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Corporate Speakers

Mike Duke	Wal-Mart	President, CEO
Carol Schumacher	Wal-Mart	VP - IR
Doug McMillon	Wal-Mart	President, CEO - International
Bill Simon	Wal-Mart	Head - Wal-Mart-US
Charles Holley	Wal-Mart	EVP, CFO
Neil Ashe	Wal-Mart	President, CEO Global eCommerce

Participants

David Strasser	Janney Montgomery Scott	Analyst
Greg Melich	ISI Group	Analyst
Matt Fassler	Goldman Sachs	Analyst
Budd Bugatch	Raymond James	Analyst
Paul Trussell	Deutsche Bank	Analyst

PRESENTATION

Mike Duke: Thank you, sir. Well, we're going down the homestretch now and I've got my own takeaways that I've been listing and I particularly again, appreciate your questions. We know what we're going to say to you. What we don't know is what you're going to ask us and I think today especially your comments, questions and interest was at a very, very high level and I want to tell each of you how much I appreciate the level of depth of your coverage of our company.

A few of the takeaways though that I've got that probably match yours first Wal-Mart US You know, there's a reason that Wal-Mart in the United States is the number one retailer serving 140 million people a week.

And this about value and about service for our customers but Bill and the team I thought very clearly discussed how they are very focused on driving traffic and improving comp sales in the short term while also this focused on the ecosystem that Bill described of neighborhood markets, Wal-Mart Express, supercenters and eCommerce all tethered together in this kind of ecosystem that Bill described that will really be compelling in the future for customers across America.

International. The international business at Wal-Mart is a great business. You know, last year we generated as Doug said $135 billion in net sales, delivered $6.7 billion in operating income and a return on investment that's comparable to other global retailers that you saw. But we can be better and we will be better. And the focus on managing the portfolio that Doug described and even some of the specific examples but also being the best in class operators and merchants all over the world that we covered today will cause that return to grow and also still provide the opportunity to be the growth engine for the company.

Then Sam's Club. The consistency of Sam's is fantastic but this focus on merchandise. That's why even after todays meeting Roz, I'm going to go back and drop in the local Sam's Club because the excitement of merchandise items at Sam's is why we all enjoy going to Sam's. But that combined with greater member experience and this use of data to help members to even be more efficient at being a member of the club business I think is fantastic. I'm excited about all three business segments.

And then of course Neil and the coverage of eCommerce. I thought it was really great that throughout the day, everyone discussed eCommerce. It shows how integrated this overlap of physical and digital that we all discuss today really came to play today in all the presentations so that made Neil's job this afternoon even easier.

I'll also tell you I'm really pleased as I said to the start of the day with the work on leverage, leveraging expenses reducing SG&A percent of sales, increasing productivity. What you heard about productivity -- real productivity in units per labor hour in important markets like China, Brazil, Mexico and here in the United States. All of this is why we are committed to our long term strategy of lowering SG&A percent to sales.

And capital discipline, we talked about that last year and now the team is really delivering a great deal of improved productivity in how we deploy capital. We can still grow the company, expand stores and eCommerce and serve more customers with more efficient use of capital.

And then of course throughout the day you've also heard mentioned several times the discussion about compliance, doing business the right way. It's the only way we're going to do business at Wal-Mart. And it -- we become a better company. It's really interesting I think the restructuring of finance combined with leverage and processes and systems and all of the expertise and compliance that we brought on board this past year. All of that makes us a better company, a more efficient company and it helps us to do the job the right way and then all of this enabled by people.

You know, I guess one of the most proud things of this year that I have -- would be across the world. We measure as you know and you've heard this mentioned several times associate engagement. It's really a measurement of how the associates feel about working for Wal-Mart. The fact that that is at a record level and frankly comparable to any business in the world now of the way our own people feel and then some of the measures about promotion opportunity for our own associates is something really to be proud of.

So Wal-Mart is a company of great consistency, great -- a great enterprise that has delivered both customer value and shareholder value over many years. I'd like to ask the executive council to come join me on stage and, you know, while the members of the team are coming up, you've seen on stage today I think six of the members of the direct executive team. I think there are probably three members that haven't been on the stage.

Let's see. We have Jeff Gearhart. All of you know Jeff Gearhart. Jeff is EVP of Governance and that includes legal and compliance and other related areas. Susan Chambers. You all know Susan is EVP of People and Susan would join on stage for any questions. And then also Dan Bartlett.

I think many of you haven't had a change to meet Dan. Dan recently joined us just a few months as EVP of Corporate Affairs and even though some of you asked about, you know, last night that was -- Dan was going to speak. We'll give Dan a chance to speak right now if any of you have any questions for Dan.

But we will open it up now for any questions for me but particularly any members of the executive council that you might not have been able to get your question answered earlier in the day and you can still bring it up at this time for the remaining time that you have this afternoon.

QUESTION AND ANSWER SESSION

Carol Schumacher: And Mike, we're going to start right on this side. First question comes from David Strasser.

David Strasser: Thank you very much. And we talked about this a little bit last night. You talk so much today about leverage, about scale, about eCommerce and everything and then you brought it up even during the Sam's Club you -- there's a lot of Sam's presentation about merchandising. You didn't hear -- past years, there was always a lot more emphasis on merchandising in these meetings.

And I guess how do you guys make sure that you're not going to -- that you spend so much time getting quantitative and focusing on every data point that you're missing being merchants again and how, you know, what are the controls to make sure that you're continuing to do that and how do you make sure it's continuing, you know, inside the stores everyday?

Mike Duke: You know, I think we just had so much that we have to squeeze one day, David. I wish you could sit in a lot of our management meetings. If you...

David Strasser: I'll -- I mean I'll come.

Mike Duke: Would you like to come and sit in, you know? Because you would hear like our officer meetings or our Friday morning management meetings or the Saturday morning meetings tend to be a little more open. There is just a passion for merchandise, for customers, the fun of merchandising, the emphasis on everything like VPI, you know, to the items, to the promotions so it's a critical part. I think it's just a case today that we had so much to cover we tried to hit the high levels.

You could hear Duncan this morning really breezing through very quickly about Wal-Mart US and Charles Redfield took what could have been 45 minutes and squeezed it into just five minutes on merchandising and dug throughout. So I will tell you it's a core, core part of the everyday focus at Wal-Mart and really it's what retailing is all about.

David Strasser: Thanks.

Unidentified Company Representative: And Doug, you may want to re-mention the merchant academy training that runs throughout the organization. I think that's a good follow up for David.

Doug McMillon: In fact in a couple of days here in Bentonville I'll be with a team of people that's here being trained in what we call the accelerated merchant program. That's mirrored through the markets teaching the Wal-Mart principles around merchandising. David, as you know so much of our business is driven off side counters and fitting together [EDOP] with being a Wal-Mart merchant together is what makes the whole thing work so we are resourcing it. We are excited about it. It's the fun part of the business.

Mike Duke: It's also why when you all head out, I'm headed to Sam's Club. Just to see the merchandise again. I've been here all day today and Jeff Davis asked me if I've ever sat this still for this long and I told him never in my life have I sat as, you know, so still. So I can't wait to get back out in the club in the stores later today.

Carol Schumacher: Mike, we'll go to Greg Melich.

Mike Duke: Yes, Greg.

Greg Melich: Hi. Greg Melich with ISI. Mike, I guess a big picture question given how this year's laid out with traffic turning down in the US If it came down to sales staying up 3% to 5% versus getting to that margin goal flatter up, which one's more important if it came down to that point?

Mike Duke: That one requires no thought deliberation. Bill, you know, we really want to drive traffic, customers, top line growth because we know as we grow top line then we'll end up with the appropriate long term strategy for the company. Now as I think Bill and Duncan mentioned, you know, we're committed to everyday low price and to lowering prices.

We've had some advantage in the US this year because of the mix of merchandise Bill, the logistic savings that had provided some margin benefit but our real desire is to give more savings to more customers and to grow top line becomes a priority. That's the focus.

Now in the long term that's what Wal-Mart is about. That's the productivity loop and EDLC -- and EDLP grows traffic. Bill, any other comments you'd like to add?

Bill Simon: I would agree obviously, Mike. If we thought investing money in additional pricing would drive more top line sales, we would be doing it. We're investing where we believe we can grow sales but we're not spending money where we're just going to lower price and lower market pricing across the board.

Greg Melich: Right. And I just -- I want to follow up with Charles. You mentioned the $0.05 to $0.07 dilution from the acquisitions, was that also including the store closures?

Charles Holley: Yes.

Greg Melich: Help us to understand what --

Charles Holley: Yes. And we put it all together because we -- it's very early in our analysis of these things. It's the store closures in China and Brazil, it's the India -- wrapping up India and then it's also the sell of our Vips in Mexico. All those things combined net will be diluted about $0.05 to $0.07. We think most of it will be in the fourth quarter but you could have some lead over of that into the first quarter of next year.

Greg Melich: And so the guidance takes that out and we think about growth next year?

Charles Holley: Yes. I'm not addressing guidance right now.

Greg Melich: Okay.

Carol Schumacher: Okay. We'll go to the back Jason will do and then we'll come forward to Matt.

Unidentified Audience Member: Okay. Two questions on sales, one is coming back to Neil's presentation. The incremental three billion, any color on where that's coming from whether it's the US or international? I mean obviously you're going to say everywhere but if you -- can you add more color than that...

Neil Ashe: Everywhere.

Unidentified Audience Member: ...would be great. And then in terms of the guidance of 3% to 5% sales growth, can you sort of flash out some color around the low-end versus the high-end if its economic assumptions or if there's something within your control that flexes that?

Mike Duke: You go first.

Neil Ashe: Sure. So I'll address the incremental three billion in eCommerce sales. As Charles mentioned in his presentation, every market in which we compete we're growing faster than the market. We are growing faster internationally than we are so far in the US which is representative of those markets so a higher growth market for us are China and Brazil but we have healthy growth in both segments in the US

Mike Duke: Charles.

Charles Holley: Yes. I think the overall growth of three to five implies obviously a certain level of very positive comp or certain level of good growth that we've -- we kind of laid out for you. And then also what does the economy allow? And so that gives you the range.

Unidentified Audience Member: But I guess is the flex between three and five the economy is that the main thing that you'd worry about or is there things within your control that...

Charles Holley: I think it's a combination of all those things. Yes, some of it in our control but the economy also.

Unidentified Audience Member: Can I just -- one more question? I'll stop asking relentless questions. For Neil, can you -- or anybody, can you break out what portion eCommerce is of your business is? We obviously know the total and we got little bits and pieces here and there but it would help us understanding the...

Neil Ashe: We give -- we -- as we go through the quarters, we will break out and give you more information of what eCommerce means to the segments. Today we don't have that to give you but we do want to be more transparent with that as we go through the quarters.

Unidentified Audience Member: Thank you.

Mike Duke: I think you could see today we started giving more information. Bill shared more about Wal-Mart US than we probably carried so we'll continue to provide information for you that you are asking for that you think would be helpful.

Carol Schumacher: Okay. We'll go to Matt next.

Matt Fassler: Thanks. It's Matt Fassler from Goldman Sachs. This question is probably for Charles. It relates to the slide that you gave us that talked about future expectations for free cash flow and there's two items that I hope to get some clarity on. First of all you talked about CapEx being directionally flat with current levels, and within that, what kind of mix do you expect for CapEx among your businesses?

Charles Holley: You mean where the capital is going to go?

Matt Fassler: Exactly.

Charles Holley: It's going to go where we can find the growth whether its new store formats, still have supercenters in the US it's going to go obviously in international markets where we think we have good growth prospects and we have eCommerce and you heard Sam's Club talk about that they want to expand in new technology. So the mix that you heard today we don't think it's going to change significantly as far as directionally of what's going -- what's getting larger in the pool.

Matt Fassler: And then the second question relates to buybacks and dividends. If you can remind us what kind of goals you have for payout ratio as we think about, you know, years when you'll have to trade off between the two or make some decisions?

Charles Holley: Yes. We haven't ever announced on official payout ratio. You can go back and calculate that yourself but we don't want to lock ourselves into that. If you look at our history and even our recent history, you can see that we have a very good history of increasing that dividend. In fact over the last 10 years it's been about 18% on average and last year -- this last year -- this year it's been 19%.

So I would refer you back to our history as far as what you might be able to expect going forward but things change, economics, acquisition so you don't know when it comes to share repurchases.

Matt Fassler: Thank you.

Carol Schumacher: Okay. Next one from Budd.

Budd Bugatch: Oh, yes. The goal for a hundred basis points have reduced, SG&A was given before we had the compliance -- additional compliance. Can you kind of address that and the thought that what is now the additional compliance dollars that we should expect SG&A for continuing time?

Mike Duke: First, you are correct. We, you know, we gave that goal in the past but frankly, we still set that goal of a hundred basis points. So we're still going after productivity improvement, ways to leverage to be more efficient and we're not backing off. It was kind of interesting. We had an executive council meeting.

Unidentified Company Representative: It was in July.

Mike Duke: It was in July and we'd -- we kind of put the headwinds out on the table and this group right here unanimously said "We're not going to back off on that hundred point goal." That that's still an objective that the company wants to strive for. So we're investing in compliance as we described. I think Doug and others mentioned that. We've given some information about this year.

We don't really look out, you know, in the future years but we really see that -- that this will still make us a better company in the long run. We are here for the long term and building this outstanding compliance organization will actually in the long run contribute to running a better business which will help us achieve our goal. So we're not backing off on the hundred points.

Carol Schumacher: Mike, we'll go to Jeff and then we'll come up front on that side to Paul.

Unidentified Audience Member: Hi. Jeff (inaudible). Regarding eCommerce fulfillment you mentioned earlier today that you're starting to do some ship from store. Do you pick from store to distribution centers where you have slow moving inventory in the SKU in question so that you trade slightly higher fulfillment cost for lower mark downs? It works for a higher dollar goods like what -- when Duncan mentioned the slower moving entertainment products that you have. I wonder if you're starting to do this at all?

Charles Holley: We have...

Unidentified Audience Member: (Inaudible) Macy's do this.

Charles Holley: We have -- we've been doing this for about a year and a half now and it's recently expanded to around 50 stores. They have been typically some of these lower volume supercenters where there -- big store that hadn't hit some of the volume hurdle so we were able to leverage the physical asset that way. And that's -- so it is -- it's -- the answer to your question is yes, but on a box basis not on an item basis.

Unidentified Company Representative: I would just add one thing. We've done a lot of work so that we can be as cost efficient as possible in how we actually pick that item. So we've made this part of the normal store processes so that it makes the store that much more efficient through that much more volume. And then we use as I said earlier the algorithms to determine where to ship that from.

So we're realizing shipping benefit because we're picking from a store that's close to the customer that bought it so it actually is a -- it's a -- there's a virtuous cycle to the process.

Carol Schumacher: Okay. Paul?

Paul Trussell: Paul Trussell, Deutsche Bank. Two questions for Bill. Bill, I believe on the second quarter call you spoke to being confident that you'll be able to improve traffic and comp trends in the second half relative to the first particularly in the grocery category as you drove innovation, brought on new products and refocus on price investment.

But certainly with the government shutdown and other kind of macro headwinds likely there you saw some unforeseen challenges. Can you just give us an update on your thoughts on what we should be expecting for 3Q and overall second half comp trends?

Bill Simon: Yes. I'm not going to able to update sales for you right here at the meeting as you would imagine. We do have, you know, constantly changing dynamic situation but that's, you know, pretty normal in retail. And I, you know, we still see improvement in the business and we still see the second half being better than the first.

Paul Trussell: And then just a follow up, there's also been a lot of noise in the market place just from the inventory standpoint useful to, you know, inventory being a little bit higher than you would have liked to see at the end of the second quarter. Could you just simply again, update us on what the expectation is of inventory to sales by year-end and the methods you're taking to get it there?

Bill Simon: Yes. Our inventory's fine. It's -- we reported at the end of the second quarter that with some sales changes to what we had forecasted that we ended up a little high, I also reported too that those were -- that was good inventory largely food and consumables in some of the areas that we hadn't hit our number and that inventory issue was gone. We expect to see inventory at or around the rate of sales for the rest of the year.

We, you know, I read those articles too. Don't know where they came from. We did not cut orders in the fourth quarter. In fact we bought much more deeper in many of the categories that you would expect us to for the fourth quarter.

Back to the merchandise question, I spent most of the day yesterday afternoon going over item by item the merchandise we're going to sell Black Friday weekend and it's phenomenal. It's very exciting and the prices are going to be great and we did not cut inventory.

Unidentified Company Representative: Well, this is a first. We're out of questions --

Mike Duke: That's right.

Unidentified Company Representative: -- and we still have time left.

Mike Duke: How about if I wrap up then? Because I want to thank you all again, you know, for your participation here and for coming and being with us. But also in closing I want to say one more thing. As you see the group on stage here, we talked a lot about our frontline associates.

We all know that our business really starts on the frontline with customers and our associates in the stores and clubs serving customers but to get there, it requires a world class leadership team. I told someone last night at dinner that when you see the executive team of Wal-Mart, there is no retailer. I dare say no global company in the world that has the strength of the leadership team that you see in front of you today.

So if I want to give you some word, positive about the future, it's from the hourly associate all the way to the executive leadership team here. There's no other comparison in the world. But again, Carol we'll turn it over to you for closing and thank you all again for being with us.

Carol Schumacher: We have a couple of things we'd like to remind you. First, as we promised, Charles pulled together all of the CapEx. While we've been in here, we did have our press release that pulls it all together including the detailed charts on square footage, dollars and new accounts that crossed the wire slightly before 4.00 eastern.

It also is posted on the Web site and that is available. Given the timing of that, we were not able to have that on the app so if you're looking for that on the app you won't find it. But please go to walmart.com to our investor's site and you'll find it there.

Second, as you heard, we are literally one month out from our third quarter earnings we will be announcing as usual 6.00 AM or 7.00 Eastern on November 14th. That will be our third quarter report. As far as for those of you who also requested the USB drives with all of the presentations, we do have people at both exit ends of the building so no matter which way you go out, we do have those available for you.

About 20 minutes after we wrap up, we will have the buses available at the rotunda end which is this end of the building. And for those of you have asked for transportation back to the airport to XNA, the buses will leave from that -- this end of the building and that you'll also be able to pick up your USB drives there.

And last but not the least, just on behalf of all of us at Wal-Mart, thanks again for coming and we will be available for a little while just for a few more minutes to answer any other follow up questions but have a safe trip home and thanks for being here.