaving us effective tomorrow and heading onto the real estate finance division for Walmart U.S. We now have two directors onboard with our team. The first is Kerry Bruner. Kerry came to us from Nicor where he was in the department and has been with us for the near. Next is Michael Brigance. He was recently promoted to join us as Director of investor relations. You guys are in the dark. And last, but not least, just in about his second week on the job is Miguel Garcia, who joined us from Perry Ellis' IR department, and I think he is familiar to some of you who have covered the apparel space. So John, you're leaving, so this is now the core. This is now the core Walmart investors relations team, as we send John off to Walmart real estate finance. So hopefully as we get the new guys up to speed in the next couple of months and we're doing that really quickly, we're going to be in a much better position to serve all of you. And what I'd ask is as we go through additional training for the team, please bear with them if they don't always know all the answers right off the bat.

So we'll now get underway with the rest of the afternoon. You saw on the screen hopefully that we do have a survey built into the app, and if you could fill out that survey, that's part of the app. We would really appreciate T we use your feedback to be able to make these meetings better. The app that enough front of you for those of you who do have the loaner iPads, please take sure that you leave the loaner iPad with a group in the back or we're going to call the airport and stop your flight from leaving. But we do appreciate your feedback. It does help us do a better job of improving these meetings, and hopefully the app has been really helpful to you during this meeting.

One housekeeping announcement and that is some of you have asked about transportation to the airport. With we don't have a formal bus, but we are going to have a couple shuttles available on the embassy suites side when we do leave. And with that, we'd like to get the program underway.

As Jeff Davis introduced the agenda this morning, we start the afternoon off with a session on global e-commerce. And I'm pleased to turn it over to Neil Ashe, president and CEO off global e-commerce.

Neil Ashe, President & CEO, Walmart Global eCommerce

Thanks, Carol. I'm excited to be with you today and to have spent dinner with you last night. I can't tell you how excited I am to be part of Walmart. I came here partly for the purpose, the fact that we save money and live better, (Neil, Ashe) how could you sit through this morning's program and not be excited about how we make that a reality. How the strategies of Walmart U.S. and Sam's club and the international units bring that to life for consumers around the world every day. So I'm really excited to be here as part of Walmart for the purpose that we serve.

I'm also really excited to be part of Walmart, because I believe he wants commerce is a fascinating opportunity that we are uniquely positioned to take advantage of. And so I'm excited to bring my consumer internet experience together with the assets of Walmart to do something unique for our customers.

As we think about our approach to e-commerce, we start by the real I station that the world is changing -- realization that the world is changing dramatically. Technology is empowering people to do things that they never realized they could do and their expectations have changed with that reality. Technology is empowering companies and people to do all kinds of new and different things.

As a result, the expectations of those customers are changing for us. For the last 50 years, Walmart has uniquely served customers in retail around the world, and for the next 50 years, those customers are asking us to serve them in new and different ways.

As Walmart thinks about e-commerce, we realize that it's not just another channel of retail. Although it's similar, it's different. So Mike and the board realize that had if we're going to fully capitalize on the opportunity in e-commerce, we had to do things differently than we were doing them before. And so about two years ago, Mike and the board created global e-commerce. And they recruited many of us over the last year to lead that effort.

So what is global e-commerce? Global e-commerce is the organization within Walmart that operates e-commerce around the globe. We operate the sites and operations in 10 countries around the world. We power the global technology platform. We're building new capabilities in on- line, mobile, and social. We've built@Walmart labs within innovation within e-commerce. We're bringing together all the assets and talent we can to attack this opportunity on behalf of Walmart.

But at the end of the day, this is all about people. And as excited as I am about Walmart, I'm even more excited about the people that we've already been able to assemble to attack this opportunity. We're recruiting some of the best entrepreneurs, technologists, data scientists, and consumer internet professionals around the world to participate in our effort. Over the course of the last year, we've recruited hundreds of people in syllabus con valley and Sao Paulo and Bangalore. People who are already starting to pay dividends. These individuals who are in demand by every technology firm, every retail firm, and every media firm that are going to come to grips with how they benefit from the internet. They're coming to work for Walmart for the reasons I described earlier. They're coming to work here, because we serve a purpose: Helping people save money and live better. These entrepreneurs and technologists and consumer internet professionals really are inspired by solving hard challenges. How can we really do this differently and better than anyone else in the world?

They're also inspired by doing it at scale. When we make these changes, when we improve this product, when we deliver on that promise, it's going to affect more people around the world than any other platform that they can find. As a result, we've been incredibly successful recruiting some of the highest quality talent that I know of in syllabus con valley, Sao Paulo, and Bangalore. And that talent is essential to the progress that we're already making.

So just in 2013, we've made significant progress on our e-commerce efforts around the world. You've heard about some of these activities as they manifest themselves through the operations at Walmart U.S. or Sam's club or international, but I want to spend a little quality time on each of them to highlight what we've done just in this year.

Bill talked about the sort -- Mike and bill both talked about the church engine and its impact on our business at Walmart.com. We built from scratch with our own professionals a new search engine that we call Poe layer he is in about 10 months. And Mike talked about the impact to our customers. The conversion rate of services to sales has increased by 10 to 15%. That's outstanding results. For those of you who are parallel processing, if you went to Paul mart.com right now and you typed in flat, historically or before we launched this, you would have found flat screen TV's, which makes perfect sense. Of course, that's a high margin item that we'd like to sell, but all of our data said that what consumers were really searching for were shoes. So now when you go to Walmart.com and you type flats, you get flats, which is leading to this significant improvement in performance.

But I want to spend a second talking about the how. We've combined our talent with open source capabilities to launch this search engine in 10 months. Is that a big deal? I really think it is. Search is the organizing capability that allows us to show more and more products to our customers. And it's hard to do technically.

Even internet portals outsource their search. We now have one of the best product search engines in the web. I hate getting long e- mails. I don't know about you guys, but this is not an ending process. It's not that we're done and we move on kind of process. There's a team that's still focused on search and that team sends an e- mail at the end of every week on the product enhancements they've made. It's the only long e- mail I really like to get and I get it every Friday. So all the improvements you've seen in search so far, you'll see continue as we continue with those improvements.

Another incredible technology we developed over the last year is the ability to monitor price across the internet. We obviously -- pricing is fundamental to how we compete in the marketplace, and so technically, we were flying blind. We didn't understand exactly what the prices were on our products around the web, and now we do. We can monitor and every 20 minutes the price of every product that we're selling around the web. That's an incredibly powerful tool as we start to present to our customers the ability to know that when you go to our properties at Walmart.com or Sam's club or our other properties around the world that you're going to find the right price relative to the competition.

You've heard a lot of conversation about mobile, and we've had a really great year about mobile. And I'm going to talk about it a little bit later, but I wanted to highlight the importance of that and the fact that we have made tremendous progress in our applications for your shopping experience while in the store, as well as the improvement in customer empowerment of things like scan and go that bill talked about and maybe you saw the demo of 5260 and that Roz talked about in mobile self- check out in the stores. That doesn't happen by us. We're not building that by ourselves. We're building that in partnership with the technology teams across all of Walmart. It's nontrivial to execute on those things.

We're also availing ourselves of the new ways people, our consumers are acting in the marketplace. So crowd sourcing, this idea that you can empower a lot of people to do things for you and to do work for you is a trend on the internet that we wanted to make part of Walmart. We had this incredible platform of retail. We reached 200 million customers every week. We wanted to give inventors the opportunity to get their products to those people. So we created this program called get on the shelf, and we thought it would be -- we thought we'd get a couple hundred entries. We got 4000 entries of people that wanted to get products on the shelves of Walmart. We put the video that his they submitted out to our Facebook fans. We got over 1 million votes about the products that they'd want to see on the shelves. And I'm proud to tell that you in partnership with Duncan and his team, we've gotten three of those products on the shelf so far. We've got a water product. We've got an eye glass repair kit. And my personal favorite, a play topper that allows you, for those of us who only eat half our dinner, to save their leftovers most efficiently: Most importantly, we made a connection. Our consumers participated in what was on our self- and inventors got the opportunity to get access to this incredible market that before would have been too hard for them to do. The program was such a success that we've already ruled it out in markets outside the U.S. In fact, it's live in China as we speak today.

We'll spend a few minutes talking about pay with cash. Pay with cash is a simple program. It seems to me why should you -- Walmart has forever brought access to people that maybe didn't get access before, so why should you have to have a credit card to shop on- line? That simple observation let us to create pay with cash where you have the exact same e-commerce experience. You buy something at Walmart.com, it gets shipped to your home. The only difference is you walk into the store and pay for it. As bill indicated, interestingly, not everyone is paying with cash. Even more interesting, I think, is that 30% of the people who have taken advantage of this are new customers to Walmart.com. And their cart sizes are 50% greater than the average cart size on Walmart.com, so we've really struck a nerve with customers.

And finally, same day delivery. No one else in the marketplace has 4000 points of distribution around the country. So we've launched this program in three cities, about to be four cities around the country, and we're going to find out what the consumer really wants. It's a relatively straightforward thing for us to launch. As Bill mentioned, it takes advantage of existing systems within the stores. It doesn't tax the stores in any way. It allows us to make something available to the consumer that no one else can make available to them. We're excited to see how the consumer reacts to that, what they're really interested in and what drives their purchasing decisions.

But as we talk about the progress we've already made in this first year of e-commerce, I did want to take a step back and put it all in context. So as I mentioned, I've had the pleasure of building and operating consumer internet properties for the last decade or so, and in so doing, we've learned how to compete at internet speed. We've learned about evolving customer expectations. We've learned how to manage organizations through change. And if you said, what's the one thing you learned through that process? I'd say what we've learned is that the customer is in control. And once you realize that and you lean into that and you make that part of your ethos, you can do truly amazing things.

Customers vote with their finger on- line every five seconds. Why? Because they can. And it all started with on- line. So it's also interesting to note that this is only about 15, 20 years old. So on- line and, more specifically, broadband power incredible changes in behavior around things like video and, importantly, to us shopping. And this is happening everywhere.

Just in China, they're going to add as many new internet users in four years as the entire population of the United States. And this change is accelerating. So on- line leads to social networking. With the advent of Twitter and Facebook, on- line becomes the first generation, this becomes the second generation. We're the biggest retail in the world. We serve 200 million people every week T took us 50 years to get there. Facebook just passed a billion users. It took them eight years to get there. The pace of change is accelerating.

And what social did to on- line mobile has done to social. There are eight 7% of the world's population is covered by a mobile signal today. The penetration of mobile in some markets is deeper than the penetration of indoor plumbing.

Interestingly to Walmart, half of Walmart U.S. customers have smart phones today. This is a real and developing trend that we can take advantage of. But e-commerce isn't just about changes to our current business. It's a real and very exciting opportunity for us. You couldn't have all this thing without big numbers attached top it, and McKenzie believes that he wants commerce worldwide will be a 1.3 trillion dollar business in 2015. And in true Walmart fashion, we don't want just a little bit of that.

So how are we going to execute on this opportunity? You've heard a lot of people say today any time anywhere access. E-commerce is the tie that other nights and expands the Walmart platform that brings it all together so that we can provide customers any time anywhere access. I can't tell you how excited I am to sit and hear Bill talk about all the advancement in the U.S., whether it's the search engine or same day delivery or pay with cash or mobile scan and go, or R oz talk about how she's transforming the member experience through digital before they get to the club, after they're in the club, after the club, and the opportunity that presents to us. Or when dug and Eduardo talk about launching a new market with Mexico with the benefits of all that we're doing around the world to make that more successful. Or what Doug didn't talk about, but the time he and I spend together trying to accelerate the growth of our really exciting markets like Brazil.

Walmart is going to win in e-commerce by being Walmart. E-commerce here is different than it is everywhere else, and the reason it's different here than it is everywhere else is we're the only company with 10,000 points of distribution around the world. We're the only company with access to 200 million customers on a weekly basis. We're the only company with one of the best logistics networks in the world and we're the only company with the supplier relationships that we have to bring to bear to make a different experience for our consumers. Tie it all together. That's any time anywhere access. And we're going to provide that to Walmart around the world.

So let's dive into some specifics about how we make that happen in e-commerce. There are four key elements to our strategy with global e-commerce. The first is we have to excel in fundamentals. We have to get the basics of e-commerce right. The second, we need to take advantage of new technologies that allow us to innovate on the edge and do new and different things than anyone else is capable of doing. Third, we've got to win in key markets around the world. And finally, we need to pull together the entire Walmart platform, unite and expand that Walmart platform so we can take Walmart to more consumers and have a deeper relationship with the consumers that we already have around the world. Let's dive into each of those and spend a little quality time.

Fundamentals of e-commerce are not wholly different than fundamentals of regular commerce, but they're different on the edges. So in each of the markets that we compete in, we're diving in around these four core capabilities to make sure that we serve customers effectively in e-commerce. The first is to know our customers by name. A commitment to know who you are, it's a very simple concept, but it unlocks a tremendous opportunity to do things like personalized commerce. We should know who you are and you should have a different experience whenever you come in contact with Walmart or Sam's club as a result of that knowledge of who you are.

The second is we need to offer the wide assortment at the best price. Walmart has always been known wide assortment. The Supercenter carries more bread, as Bill mentioned this morning, than any other retail institution in the marketplace. There aren't any walls on e-commerce. We can offer as many items as the customer wants, and it's our commitment to do that. So currently we sell millions of items on Walmart.com. Maybe 10 times what you'd find in a Supercenter. We're going to take that number to tens of millions over the next year.

Third, we need to deliver the highest quality customer experience that any customer could come to expect, not just in a retail environment, but in any internet environment. And for us, the definition of customer experience is best site, best app, best store, best club. How can we use technology to transform your interaction with us so that you have the highest quality experience every time you come in contact with Walmart, whether it's at your kitchen table or at one of our stores or clubs?

And finally, we need to deliver on that promise. If you buy this from us and we say we're going to get it to you tomorrow at your door or at our store, we're going to deliver on that promise. That's fulfillment and that's supply chain, which we'll talk about in a second.

Underpinning all of this is our global technology platform. So we launched at the beginning -- at the end of last year, rather, a multi- year process to build the next generation global technology platform to power all of our sites in operation. Think of this global technology platform as the operating system of our e-commerce operations around the world. The search you heard about or smart price are gone all elements of this global technology platform.

Our goals for this global technology platform are as simple as they are audacious. We want to know what every product in the world is. We want to know who every person in the world is. And we want the opportunity to connect them in a transaction any time, anywhere. We're already off and running on the development of this, and I wish we candidly had started about five years ago, but the truth is technology moves so fast, the fact that we are doing this now gives us the opportunity to generation skip. All the talent that I told you about we've assembled in technologists and data scientists and consumer internet officials are capitalizing on the open source movement and other capabilities to really accelerate the development of this process.

The other key element of selling something on- line is delivering it where and when we said we could deliver it. Technology platform is global. We can reuse that around the world. Fulfillment networks obviously are local. We need to put inventory close to customers so that we can get that to them in the time frame we said we were. So a successful fulfillment network is the combination of three things: Our commercial strategy, assets, and the systems that power those assets. And so we're making real investment in the systems to power global e-commerce and local fulfillment of global e-commerce.

We're also taking advantage of all of the vast resources of Walmart around the world, but specifically, as we focus in on the United States, we have the best distribution network of any commerce player in the country for sure. That gives us a dramatic advantage as we scale up our customer promise he, defined as we're going to get this to you when we said we're going to get it to you and scale down the cost of providing that service, whether it's the same day from our store in same day deliver. Whether it's direct to your door tomorrow or the next day or the day after, or delivery to our store where you can pick it up. No one can do this the way that Walmart does it.

Second, we need to innovate in new areas. We need to win on the edges and new things that are coming down the pike, and I want to highlight three of those. The first is big data. Big data is a new term that implies there's technology that allows us to look at a whole corpus of data that we would never get our arms around before, and we can use that for decision- making. Rails indicated how powerful that is as we approached Sam's club as we talk about how we can personalize the shopping experience. Think about the impact of merchandising, of using those capabilities. Bill said, what happens if a small store feels like a big store? What happens if a big store feels like the internet? All that is powered by big data.

The second big area is social analytics. Social analytics is mining the information of the Twitter stream and Facebook to provide new and different opportunities for customers. Some can talk about holiday plans in the United States, about how they were going to use that platform to do market in new and different ways to our customers around the Christmas season. It seems simple. It's really, really hard to do. I don't know of anyone else who's executing the way we are in social analytics.

And the third big area is mobile. As I said, over half of the U.S. Walmart customers currently have smart phones, and so we're turn that go smart phone into a powerful tool for them to improve their shopping experience. We're bringing personalized e-commerce into the store with them everywhere they go. So whether it's preparing to go to the store or having a better experience when they're in the store or, better yet, mobile scan and go that gets them out of the store faster, we're providing those services. Walmart has always given you back money, and now we're also giving you back time.

But it really, as proud as we are of the progress that we've made on this, if really doesn't matter what we think about this. It only matters what our customers think about this. So we rolled out new IOS apple apps in the U.S. and UK and other markets around the world and Android apps, also, in those markets around the world. And what's universally true is customers are voting with their ratings and saying, you guys are nailing it. We'll really excited about what you're delivering for us. So whether it's the IOS app in the U.S. or the Android app in the UK, all of those applications are receiving kudos from customers, all four plus stars in those marketplaces.

But it's not easy to deliver these mobile applications, because no system was built with the expectation of hundreds or tens of hundreds of people using that application from their smart phone. And so we've done some very cool innovation in partnership with the information systems division and the rest of Walmart to be able to empower that experience. So I wanted to play a quick video for you so you could see what the customer sees and how we've partnered across all of Walmart to make that a reality.

(Video clip be played.)

Neil Ashe, President & CEO, Walmart Global eCommerce

It's really exciting stuff. The great part is it's not just about mobile. It's about all the efforts of global e-commerce, leveraging the capabilities of all e-commerce to develop a unique experience for our customers.

The third element of our global e-commerce strategy is to win in key markets. The goods news is as we launch along this e-commerce path we're not starting from zero. We have sites and operations in some of the most important markets in the world. We're in 10 markets currently, and I want to spend a second highlighting the most important or largest of those for us today.

The first is the United States, where according to come score, which is the external metric organization, we see over 40 million visitors every week, and that is growing N Brazil we have a thriving e-commerce business that is growing exponentially faster than the larger players in the market and taking share. In the UK, Dave mentioned we have one of the top grocery delivery businesses in the continent. And in China, we have announced our intention to invest in Yihaodian that Mike mentioned we are in the process of closing. We believe that these 10 markets around the world where we are currently focused, including China, will represent the majority of that 1.3 trillion dollars that I mentioned earlier.

So speaking of China, as we look forward to closing that 51% investment in Yihaodian, it's worth saying every market in China is big. The McKinsey in the same study expects China to be about $230 billion e-commerce revenue in 2015. Obviously be it's challenging for a United States entity to build from scratch in China, so we decided to go the route of partnering, and we found in Yihaodian a company committed to our same principles of helping people save money and live better. They provide same day grocery and generalized sources in Shanghai and bay I didn't think and Guangzhou and zero other markets in China. They already have 24 million registered users and they have been publicly cited as one of the largest publicly monitored businesses in China A we're really excited about Yihaodian as our presence in China.

The fourth element of our strategy is to bring all of this together and unite and expand the Walmart platform. All this morning you've heard about retail and how superior our retail assets are. Our retail assets are the envy of every e-commerce operation in the world. We're building best in class e-commerce, which will be the envy of all retail operations in the world, and when we put those two things together, we'll serve customers in ways that no one else has the ability for serve. Best in class retail plus best in class e-commerce delivers a unique and compelling customer experience, whether it's supplier relations shipped, supply chains, our stores, sites, or applications, we're going to be there for our customers.

And we're also going to be there for our shareholders. So I'm proud to say that the changes that we've made so far this year are already resulting in accelerating growth. Operating in those 10 markets and accelerating that growth, we're already growing faster on our way to step change in revenues. Neck year, excluding acquisitions, we expect to do over $9 billion e-commerce revenue around the world. And we're investing in the things necessary to make that a successful we're investing in a global technology platform. We're investing in fulfillment networks and we're investing in these developing markets. So as we work through those I know investments, we will also grow our profit ability, and when we do, we will be a returns contributor to the return on investment inside Walmart and for our shareholders.

So taken all together, what does this mean? It means that the customer is changing. For 50 years, Walmart has led the world in retail, and for the next 50 years, we want to lead the world in commerce. It all starts with the customer for us. It starts with the customer and it works -- and we work our way backwards. E-commerce at Walmart is not like e-commerce anywhere else in the world, because no one else in the world has best in class retail. So when you take best in class retail and we add to it our strategy of e-commerce about excelling in the fundamentals, investing and winning in the new areas, winning in key markets around the world, and uniting and expanding the Walmart platform, we will truly deliver on any time anywhere access to every customer around the world. One customer, one Walmart, and a unique experience.

So thank you all for letting me tell you a little bit about global e-commerce. And I'd love to invite up some of my associates to answer some of your questions, and as they come up, I'll introduce them in the order that they're coming.

Gibu Thomas is responsible for mobile, and scan and go and helped on the editing of the application, scan and go and such that we described earlier around the world. Jeremy King is our chief technology officer. He's responsible for building that global technology platform. Joel Anderson runs walmart.com. Andreas Schulmeyer is our CFEO. Now we'll open up for questions.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

I saw hands go up before you were even finished. I think, Neil, that means there's a lot of interest. We've start with somebody who hasn't had a question. Let’s go to Budd.

Budd Bugatch with Raymond James.

While scan and go looks very exciting and I know it's in the very early test, can you give us kind of an indication of progress and when it might get expanded with some of the criteria and the milestones along the way are?

Neil Ashe, President & CEO, Walmart Global eCommerce

Sure. Gibu, you want to take that one?

Gibu Thomas – Sr. Vice President of Mobile & Digital Walmart GeC

Sure. We're now in associate pilot with scan and go. Over the next few months, in partnership with our store operations team, we'll gradually face it out to customers on a regional basis. We don't have a specific timeline to reveal right now. We're going to make sure that we get the experience righted, so we're going to be deliberate about how we roll it out, but it's going to be a matter of a few months.

Budd with Raymond James.

And across formats, how does it play across the supercenters?

Gibu Thomas – Sr. Vice President of Mobile & Digital Walmart GeC

You'll be able to use the scan and go experience in every Walmart store in the U.S., as well as Sam's club in the U.S. as well.

Budd with Raymond James.

Okay. Thank you.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. We'll go John. Pauline, if you could get one to John, please? Behind you, John, to the right.

John Zolidis, Buckingham research.

Just want to confirm I heard you say 9 billion in sales next year.

Neil Ashe, President & CEO, Walmart Global eCommerce

Yes, excluding acquisitions.

John Zolidis, Buckingham research.

So that works out between one and a half and two% of total sales, roughly. What do you think it can grow to over time as a percentage of the total business? And then could you elaborate a little more on being a return contributor to the business are you implying that it's not contributing in R OIC right know or just that it's diluted to the core retail business?

Neil Ashe, President & CEO, Walmart Global eCommerce

How big can e-commerce be? We're not going to constrain ourselves by an estimate of how big we think we can be. As I said, we don't want a little bit that have 1.3 trillion dollar. Obviously that's across all markets, some of which we don't compete in. But I think we can pretty dramatically scale where we are today, and I wouldn't want to constrain us by a specific expectation, but as I said, I think we can do step functions different from where we are today.

In terms of its return characteristics, e-commerce will be return and creative once we get through the investment phase to build this up. We are investing the capital expenditure line on the programs that I described to you. The global technology platform, fulfillment networks locally, and building out these key markets. So we are in investment mode, but that won't last forever, and as we pop out of that, we will be R OI positive to the whole company.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. We'll go to, let's see, Matt hasn't had one yet. Matt Nemers. Matt thanks. Mat Nemers, Wells Fargo. I'm just wondering if you can talk about the cost to fulfill from store to home and compare that to what it would cost to fill from an e-commerce distribution center to home. And then secondly, are there any changes in compensation metrics or methodology that need to take place? How do you compensate somebody in the store for an on- line sale, for a mobile sale, vice versa? Thanks.

Neil Ashe, President & CEO, Walmart Global eCommerce

Yes. So first on the fulfillment network, as Bill mentioned, we're keenly aware of the fact that in the United States, we have 4000 points of presence that nobody else has. And so how can we use those as efficiently and effectively as possible? The incremental cost of our same day delivery is negligible, as Bill indicated. It takes advantage of existing processes within the store, and the incremental cost, the actual out of cash cost to Walmart is just that last point of distribution. So what we pay UPS to deliver to the home. So we believe that we can scale that in a way that's different than everyone else. We can't process all of our volume through our stores, obviously, though. That's just the same delay day delivery piece. So we will be invest to go drive down the cost of those fulfillment networks O a like for like basis, it's actually very inexpensive for us to fulfill out of the store for this same day pilot. For sustainable levels of really high revenue, though, we'll have to invest in our fulfillment network so that we can serve that effectively.

And the key to that is to put inventory as close to the customer as we can so that we minimize those shipping costs. And that's where we really have a tremendous advantage with Chris shut Myer's transportation team and the fact that we operate one of the largest Fleet's in the country. It's interesting, and we talk about our stores as forward deployment fulfillment centers within close proximity to a lot of the U.S. population. It's equally as interesting that we drive a truck to them everyday. So as we figure out how to put packages on that truck, then we will significantly drive down our shipping costs for e-commerce products.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. Bernie?

Neil Ashe, President & CEO, Walmart Global eCommerce

And you asked about compensation. Sorry. Thank you, Gibu. On compensation, we are in the process of allowing store managers and their teams to benefit from the e-commerce sales that happened in their region. So we have great I know alignment around the success of e-commerce on not only in compensation, bow strategy and operations and executions in ways that I think will make us the envy of other retailers.

Bernie Sosnick, Gilford Securities.

As it provides home delivery of groceries, are you testing it in the U.S., I'm wondering if you can give us some idea of what your learnings have been, what your experience is showing you in the U.S., and how food fits into your overall plan for same day delivery over e-commerce. Noll kneel thanks, Bernie. It's a huge advantage to have this -- these global operations, be able to test things in markets and move them to the other. What we've learned about grocery deliver say that it works when there's customer density. So how can we get enough customers that are ordering around grocery so that it's cost effective for us to pick and ship to them? So we've got our toe in the water in the bay area with our Walmart to go opportunity. That is not part of the same day delivery and the other three markets that we've launched, because we're just trying it there.

I would say that grocery delivery in the United States is in test mode. It's a big country that's pretty spread out, and so -- but I will tell that you if anybody can figure out how to do it, like we did same day delivery, we'll figure out how to do it.

And so stay tuned on that and as it continues to perform well, we'll figure out whether and if that matters in the United States.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. Mark has another question. Patrick, this way, please.

Mark Miller with William Blair.

Regarding your on- line price being strategy, to what extent is that dictated by the stores or to what extent will you be able to respond to on- line competitors? How do you balance out that potential concern of Walmart price reductions on- line, creating a disadvantage for the store relative to potentially losing that transaction on- line?

Neil Ashe, President & CEO, Walmart Global eCommerce

Price competition on- line is an interesting phenomenon, because it's a tactic for a lot of on- line players. For Walmart, price is a culture, and the only way you deliver price, low price long- term is to have the lowest cost to serve. And so for us, it all starts with the lowest cost to serve. And so we're driving down costs so that we can afford the price and reinvest those savings into price.

The reality of the difference between on- line pricing and store pricing is that we have what, Joel? 15 times the number of items on- line in the store? Maybe you can pick up the rest of that.

Joel Shoal Myer:

Fifteen times. And the reality is we're going to grow that 15 times in the next two years. And so we think it becomes less and less of an issue, because the assortment on- line is going to be 10X, 100X of where we are in the stores. But like kneel said, it starts with low costs and price is part of our culture, and we're going to have the right price on- line just as we have the right price in the stores. Kneel

Mark Miller with William Blair.

Great, thanks. I had a second question. Have you conducted market research or do you have a sense based on the transactions to date of percentage of customers prefer to pick it up in the store as opposed to home delivery, and

anticipating it's going to depend on a number of things. Is there an afternoon number or experience we can speak about thus far?
>>Joel: You know, it depends on the time of year and it changes throughout the year. I think we said in the past that about half of our orders on- line are picked up in the store in one form or another. Store pick up today. And it's getting even more blurred. You know, you're ordering on- line. You're paying with cash in the store. We're now shipping from stores. Same day. So the store is just an integral piece of it, and some customers use it for the whole transaction. Some use it for half the transaction. But roughly, about half our transactions involve the store in one way or another.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Wayne, you have the next one.

>> Wayne:

Yeah. So I had two questions. One related to mobile technology. As you think about the use of mobile technology and scanning, how do you incorporate manufacturer's coupon into that scan and then are likely to recommend another product category based on preferences ever where she's going? And then I also had a question related to microsites. Are you giving any consideration on your website with development of microsites, working with suppliers? Thank you.

Neil Ashe, President & CEO, Walmart Global eCommerce

Gibu, you want to handle mobile?

Gibu Thomas – Sr. Vice President of Mobile & Digital Walmart GeC

Sure. So our goal with the noble application is make it a system for every shopper who comes to our store so we can do things for our customer by saving them time and eventually saving them money. So we're looking at a variety of programs to be able to do that, and love customers come into our stores with manufacturer coupons that we accept. So we're looking for ways to make that a more frictionless process for the customer and a more efficient process for handling.

I don't have any specifics to share at this point, but we will be experimenting with a variety of things to see how we can make it more convenient for the customer.

Carol Schumacher ***- Walmart Stores Inc. - VP – IR***

Okay. Chris, you have the next one.

Chris Warner, JP Morgan.

In terms of outside grocery, what merchants geese categories are really focusing on, have leadership on- line currently, and similar to that, you mentioned price checking every 20 minutes on- line. What categories are you seeing the most incremental encroach meant from the on- line community?

Neil Ashe, President & CEO, Walmart Global eCommerce

So I'll take an umbrella answer and then Joel, maybe you can dive in with more specifics. Again, I want to focus on this. We're starting with our customer and working our way back. So we think about the impact that have in three ways. There's customers there in their geographic region. As we help and build strategy about dense I identifying a market area and going after customers in that marketplace, it's also, with e-commerce, an opportunity for us to enter new markets. So we already do a lot of business on e-commerce in New York City, for example. Obviously, we don't have a physical presence in New York City, which we think we can do a lot of business with e-commerce.

And so then the categories are really about the categories that are moving on- line already, and we want to be there for the customer. So this idea that we start with one customer, we work our way backwards. We want to make ourselves indifferent to how they would like to slop with us. So maybe you can dive in on some of the progress we've made on different categories.

Joel Anderson – President & CEO Walmart.com

Well, I think in terms of, you know, the progress we've made, you know, I think we're at the point where we really wanted to talk about, you know, which categories are moving more than others at this point in time. (I don't) I think what Neil said in his earlier presentation is that now we have the information, and that's the key that we didn't have before. So we really understand every 20 minutes, you know, what the complete competitive set looks like, and then we choose whether to react to that or not react to that and how fast. But I don't think we're prepared at this time to go into it category by category. I think the important mart is we now have the -- part is we now have the information. Price matters at Walmart, and we are really happy with our price and go where it's heading on- line.

Neil Ashe, President & CEO, Walmart Global eCommerce

Doug said this well. He says the guy with the lowest cost goes broke last. That's true in e-commerce as well. So if there's only so long people can compete losing money on price at e-commerce, and we're relatively confident that we are going to get the best sourcing price on products. And so we believe that over time, price will be an advantage to us on- line and not a disadvantage.

>> Maybe just to push a little bit more. Obviously, electronics has seen a lot of encroachment. There's been a lot of discussion that home furnishings is going to be the next one where you see the big push in terms of maybe map price break and go more free shipping deals and so forth. Maybe you could talk about those categories.

Neil Ashe, President & CEO, Walmart Global eCommerce

Yeah, sure. All categories are dynamic, and what I think you're seeing that it would best summarize this is that as suppliers and manufacturers have developed their channel strategies, those channel strategies are being changed by the internet. So whether the customer is choosing those changes or not, those are availing us of an opportunity. I've searched my entire career for a brand that spans to everyone. And one of our core advantages at Walmart is that the customer expects us to be able to sell everything to them. So as we get that brand umbrella and we start the opportunity to offer more and more items, as Joel mentioned, as we scale the number of items that we are selling to them, we're really excited about our ability to take market share in places that our retail operations never were able to penetrate. And so net/net this change for us, we believe no Walmart, is a very good change, because of this best in class retail, plus best in class e-commerce.

>> John Harris: John Harris.

This question on China and the Yihaodian investment. That's an interesting move on your part to me, because you've got a pretty form in brick and mortar competitor there and this may be a way around that competitor in a market where, you know, e-commerce may move to a level of maturity much faster than it did here. And so I guess my question is what are the challenges associated with same day delivery, and particularly grocery delivery in China in a market where freshness is so important where you have people standing around, you know, bins with live animals in them in the store? Is that a market where that on- line model can work?

Neil Ashe, President & CEO, Walmart Global eCommerce

So I'll just describe what Y city does in Shanghai already. We operate four warehouses within, what? 60 miles of the city center of Shanghai high. And the way the operation works there is it's all grocery. It's some fresh and general merchandise. Those are shipped to multiple distribution points within Shanghai where they're put on our courier, our courier on trucks or bikes are taken directly to the home. So we're doing hourly deliver these Shanghai already, and we're really seeing a dense market like that where Shanghai or Beijing, where real estate is really at a premium. It's an outstanding way to grow that business. And as I mentioned, that business is growing exceptionally fast. So we, too, believe that e-commerce is a great way to break into especially the tear one cities and in China.

Carol Schumacher ***- Walmart Stores Inc. - VP – IR***

Deb, you have the last question.

Deborah wine trip from Citigroup.

It's actually a two part question. With you talk about what you're doing in terms of third- party sellers, and then secondly, if a customer is in the store with, let's say, the Amazon price check or red laser, what's the store manager able to do in terms of price matching?

Neil Ashe, President & CEO, Walmart Global eCommerce

So I'll deal with both of those. The first one was --   I'll do them in reverse order. First, on the price match, it's very challenging to match price to an internet price when what our competitors are changing the price every 15 minutes or so. So when our competitors are day trading prices, it's hard for us to match them regularly. So we're trying to provide tools to our store managers so that they can be relevant in those matches, but as we've tried to roll out ad match be it's really hard, because what are you matching? Are you matching the 10 minute ago price? Are you matching the five minute ago price? Are you matching the one minute ago price? So we're confident that we'll get to a place that no one else can get to on that price matching. And our first question again was, sorry?

Deborah wine trip from Citigroup.

Third- party sellers.

Neil Ashe, President & CEO, Walmart Global eCommerce

Third- party sellers. As Joel mentioned, we are in the process of using our global technology platform to dramatically scale the assortment on Walmart.com in the U.S. and to a lessor extent in properties around the world. We do currently invite third- party participants in our marketplace at Walmart, and we would expect to continue that program in the future. It may or may not look exactly the way it does now, but our goal really is about how can we maximize our gross merchandise signal how can we maximize our relationship with each of our customers? And to do that, it requires us to have the broadest assortment, and we're committed to doing that.

Thank you all for your time today. It's a really exciting time to be at Walmart, especially with e-commerce. And as we talk about one customer and one Walmart and bringing together all the assets to serve that customer in a unique and different way, we believe that we can do some really incredible things. Thank you for your involvement.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. A number of you have asked, also, about whether we're issuing a release on our cap X like we normally do, and yes, that will pop into the iPad like the presentations have the rest of the day. So during this presentation, if you have the slides up, there will be a second attachment that will be available through the app, and that will have the cap express release. And the person who's going to provide us with those details, Charles Holley, Walmart CFO. Charles?

Charles Holley – Executive Vice President and Chief Financial Officer

Thank you, Carol. Good afternoon. Okay. We're on the home stretch. How is everybody doing? All right. You know, we really do appreciate your interest in Walmart. And you've come a long way. I know that those who are on the webcast or hopefully listening intently, but we do hope that you find meeting helpful to understanding Walmart and what our plans are and where we're going.

You know, back in June at the shareholders meeting, I shared Walmart's history of strong financial results. I think it's worth repeating some of that history. (Holley) Walmart is the only major publicly traded retailor in the world to grow cells, to grow operating income, to grow earnings per share each year for the past 20 years. Now, that represents both consistency of results and the financial strength of Walmart. That's what we plan to continue producing: Consistent and strong financial results.

Now, last year at this time, we committed to three things. We said that we would grow our comp cells, we would leverage our expenses, and we would continue our strong history of consistent returns to shareholders. Now, our results since that time have delivered on those commitments, and we've got great momentum in our businesses. What do I mean about momentum there's been a lot of questions about what that word means today.

The strong results that you've seen in the past, they're still here, and they're going to continue as we go forward. We're as financially strong as we've ever been. Now, let's talk a little bit about this fiscal year. Last year I said that our comp store sales would play a bigger part in our growth story, and they have. For fiscal to fiscal 2012, our comp store sales contributed about 37% of our growth. Already for the first half of this year, excluding acquisitions, comp store sales have contributed half of our sales growth. Now, we know that positive comp sales are key to driving returns, and this focus is going to continue. We will still invest in new stores and acquisitions, but our first priority is driving comp store sales and the productivity in our current asset base.

Now, despite currency head winds, for the first half of fiscal 2013, we grew revenue about 6.5 percent. That's nearly $14 billion. On a U.S. dollar reported basis, this is larger than the sales growth of the next 10 global public retailers combined over that same period. And for the rest of the year, we're on track to achieve fiscal 2013 sales growth of five to 7%. Now, everyday low price is driving and will continue to drive our sales growth. It's the foundation of all of our businesses. You've heard that today. And today our company is focused on finding more ways to enhance our EDLP processes and accelerate the productivity loop.

We made a commitment two years ago to start leveraging our operating expenses. By the end of 2012, we've reduced our SG and A as percentage of sales by about 50 basis points. And in this meeting last year, he announced our commitment to reduce our SG and A as a percentage of sales by over 100 basis points over the next five years. Now, obviously, it's still early, but we feel very good about the progress hopefully that you've heard that today and that we feel like that we can deliver on this commitment.

In the first half of this year, we've leveraged our expenses about 28 basis points. Now, being able to leverage our expense base is paramount to increasing our sales, lowering our prices, providing great returns to shareholders. It's our business model.

Let me touch on the third priority, returns. Our company has a history of generating strong cash flow. And this year is no exception. Already for the first half of this year, we've generated $1.6 billion cash from operations. And this strong cash flow has allowed us to give back $6 billion this year in the form of dividends and share repurchase. We're going to continue to provide solid returns throughout the rest of the year.

We have reached several all time highs in our stock this year. In fact, we reached one today. I believe our stock price reflects not only the strength of our operations, but the momentum that we have in our businesses, including the great returns that we offer to our shareholders. I hope the presentations today have helped you understand that we're positioned for continued strong performance and strong returns to our shareholders in the future.

Let's take a deeper dive into the three financial priorities. Now, I know we always focus on growth, leverage, and returns, in that order. I'd like to start with leverage today. We still have a long way to go in our five- year, 120- basis point leverage goal. But we're on the right track, you know? Excluding the impact of foreign exchange, we've already leveraged our expense base for 11 straight quarters, and we believe that we'll do the same for the third quarter and the fourth quarter of this year. We're accelerating the productivity loop. We're driving down our SG and A in the cost of goods sold, which in return lowers the prices, increases traffic, increases sales. Greater operating income, greater cash flow, greater returns for shareholders.

Now, let me take just a minute to tell you just some of the ways, review some of the ways that we're driving the leverage initiatives. You know, we're making investments in innovation and processes to find efficiencies throughout all parts of the business. And thanks to the work by our leverage team headed by Rollin Ford, these initiatives are his not just U.S. or country specific. They're global. They're company wide. We're focusing on front end efficiencies, like you saw with those convertible cash registers. That's my favorite. And we also are enhancing our inventory management processes, our on shelf availability, and our supply chain where we continue to take costs out. We're centralizing our serves like our shared services in Latin America, but the list goes on and on.

Now, over my 18 years at Walmart, every year I've heard the question from the analyst community of is there more? Is there really any more? You've already taken out a lot of expense. Can do you more? Hopefully after today you understand that we still have a lot of opportunity at Walmart.

Now, just as we remain focused on the productivity of our expense base, we're just as focused on the discipline and productivity of our capital asset base. We're strengthening our real estate processes to ensure that we're building stores for less and making them more productive. I think you heard that from Bill today, Doug, and Roz. We're finding efficiencies in new store construction remodels across our formats. We're going to bring down the cost, average cost of construction. And as you heard, by 2016, Walmart U.S. is committed to reducing their construction costs by 10% at least. Sam's is committed to reduce their cost of remodels by 10. And just like our expense leverage initiatives, this is global and company wide.

Now, as I mentioned earlier, our balance sheet and operations are very strong. We'll continue to strengthen our current store base and drive sales and returns, but we'll do so through a very disciplined approach to leverage and also use very good capital allocation. You probably heard a lot of that today, that word discipline. I think it's very important as part of our business model at Walmart to be very disciplined in our capital approach. It would also help maybe to point out the point that I made earlier in our future growth, it will be a steady balance between new store and comp sales growth. We will continue to ensure our new investments are made very disciplined, provide good shareholder returns. There's still a lot of growth to be had, so I hope you got a taste of that from Doug and Bill and Roz and kneel.

Now, before moving on to our financials, I want to talk a little bit more about mobile e-commerce. You've heard a lot throughout the day about our initiatives, not just from kneel, but all of our segments. The investment in global e-commerce is going to further drive both new and comp store growth. I hope you got that. And let me go back to a point that Neil made. The e-commerce, the global e-commerce market is predicted to reach 1.3 trillion dollars in 2015. 1.3 trillion dollars. Now, I know kneel said that we want to capture more than a little bit of this markets. As the CFO, I want to capture a lot more. Just even if it was 10 or 15%, you can do the math. It's incredible opportunity. Walmart wants to be a big part of that growth story.

So I hope you have a better understanding of our nothing E commerce and where we're going. I want to emphasize again that e-commerce is important to our current Walmart customer relationship. It enhances our brick and mortar business. We believe it's important to be great in e-commerce in order to win in retail in the future.

Okay. Let me turn to earnings. As you saw at the beginning, we have a long, great, consistent history of earnings growth. And we've grown our earnings, on average, about 9% over the past five years. And to give some you context on that performance, the earnings growth of the Dow and the S&P retail index has been about half of that growth over the same period. Moving forward, we're committed to continuing this consistency and having healthy growth in earnings per share. To do this, I think it's important that we stay true to our foundation of our every day low price and every day low cost. Share repurchase has also been an important part of our earnings growth and will continue to play a prominent part going forward because of our superior cash generation. As a reminder, we will give earnings per share guidance for fiscal year 2014 when we release things this February.

Our strong earnings mean that we will continue to generate strong cash flow from operations. In fiscal 2012, we generated $24 billion cash from operations, and all things being equal, like changes in tax policy, we still expect that this will continue to grow. Over the past five years, our free cash flow has grown, on average, around 18% a year. Strong free cash flow allows us to continue to support our cash priorities.

And what are those priorities? You've probably seen this slide before. You should have. Our first priority is still to grow the business, and you heard about all the ways that we're growing our business today. Through new stores, comp stores, investments in e-commerce, through leverage. And we will do it with discipline and after growth we're still committed to returns to shareholders, first by paying dividends and then through share repurchase. New She wants do not change the commitment to our shareholders. And I think we've done this with a very strong AA credit rating.

Speaking of dividends, over the past 10 years we've increased our dividend by 18% on average. I can't tell you what increases might be in the future, but you can look at this path in this current year and you can see that history of increasing dividends speaks for itself. Few companies have that kind of performance.

Now, from fiscal 2007 through second quarter of fiscal 2013, we've returned over $71 billion to our shareholders in the form of dividends and share repurchases. 71 billion. That represents 48% of the total cash from operations over that time frame. So let me repeat that. Since fiscal 2007, we have given almost half of our total cash from operations back to shareholders. I believe this demonstrates our commitment to give back to shareholders.

I want to speak briefly about a return on investment. We have one of the highest returns on investment in the retail industry. And we will continue to have one of the highest in the industry. Our investments in new growth, investments to drive productivity, investments in e-commerce, they're all going to help Walmart's returns to stay strong. Now, some of these investments will pay off in the short- term, like the productivity investments we'd be making, some in the medium term, like investments in stores, some in the little bit longer term, maybe like in e-commerce or acquisitions. These investments will add to the foundation that drives the consistency and strength you see in our growth and in our returns.

Okay. Let's take a look at the numbers. We reduced our K peck guidance in the second quarter of this year to 12.6, to $13.5 billion. That's down from our original forecast of 13 to $14 billion. Remember, this was driven by our continued efforts to strengthen our capital efficiency and international adjustments to store growth in certain of our markets. This guidance is still appropriate for the rest of the year. Our estimate for next year, fiscal 2014, will be down from fiscal 2013. International, Sam's club, corporate and other, should be around flat when compared to fiscal 2013, while Walmart U.S. should be down about 8%, as you heard from Bill, as we focus on more disciplined capital expenditures. Our total capital ex- Ben I did tours for 2014 will be between 12 and $13 billion. As in the past this, guidance does not include acquisitions.

You remember last year sales growth guidance for fiscal 2013 was between five and 7% and for fiscal 2014 it will be the same five to 7%. This gives us somewhere between 23 and $33 billion sales growth, assuming currency remains the same today. So our footage will be between three and 4%, which is about flat with this year's guidance. And as you've heard, we're very focused on leveraging expenses and being more productive with our capital assets. This will allow us to grow our SG and A at a slower rate than our sales growth, and at the same time, we want to grow our operating income faster than sales. We believe that we will continue to drive strong, free cash flow, and again, all of this guidance is without any future acquisitions.

Okay. Let me conclude. I'd like to leave you with a few thoughts that I think are important for you as investors. And maybe it wasn't said enough today, so I wanted to say it again. We've got a great story. Our company delivers consistent, strong financial results. We are in a position to continue driving those strong results. We're committed to the 100 basis points leveraged goal, and we feel confident in our ability to deliver on that goal. We're also committed to capital discipline and efficiency. It's the strength of our existing base that allows us to invest in the innovation and growth initiatives that you heard today. And finally, we will continue to provide strong returns to our shareholders. No retail company has returned the amount of cash to shareholders that Walmart has, and we are committed to these strong returns in the future.

So thank you. I'll be happy to take some questions.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. So let's go with Greg first on the end.

>> Greg:

Thanks, Charles. A couple questions I think are linked. Over the last few years, your cap excluding acquisitions to DNA has come down from 160 to 150 this year. She had we expect that to continue to come down as the growth, we sort of depreciate at sets that we built over 20 years, or should we use sort of 150% as a number and then I have a follow-up?

Charles Holley – Executive Vice President and Chief Financial Officer

I think that's difficult to answer, because it depends, Greg on the opportunity we might have. You heard Bill talk about the small stores and that opportunity. That's relations team been ramping up just in the last 178 months T depends on acquisitions, what we might V we don't have a target of cap ex- being somewhere around, you know, some percentage of your depreciation and on him Tory said, but we do have a very disciplined process to make sure that we're spending our capital very efficiently. And that's why we produce a lot more cash than we spend in cap ex, so it really depends on a judgment of management on what we can do and produce superior returns for our shareholders.

Greg second and linked to that is the capital structure, given the amount of cash the business is generating and with the stable growth and stabilizing of the comp traffic trends, are you going to put out a number that we should model out for the appropriate capital structure?

It's the AA rating. And you know, the credit rating agencies use a little bit different metric, so it's hard to peg at any one time, any one day during the year that you're exactly on those metrics. But those metrics are usually published by S&P and moody's and others that you can go to. We've been pretty consistent if you look at Deb to eve bit R. To stay within a AA, we would be within those bands that you would see. I think debt to EBITDAR is appropriate to use. They use different metrics. As you know, a lot of what they use is also qualitative. They don't have any retail companies near our size, and they'll tell you that. And so they still struggle with metrics themselves. So a lot of it is qualitative.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. Karen?

>> Karen:

All right. So since you're the money man, I'm going to ask you a few questions in that area. First off, how do margins compare between internet and retail? Are you agnostic on that front? Are you looking at cutting your shipping fees in anyway, shape, or form? And how are you viewing that? And also, you mentioned acquisitions several times during this. Is this a way for you to accelerate your alternative store performance?

Charles Holley – Executive Vice President and Chief Financial Officer

I don't think you should read anything into the acquisition comment. What you heard me say is the cap X numbers were without acquisitions and that we've been very consistent with that from the prior years. That's the only thing you should take away. You had a many- pronged question. I may let Bill or somebody from logistics talk about the logistics question. The other one was margins in our business. And Bill or kneel might want to address the margin, but I'll say this about it. You know, this is a very broad based business. Just the brick and mortar. When you go to the internet, the same is true. I think it's very difficult to look at a consolidated margin number and make a lot of sense of when's going on. You really have to go in the category, especially the internet and the items. But kneel or Bill, you want to comments on the margin part of that? The internet business?

>> We haven't given out the differences in the margin, but you can tell from the mix of what we sell in e-commerce compared to the mix of what we sell from in stores what the margin might be. You might be able to get closer to that number, obviously, with higher percentages of higher margin products in our stores right now. And we sell a lot of electronics on- line. So from a margin mix standpoint, you might be able to get to that. From a shipping perspective, our goal is to have a simple and understandable (this is bill) shipping cost structure for our customer so that we can, much like in a clear EDLP pricing model, a shipping model that's along those lines.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Colin?

>>Colin.

I'm trying to put a little quantification around strong here on the returns line Charles as you think about the capex and a little bit of the capex reduction that you're talking about today is coming out of the U.S., and I would think even in the marginal dollar invested, the return on that dollar is still higher in the U.S. than outside the U.S. So with less capex of the total pie being applied to your highest return business and consistent sales and consistent leverage and consistent margin, should we continue to expect a little bit of deterioration in ROI overall or is the lift of the international businesses enough next year to drive that higher?

Charles Holley – Executive Vice President and Chief Financial Officer

I would say in the long- term we expect the ROI to be relatively stable. What does that mean? Well, you're never going to peg it to exactly one number. It's going to go up or down. And I'm going to say between 20 and 40 basis points, depending on what's going on. If you're cycling through an acquisition or some major initiative. I don't know that you could say that returns in the U.S. are higher than international. They are overall but it's kind of like the margin question. It depends on which country. I believe Mexico has a higher return than the U.S. does, and it's a fast growth country. We have certain formats in some of our countries that are higher returns in the U.S. It just depends. And strategically, you want to make sure that you're capturing what you can in market share for the long-term in a China or Brazil, because we do think superior returns can be had in those countries. So it's kind of hard to just compare the U.S. and international, because international is not homogenous, it's made up of so many different parts, and there's some very high return formats in international.

Carol Schumacher ***- Walmart Stores Inc. - VP – IR***
Chuck?

>> Chuck:

Thanks. Over here, Charles. Can you just kind of complete your earnings algorithm for us? You kind of start off with the five to 7% top line growth. A little bit of margin expansion, a little bit of buy backs. You know, when you bring it all together, that's the long- term earnings algorithm going to look like for you? And one thing I want to say, a lot of investments in the business, particularly on the technology front, I'm wondering if your fixed cost hurdle rate is higher today than it's been in the past and your implied comp looks like he's two to 3% longer term. Is the hurdle rate higher today than it's been in the past?

Charles Holley – Executive Vice President and Chief Financial Officer

No, I wouldn't say the hurdle rate is higher than it's been in the past. What was the first part of your comment, though?

Chuck:

Just on the long terms earning Al go.

Charles Holley – Executive Vice President and Chief Financial Officer

Yeah. Our goal is we want to grow our earnings faster pace than our sales. If you're asking the algorithm, it's that.

Carol Schumacher ***- Walmart Stores Inc. - VP – IR***

Okay. We are going to save the rest of the questions for the final Q&A.

Thank you. Charles. Now I will turn it back to Mike. I welcome back to the stage our CEO, Mike Duke.

Mike Duke - ***President and CEO Walmart Stores Inc.***

Well, this has been a great meeting. I've really appreciated it and I've learned a lot myself. I've learned lot from you. The questions have been very good. Like I said this morning, and I also want to thank all the presenters. I think you can see something I said this morning. I'm going to refer back to it. This is the best leadership team that Walmart has ever had, and I'll stretch that a little more and tell you, I think it's the best leadership team in all of business. And that's what you've seen delivered today.

I do hope you will agree with me on the point I made this morning. These words, momentum, discipline, and investment. Those three words you've heard many times through the day will lead to growth, leverage, and returns. So I know that I may be repetitive at times, but again, I'm going to go back.

Momentum, it was defined two or three times. And charms also just brought it up. Momentum just means that our business, top line and bottom line, is healthy, strong, and continuing on a pat earn of growth -- pattern of growth.

Discipline. I do hope you get a sense of the discipline about every dollar we spend, whether it's operating expense or capital, that there is a great focus on discipline of every dollar. And then on investment, I hope you can also see that we are investing in both the short- term and the long- term. We absolutely are taking care of business today to grow existing operations, but we're also looking at long- term and making investments such as we discussed in the e-commerce area that are really for the long- term health of the company.

You know, I made notes as I said I would this morning from some of our questions, and I'm going to refer to some of my notes, even from some of the presenters today. I'm going to go back and reinforce some of the highlights. Walmart U.S. amazed $6 billion additional sales in the first half of the year, and then Bill mentioned that over the next two years, we're at 7 million square feet in the United States in just the small format stores. And, we’re going keep building supercenters. But, we’ll add over 7 million additional square footage in the small format stores that Walmart U.S. described.

Sam's Club. The renewal rate of membership at Sam's club is the highest in a decade. You know, there's something to that, but the team is not sitting back and being satisfied. So of course, you heard about the new test of the membership program in Texas and the positive thoughts about that already.

And then the International business. Doug went through it pretty quickly, but that one slide that I jotted down of 15% increase in top line sales in international and a 17% increase in operating profit in the international business, now, that is a business that last year did about $125 billion sales. So how many $125 billion businesses do you follow that grew top line by 15% and bottom line by 17%? That's the international business.

And then the discussion on e-commerce. And I love, Neil, the comments on the things that the team is doing, the progress. I'm, frankly, I was amazed, too, when I just sit back and listen to all the initiatives there. You know, it's interesting. I thought about this, and we've talked about it in our team. Some retailers, and I'm sure some of you look attempt commerce to retail e-commerce to retail and some of you might view it as a threat or a challenge. At Walmart, we view e-commerce as a great opportunity, and I think you can see that that's the way the business leaders and kneel, the way this is being integrated into a seamless way of commerce in the future, this will be a great opportunity for Walmart.

And then Charles, again, I'm amazed. There were a lot of things from Charles' presentation I'd love to go back and recap, but the one that I just jotted down a minute ago n recent years, the $71 billion returned to shareholders. That's pretty dramatic in dividends and share repurchase.

So all of this throughout the day, you've heard about high expectations. I know, we have high expectations for ourselves. You heard it in Doug's discussion that this, the world has the highest expectations for Walmart everywhere that we operate. How we treat our associates, how we compliment and help out in the communities that we operate in, the focus on topics like sustainability and making the world a better place in total, the high expectations, highest expectations in the area of compliance, execution, acting with integrity, doing the right thing every day in every market that we operate in. And of course, high expectations for delivering value to our shareholders. I like being in the place we're in of high expectations, because I like delivering on them, also. So I do wanted now to -- we said we'd open up for additional questions. You might not have had all your questions answered throughout the earlier sessions or you might have some for me. I would ask the executive council while we're getting ready, most of the executive council members you met. Others, if you're not sitting up front, might move up to the front table. You've already heard, of course, from Bill Simon, Russell Brewer, dug MacMillan, kneel ash. You've heard from Charles just a few minutes ago. Susan Chambers is our executive vice president of people. Then Leslie dock is executive vice president of corporate affairs. Roland Ford is the chief GVP and chief administrative officer. I might add, you know, from today's discussion, you could probably call Roland the chief leverage officer because of all the areas that this year with Roland's responsibility that we put under Roland's area. And a lot of it focuses on leverage. And then the other leaders that we described.

Jeff Gearhart is Jeff. I don't see, has Jeff moved up front? Jeff is over here. Jeff is our EVP and general counsel, also, and I believe we've got everyone. So I'll see if there's any questions that you've got remaining.

Carol Schumacher - *Walmart Stores Inc. - VP – IR*

Okay. Last time around, raise your hand. We'll wait for the mic. Michael, you haven't asked one yet. Let's start with you.

Michel Exstein, Credit Suisse

Thanks very much. Really two-pronged question. Number one, last time we had a big spike in gas prices, you saw your traffic fall off. That doesn't seem to be taking place right now. Can you sort of give any insight as to why you think that is happening? And also, US may be able to give us some insight. One of our major suppliers, is always concerned about some tightening in food stamps in terms of availability. Do you have any thoughts on that? And what would be the impacted if you began see tightening in food stamps?

Mike Duke - *President and CEO Walmart Stores Inc.*

Since, Mike, both of those kind of relate to the U.S. business, I'd like Bill to answer that and I will comment, though, on the gas prices, that is a global phenomenon, too. Not just in the United States, and it's not just the last time, but over history. We've looked back over 20 years, and when gas prices tend to spike, then it does affect traffic. Now, recent quarters, you know, the first two quarters of this year, there were some periods in the United States where we still had positive traffic, but I will tell you, I still, when I see gas prices spike anywhere in the United States or the UK, where petrol prices are just unbelievable, it does cause me concern about consolidation of trips and reduced traffic. So it's not something that we're not concerned about. I will tell you, it's always a concern.

I think, Bill, you might answer about the specific recent experience in the United States on both gas prices and also Michael's question on the other topic.

Bill Simon - *President & CEO Walmart U.S.*

Sure. Expect gas prices, as Mike described, typically we would see a consolidation of trips. This time in the U.S., we haven't seen that to a great degree, although in places some. The difference we think is our price base is lower in our business. We've also put plans in place and programs in place like the rollback on fuel prices to try to offset that some. And then finally, as we think about it and you get the discovery, while we don't have the empirical data yet on this, we believe that the gas price changes are relative gas price changes, not absolute gas price. So as gas is more expensive than last week, last month, or last year, it can consolidate trips, but the absolute level seems to have less of an impact. So we watch the change in gas prices and we see that impact more than we see the absolute gas prices, though absolute gas prices, particularly what we're seeing right now on the West Coast, have never been this way before, and that's a new phenomenon that we're watching very closely.

With respect to EBT or food stamps, there has been a tremendous loosening of the regulation and the qualifications for that over the last several years. We haven't seen, though we have heard, rumblings about the tightening of that. Our perspective is as it expanded, we saw the concentration of food stamps be more dispersed. So more people eligible and more outlets were able to take it. And so the relative share that we had before the change and after the change, that expansion didn't benefit us, an as you might imagine.

If it contracts, we believe regardless of what happens with food stamps that having the lowest price in the market on food is going to be the best thing for us and for our business in the market place. So we're watching it and it's of interest, but we think we're well positioned from a price perspective, regardless of what happens.

Carol Schumacher - *Walmart Stores Inc. - VP – IR*

Wayne?

>> Wayne Hood, BMO:

I think it was Bill or someone said that most of the purchases online are electronics and some of the things I think were commonly known today. As you think that through over the next decade and you see what moves online, what doesn't really work online, and you think about what space within the store contracts in that environment and what expands, where do you come down on that? Because you can make an argument electronics gets squeezed down. If you squeeze that down, what gets expanded and had how that affects productivity over time. More of a longer term look of how Walmart store might look in the seamless channel that we're looking at. Thanks.

Mike Duke - *President and CEO Walmart Stores Inc.*

It's interesting, Wayne. I've seen different research papers and our team has done quite a bit of researchIng at external research and trying to predict the future, I think Neil used the word dynamic. I would probably say that's important is understanding that it is dynamic and will change over time. So I am always a little reticent to lock in on a certain forecast. What's more important for us, I think, is also to be flexible and then to say, how do we adjust the store itself to immediate the needs of the customer?

I will tell you that, you know, our approach is that even for a lot of product that a customer will wanted to buy online, they still may want to see the product and they may want to experience it. They may want to touch it. And even the topic of show rooming comes up, and I've said, you know, let's be the best show room, you know? Let's be the place where customers wanting to and get the experience. I thought Sam's Club, that 90-inch television that Charles described today, I said, you know what? That's a great looking TV, but I'd want to see it, too. So I would tell you that I'm not concerned about the overall store, and I think what Walmart has been good about over many decades now, 50 years, is the flexibility inside the store to meet the changing needs of customers. There certainly are times you can look back at recent history, and you can see category like music or movies, but then now you go visit our stores, as you probably did recently, and you'll still see. We still sell a great deal, you know, that media area of the store is still a very vibrant area of the store. So we want to be flexible. I would probably refer you just to the various external research studies that have been done, because they vary as to what the migration will be over the next few years.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. We'll go to Dan and then Greg on the other side. First Dan.

Dan Binder Jefferies.

I have two questions for you. First, having followed the company a long time, we heard over the last decade or more at different points how price cuts have not always produced the kind of gains that you'd like. And your price advantage is fairly large already. So I'm just curious, as you think about price, and we heard a lot today about it, do you view the actual price investment as important as maybe more of what you've done with the ad, which is raising awareness of that price gap, to drive sales? And in that vein, why is it that in the past price investment didn't materialize in greater sales gains and why you think it does going forward? That was the first question. The second one was around leverage, and that was capacity utilization was mentioned today, leveraging the supply chain. I'm just curious, as you grow e-commerce, and there's a lot of talk about having for invest in fulfillment, kind of directionally, should we expect a lot more supply chain leverage as e-commerce really ramps up?

Mike Duke - *President and CEO Walmart Stores Inc.*

First, my perspective on price is done really, if you look at the long-term strength of Walmart, it was really built on everyday low price being kind of a core principle of our company, and my response would be that it has worked really well. In the long-term, a broad assortment of everyday low prices is really the key. What sometimes hasn't worked for us and sometimes other retailers is just picking a few items and just trying to go lower on, like Bill mentioned, key value items. Just those certain key items, because often competitors move, also, and everyone just lowers the price on a few items.

The approach of the broad assortment of items of everyday low prices I would contend has worked really well in the long run for Walmart. That's why Walmart is Walmart today. And that's why, as we've look at markets that we've been in a few years, like Canada, Mexico, the UK, those markets that have this EDLP pricing model has worked really well, and we believe that continually.

We actually believe that widening the gap and creating even more awareness will even create more important for more traffic. So we look at it, and there's still customers that they don't currently shop at Walmart. So we still see opportunity to grow top line with the productivity loop here in the U.S., you know, and around the world.

On the second question, on leverage, I do think, as e-commerce grows, take the U.S., for example. The opportunity to leverage the overall supply chain in the U.S. is tremendous. The team in the U.S.dotcom Walmart business has done some of that and in using the distribution network, the inbound transportation network and other supply chain. Probably the biggest single and I always think of the whole supply chain which includes the store, that final point of distribution. You heard said a couple of times today, here in the U.S. we have over 4000 stores. Around the world we have over 10,000 stores. Those 10,000 stores become part of the overall supply chain of delivering on e-commerce. So the more e-commerce grows, I think the more opportunity for leverage there is of the existing supply chain, plus creating an even more efficient supply chain.

I had a great day visiting here with you. You all know I get out and visit stores quite a bit. Last week I was in New York City. Those of you from New York know that we like to get up early at Walmart. So I was up early, long before most of the traffic was moving a lot, and decided since I had a little extra time, I would drive out to Valley Stream, the store just on the outskirts of Queens, I guess, there as you enter Long Island. And I called and dropped in on the store early in the morning. But I also dropped in on the supply chain, distribution network. A couple of weeks ago, Neil, Rollin Ford, Joel, myself, we flew out real early one morning and flew over to Carrollton, Georgia, to our e-commerce fulfillment center, and that's kind of a dedicated e-commerce center in Georgia. We spent half a day there, and then we flew up to a distribution center in Warren, South Carolina. That was part of the existing network of distribution centers. I think it's about a 1.8 million square foot distribution center. And inside that, embedded is a fulfillment for e-commerce that the team is already leveraging. So even in today's world, there is quite a bit of leverage taking place on the supply chain, but I think as e-commerce grows, it's going to create even more opportunity to leverage, and on probably the greatest point of leverage is the store itself.

Carol Schumacher - *Walmart Stores Inc. - VP – IR*

Mike on the other side, Greg?

Greg from ISI.

On the follow-up from the leverage in growth and returns, we've heard a lot of detail of how it's working, the productivity loop is back, we're investing gross margin, we're going to do even more of that 6 billion square feet for some reason there's some shock, say a fiscal cliff or something where the top line doesn't come through like it has, what comp do we need to leverage appropriately in the U.S. to keep it flat, and secondly, just to get your mindset as given that choice f it came to that, which would you choose?

Mike Duke - *President and CEO Walmart Stores Inc.*

It actually reminds me, Greg, that question probably came up seven, eight years ago when, back before the economic crisis and all of that. I remember at that October 2009 analyst meeting when we committed to you that we were going to leverage SG&A expenses, and that was at a time when our top line growth, and particularly in comp sales, was not going where we wanted it to be. And we came out of that and said, we're going to leverage anyway. And for several quarters, I mentioned the 11 quarters of leverage. You can look back and see that those first few of those quarters we were not growing comp sales at that time, but we still were committed to leveraging.

What I would tell you is we are still committed to leveraging. Now, frankly, I don't anticipate, you know, I'm not an economist. I don't try to predict what the U.S. GDP is going to do or other countries. We're not modeling a deep decline in GDP or consumer spending. Frankly, I think with Walmart, as I said earlier, even when we are heading into a headwind, we've shown that we can leverage. And that's the way we approach it.

Frankly, I think that's why even putting this pressure on productivity loop, on reducing expenses and on reducing gross margin and reducing prices for our customers, I think even if we go into a difficult, even more difficult economy, all that does is position us even stronger.

You know, I enjoy this job a lot, and so I look back for my three predecessors. Of course, Lee Scott, David Glass, and Sam Walton. And I try to look at the lessons. One of those that David Glass used to always say and he would do on this stage or at this meeting, he'd say when the pie gets smaller, you just have to get a larger share of the pie. I think that still applies. So what we're working on is if the pie were to get smaller, if that were to happen, we'll just get a larger share of the pie. Now, that's not what we're anticipating. We would hope that the pie gets a little larger and that we still get a larger share of the pie.

Peter Furlan from Hamblin Watsa.

As you become bigger, how do you avoid risk economies of scale and cultural problems like that?

Mike Duke - ***President and CEO Walmart Stores Inc.***

That's a great question and we have to first talk about it. Because someday we may end up being a large company, and we would not want to allow that to creep in.

[Laughter]

Mike Duke - ***President and CEO Walmart Stores Inc.***

So we are guarding against it while we're still the size we are. We're protecting against it by talking about our culture, our values, by dropping in on stores. Again, we run stores one at a time. There's not a meeting that goes by, and I just make a point somehow in a way to mention a single store, you know? And even here, mentioning Valley Stream, it's just an example to say, you know, we may have 10,000 of them, but every single store is important, and knowing store managers, knowing the hourly associates, you know, and just really relating to the front line associates that serve customers, and then our culture then sorts out the bureaucracy, the complexity. We stay focused on buying and selling merchandise, serving customers, doing it with integrity and respect, and if we just keep doing that, I think somehow it kind of filters out the bureaucracy and the other complexities that can sometimes come into play.

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Mike, we'll go Deb on the end over there.

Deb Weinswig from Citigroup.

Mike, kind of along the same lines, can you talk about talent acquisition and talent development, and most importantly, talent retention?

Mike Duke - *President and CEO Walmart Stores Inc.*

I'll start with the last, talent retention. I was looking with Susan Chambers recently at those that had left Walmart, and frankly, I am particularly at a leadership level, I am really, really pleased at the retention level, at leadership level, and then all the way through, like at our store level. Bill, I think and Doug, most of the markets around the world, and Rosalind, we're pleased at the long-term commitment of our associates. And I'm especially pleased with the retention of leadership. Frankly, executives stay with Walmart, and that's something we're proud of and so we develop, promote, and advance. I mean, there are so many stories like Gisel Ruiz. She started in California as a management trainee right out of school and is now executive vice president and chief operating officer, and her whole career being developed and advanced at Walmart.

Now let's move to recruiting. You know, I don't want to use this as necessarily external recruiting opportunity, but since you brought it up, I will tell you that we are just having an outstanding time recruiting talent. You know, I'm so pleased today see, like Neil come up for his first analyst meeting and present his first year on the job where we've wanted someone that brought a different perspective. Our ability to recruit at a very senior level all the way through the organization of leadership I think is a great tribute to the company. I really think it boils down to two things. I think the reason people come to Walmart is because we do have a success story to talk about, and people can see that there's tremendous upside. There is a great long-term opportunity. Either the 5 million applicants that Gisel would have mentioned in the United States, 5 million people in the United States filled out an application at Walmart last year, because they believed there was opportunity. But also, senior leaders, the best merchants in the world, the best store operators would love to come for Walmart, because we can also see the opportunity. Plus 2 things. I think the second, why we are so successful in recruiting is because we're a company with a purpose. The purpose of helping people live a better life. You know, Sam Walton said to help people save money and live better. I believe today people want to work for a company with a purpose and that's Walmart.

Carol Schumacher - *Walmart Stores Inc. - VP – IR*

Mike, the next one will be John in the middle toward the back.

>> John Zolidis, Buckingham Research:

Hi. I have a question on guidance and a follow-up question on EBT. So just looking last year, you gave us guidance for five to 7% annual sales growth on four to 5% square footage growth, and then for next year you're saying again five to 7% sales growth, but except on three to 4% square footage growth. So just trying to back into it, that suggests two to 4% comp range, which seems like a big number. So I don't know if the new stores are going to come in more productive or if there's some FX included in that. I wonder if you could comment on if you're expecting acceleration in comps and if not, what the difference is? And then second, just following up on the earlier question on EBT, I don't have the numbers in front of my, but I believe that the EBT distribution increased something like 40% at various times. Walmart is the largest food retailor and certainly indices with consumers who receive EBT pretty strongly. So it seems a little bit strange to me that the company would not have experienced some benefit from the increased distribution of EBT. So I'm just wondering if you can expand on that a little bit. Thank you.

Mike Duke - *President and CEO Walmart Stores Inc.*

>> Charles, you want to take the first question?

Charles Holley – Executive Vice President and Chief Financial Officer
I think you're exactly right on the numbers John. I think currency will come back into play. If everything remains the same, you would get some productivity just from that. And at the same time, what was your second one that was pretty important, too?

>> John:

On EBT, that's the second one.

Mike Duke - *President and CEO Walmart Stores Inc.*
There were two things you said.

>> John:

No store productivity.

Charles Holley, EVP *and CFO Walmart Stores Inc.*
New store productivity, we would definitely plan that would prove across it is chain.
>> John: That's based on the geography of the stores opening?

Mike Duke - *President and CEO Walmart Stores Inc.*
That's based on better opening of the stores.
>> Probably on currency, you can look at you and your model on today's rates and look out the next year, and that would end up accounting for some of what some of that would be. Then on EBT, Bill will take that one.

>> Bill Simon, President and CEO, Walmart U.S.

Sorry to leave you confused on that one. I didn’t mean to let everybody believe that we didn't have an increase in our EBT sales, EBT-related sales with the massive expansion that you cited. What I was trying to get across was from a relative share perspective, we didn't grow our share while the pie was growing of EBT because of the geographic and the channels that EBT expanded into. So we had a lift. Clearly we had a lift with the expansion of EBT, but not a relative lift to the relative share of the pie. That's what I was trying to get at.

>> John:

Understood. Thank you. .

Carol Schumacher *- Walmart Stores Inc. - VP – IR*

Okay. Jessica?

Jessica Schoen from Barclay’s.

One of the things you talked about today has been investment, and I was wondering, as far as e-commerce is concerned, as you said, it has been and promises to continue to be a quickly changing area. And so is there a different criteria you use to evaluate those investment decisions?

Mike Duke - *President and CEO Walmart Stores Inc.*

And the answer is yes in some ways, because in some ways it is different, because in some ways we have invested some in talent where capabilities that we wanted to move much faster and we might acquire talent and we might do that like we did last year through an investment of a company called Kosmix, and so that was maybe different than we might have done in the past when we were focused on bricks and mortar kind of investments. But then Yihaodian, that's probably a little more traditional, because that's more of a top line - bottom line business, a fast growth, but it's such a new emerging area that even an investment in a company in China like that would be I would say probably a different way of looking at it to look at it than if we were investing in bricks and mortar. So there are some differences, but the overriding factor is still the same, and that's return to shareholders. And so in the long-term, we look out with an expectation that it becomes a benefit to shareholders and some kind of a bottom line is the same but how we get there may be different.

Carol Schumacher - *Walmart Stores Inc. - VP – IR*

Okay. Teresa, I think you had your hand up?

>> Teresa:

No.

Carol Schumacher - *Walmart Stores Inc. - VP – IR*

No? Okay. Chuck?

Charles Grom, Deutsche Bank

Yeah, thanks. I was just curious, you talk about, with Neil talking about the $1.3 trillion market opportunity, I was wondering how you guys balance that opportunity with your decisions to still add 125 supercenters this year and go to 500 Neighborhood Markets and how do you balance that? At what point do you see, you get up on that stage and say, we're not going to open up any stores any more and we're going to grow our online business 25, 30% a year? I guess the genesis of the question is how do you balance it?

Mike Duke - *President and CEO Walmart Stores Inc.*

Yeah. I think we still see great opportunity in retail stores. Clearly, now, you can see some shift in the United States. Bill put emphasis on the small stores, but we still have a lot of places in the U.S. that there are real places to build supercenters. Again, back to Valley Stream, that store is being expanded to a supercenter. It was a Walmart discount store that we're adding I think about 30,000 feet to or 40,000 feet, because customers want food. So we see long-term. As far as our research and can tell into the future, customers are still going to go to retail stores and buy lots of product. I mentioned about showing a lot of things, we believe in the store itself is a very valuable asset long-term, and that's why we'll continue to be building as far as we can see.

Now, the size of the store, the shape, the brand, the mix, the layout of the store, like we've done since 1962 that will change. And that will evolve over time. We'll keep evolving that. And I think in the international markets, it's the same thing. And Doug, you know, you still see a lot more unit growth outside the U.S. So I still believe --I believe in the store, but I believe the customer is going to want seamless opportunity. What I do believe is that there are still going to be lots and lots of opportunity and upside for customers that may want to deliver to their home, though, and that's why we're investing, in addition, to e-commerce. So we think it's not either/or. We think it's both.

Carol Schumacher ***- Walmart Stores Inc. - VP – IR***

Mike Rita for the next question, and then we'll go to Maggie.

Rita Spitz with William Blair.

Could you give us a longer term strategic view for the road map of financial services that you're going to pursue? How important is that to your customer and does that vary by region in terms of what you're bringing to market?

Mike Duke - ***President and CEO Walmart Stores Inc.***

That does vary not only by region, but it actually varies by market. So each country's financial serves might be different. I might ask Bill to comment on the U.S., because there's some activity this week even in that area. But Doug, you might pick a couple of examples in international markets where you might have a different story maybe from an emerging market with a mature market.

Bill Simon - ***President & CEO Walmart U.S.***

We look for opportunities in every aspect of our business to take confusing, non-value added processes and simplify them for customers who are conscious about what they're spending. And there probably isn't a larger poster child for that than the U.S. in financial services. So some of the things that we're able to deliver, a simple program for check cashing. The program that we announced in partnership with American Express this week takes a lot of the complexity and a lot of the cost out of something that can be very, very confusing. And for our customers, we find that they respond to that. So when we did it in phones with Straight Talk, we saw a big lift. Our financial services business as it exists today, it starts from a position of strength, but because we have a pretty robust business with our money centers and the wire transfers that we do. So we look at it as an opportunity, and we've also tried some things in that space that hasn't worked that they've been very public, too. But right now we're looking for opportunities, and we see that as one of the two growth pathways from a service perspective in the coming sort of near to longer term. Financial services and health services. And we're trying to understand where we can participate in both of those.

Doug McMillon – President & CEO of Walmart International

In international, we have banks in Chile and Mexico and beginning a bank from Canada that's up and running. In Chile, we probably have the most advanced level of financial services. We basically offer a full range of products there and customers need it and it's well managed. We were lucky enough, as we made the acquisition of DNS, to pick up that part of the business and learn from it. It's helped us in Mexico. We've been able to expand and grow and take payment at the cash register, for example. I don't expect financial services to change dramatically within the portfolio. I think what we have right now we like. We'll continue to learn from it. Where we want to make sure we're being very aggressive is on products where we can show customers great savings. Any time we can help them transfer money more effectively, we want to do that. Take advantage of mobile payment as that develops is something we want to do. So, we've got like a continuum from international from full-fledged banks to just standard financial services products and it will continue to be that way.

Mike Duke - *President and CEO Walmart Stores Inc.*

I might summarize, the long-term strategy for financial services is kind of the same that we have for merchandising. It's to serve the customer the way the customer wants to be served in the local market. So if we can add value and help a customer to save money and live better and a financial service activity in a given market helps that customer to achieve that, then we're open to doing that. We see it as a complimentary service to our business, not a separate independent separation from the business of retail in commerce.

Carol Schumacher ***- Walmart Stores Inc. - VP – IR***

And Mike, Maggie will have the last question.

>> Maggie Gilliam:

Mike, in the discussion today penetrating the urban market, I think reference was made to home delivery and also to the Neighborhood Market to some extent, but nothing was said about the Express store, which I guess is not up to the ROI, but I'm wondering, food deserts was a term that we heard here in the past. Now, are you missing the ball there? I mean, given the fact that 7-11 has come to life and drug stores and dollar stores and everything else are adding to the assortment in urban areas. I mean, is this something we can expect to hear more about?

Mike Duke - ***President and CEO Walmart Stores Inc.***

Sure. Well, I'll let Bill answer first, because I think your question, Maggie, is particularly focused on the U.S. And then Bill, I'll add my comments after you answer Maggie's question about urban or the food deserts or opportunities in those markets.

Bill Simon - ***President & CEO Walmart U.S.***

Sure. Thank you. We're obviously looking for opportunities to grow and to penetrate every market in the U.S. We think it's not right that every American doesn't have equal access to Walmart, because that means they're going to pay more. So from our perspective, penetrating food deserts in urban markets -- incidentally, there's a substantial amount of food deserts in rural areas as well, according to the USDA, that we're also trying to address. With respect to the urban stores, we've had success in several urban markets in Chicago. We've opened a fair amount of food stores in the California markets. You'll see us make a move and open some stores in the Washington, D.C. metro. So we're learning, and we're putting stores in and we're serving those customers. We're not willing to do it in a way that isn't long-term and sustainable. And we're not saying that we're giving up on other markets, but we're going to grow and serve those customers in other manner and in other manner. And Neil mentioned, somebody mentioned the ability to do that with a different channel, and so we're looking at that as an opportunity as well.

More broadly, the opportunity to serve customers is what we do in the U.S. We're aiming to solve for that.

Mike Duke - *President and CEO Walmart Stores Inc.*

I think we have 50 years of history of serving the underserved customer wherever that underserved customer might be. And so I think certainly it's still a remaining opportunity. I will tell you, again, back to individual stores, probably three months ago, I dropped in on the Chatham store in Chicago. If any of you are in downtown, near the city, an area of Chicago called Chatham. It was a new supercenter that we opened this past year. And just a great experience of the jobs that we brought to the market for the associates, but the value that we brought to the market for the customers. So I asked, I've told the story many times, but one customer in the produce department, I asked her as she was shopping in produce, how does she like shopping in the new supercenter there? And she started to tell me how fantastic it was, that these fantastic Walmart prices that saved her money, but brought her food for her family that she didn't have access to in the past right in downtown Chicago. But then she closed by saying, but I like something even better than shopping here. She said, I like my job here. She said, I'm a cashier and I love working at Walmart. And it happened to be her off day and she was there that day as a customer, but five other days a week she's there as a cashier. And that's what we're all about is providing great opportunity for associates, but the reason we exist is to help customers save money and live better.

I again want to thank all of you for being here today. I really, again, I really enjoy these. I enjoy our time together. I wish we even had more time for you to have more personal interaction and, you know, more Q&A and just the one-on-one discussions are very, very productive. I always say I learn more from you than you do from me probably, and that's why it's productive to hear what's on your mind. I do hope you leave here, you know, just absolutely convinced again, and I hope you've been convinced for many years. Those of you, some of you have been here 30, 31, 33 years. I hope you'll come back for the remaining meetings in future years. But I hope you still well convinced -- are convinced, this is a great company that you can count on growth, leverage, and returns. A company that has momentum. A company that is disciplined. And a company that is investing both in the short-term, but also for the long-term. And I'll thank you and wish you all a great trip home. Carol, if there are any parting comments, I'll turn it over to you.

Carol Schumacher – *Wal-Mart Stores Inc. - VP – IR*

Thank you, Mike. Just a couple of quick brief announcements. Again, if you are using a loaner iPad, please make sure that you return it at that table over there. For anyone who does want a USB drive, whether or not you requested one, we do have some extras. They will be available at the registration table, same place where you registered when you came to the meeting. And certainly as you go home, you absorb all the information, we're available to do any follow-up that you might need after today. And thank you all for coming. This concludes our webcast.

[Applause]

(End of meeting.)

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