FINAL TRANSCRIPT

Thomson StreetEvents℠

WMT - 18th Annual Meeting for the Investment Community

Event Date/Time: Oct. 12. 2011 / 1:00PM GMT

THOMSON REUTERS

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PRESENTATION

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Good morning from Bentonville in northwest Arkansas. I'm Carol Schumacher, Vice-President of Investor Relations, and welcome to our 18th Annual Meeting for the investment community. Not only a warm welcome to those of you who are here in person on the rainy day, but also welcome to those of you who are listening on the webcast.

Before we get underway, we want to highlight a couple of events that we have coming up. You're going to hear a lot of news about our business today. But, certainly, we're getting close to the end of the third quarter. We're roughly a little more than two weeks away, and we will be announcing our third quarter earnings news on November 15.

We do have another event coming up about a week after that. And we know from last year's response that you're very interested in hearing more about what we have going on in Wal-Mart US and our stores for the holidays.

So, we will be offering a store tour at a brand new Supercenter that happens to be opening this morning in Bayonne, New Jersey. I think those of you who are close to the city know it's very close to the city. It will give some relief to some of our stores like in North Bergen and Secaucus.

And then, as we wrap up the end of the fiscal year, we'll be announcing our fourth quarter and year end earnings on February 21 next year. We also will be celebrating in 2012 some key milestones for our company. First of all, back in 1962 on July 2, Sam Walton opened the very first store.

And we hope that some of you had a chance to visit the museum on Bentonville Square yesterday. But, we will be celebrating that milestone next year, as well as this second one. It was back on August 25, 40 years ago, that we would have been initially publicly traded as a stock on the New York Stock Exchange.

So, I think you can see here that for those of you who have been around for a while, we have a photo of Sam doing the hoola when he lost a bet with the associates about whether we'd hit the right level of profitability. But, as through the years, we've had a lot of people involved with the exchange, including a couple of bell ringings last year.

And of course, down front, you'll hear from our CFO Charles Holly later on this afternoon. We're announcing today our earnings dates for next year. You can see them up here. One note you should be aware of is that we're moving from Tuesdays this year to Thursdays next year. And again, as of this morning, these dates will be posted on our website.

We're also announcing some of our key dates for next year as well. You are all aware that we do three meetings a year. In addition to this one, which will be back here next October and we will be announcing the date shortly, we don't have that completely locked down yet, we also will have our shareholders meeting, generally, the first weekend in June.

And that will be in Fayetteville. And then, we are announcing today that our international meeting will be in Toronto, Canada. You will have a chance not only to see some of our new stores up in Toronto, but also to meet members of the management team, led by the recently named CEO Shelley Broader, and you'll have a chance to hear and visit with David Cheesewright and Doug McMillan at that meeting.

We'll be doing that meeting on April 12, and it will have a dinner the evening before on April 11. But let's get down to why you're here, and you're here today to learn more about our business. You can see the agenda. In just a couple minutes, we'll be kicking it off with remarks from Mike about our company vision and priorities.

And then we'll get into the operating segments. We'll go Wal-Mart US, followed by Sam's. Then, we'll have a break and the webcast will be also having a break. And then we'll come back with Wal-Mart International. After lunch, we'll have presentations on globally ecommerce, as well as a new one on leverage.

And I think you're very familiar with our priorities of growth leverage and returns. And throughout the day, you're going to hear us give a lot more information on our plans for leverage. Charles will come up with a financial update, and at that point, we'll pull together all of the information we have on our capital expenditure plan for FY '13.

And then we'll close at the end. Mike will come in and wrap it all up. And we'll also have a final Q&A. There will be Q&A's throughout the sessions. And please remember that as you ask a question, we'd appreciate it if you'd state your name, wait for a mic, so that those on the webcast can also hear the questions.

And with that, it gives me great pleasure to have Mike come up to the stage. And as he's coming up, a quick reminder that our meeting is webcast. All presentations are archived on our website for one year. And the transcripts for this meeting will be available as of Friday. And with that, I'm happy to turn it over to our President and CEO, Mike Duke.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Thank you, Carol. Well, good morning, and it's great to have you back in Bentonville and Rogers, Arkansas. So, let me be, also, one to welcome you. I met a couple of you last night, that this is your very first visit to northwest Arkansas.

So, if this is your first visit, I extend a very special welcome to you. And then, some others of you, I know have said and visited many times here. I think I know someone that's been here over 30 years. I don't believe anyone was here for the grand opening of store number one back 50 years ago, but if you were, please let me know. We'll have a special award for you.

So, but it is great having you hear today, as Carol said, at our 18th annual meeting for the investment community. And I'm really going to cover, really, kind of, three categories of topics today. And a lot of this is based on the questions that you even asked me last night.

First, perspectives on the external economic environment. And then I'll talk a little bit about the corporate initiatives and some thoughts I've got about our business units. And third, I'll give you a perspective on our long range strategic initiatives. But first, before I get into those, I want to take a moment and just brag a little bit and talk about the accomplishments of the Wal-Mart team.

Because I will promise you, Wal-Mart is the very, very best positioned global retailer on the planet. And every business segment at Wal-Mart is stronger today than it was one year ago at this meeting. We are also, you heard leverage already, we are working

together across the company better than ever. And so, some initiatives like customer insights, process engineering and systems that you'll hear about today.

And then managing talent, just how we manage a global business from a people standpoint, it's better than ever. As a matter of fact, the leadership and the talent of leadership around the world is the strongest that we have ever had at Wal-Mart.

And it's really, I think, a tribute to the internal leadership development strategies inside the company, but also our ability to recruit very, very talented. The best leadership talent in the world of retailing is something that we have that ability today.

The other thing I'll tell you, our competitive or secret sauce, as some like to say, is our company culture. Wal-Mart culture is strong and it continues to be our big advantage. And as you heard last night from Leslie, we're making a difference around the world and leading on big issues. And women's empowerment is just the latest big announcement, that we're having a big impact on.

Two years ago at this meeting, when I stood in front of you and committed that we were going to do something that we hadn't been doing, and that is leveraging expenses, that we were going to start growing SG&A at a lower rate than our rate of sales growth.

Well, you know last year we did that, and I'll tell you, we're going to continue that. As a matter of fact, I want to go ahead and establish quickly this morning another goal that internal that we've agreed to in the leadership of the company and committed to, but I'll share it with you.

helping customers save money and live better. We're going to do it even more and better because of this.

And this productivity loop that we talk about so often. So now, let's get on with the three topics. I've said every, I think, interaction I had with you last night, you asked me about the external economic environment, you know that I'm out talking to customers every week, and mine is not based on lots of government data, and we don't have a staff of economists.

What we do have would be over 200 million customers around the world that we can get perspectives on. And we have mature markets like here in United States, the UK, Canada. Then we have emerging markets, and there are differences. So I'll probably like to talk about mature markets. Let's say the US first, and then we'll talk a little more about the emerging markets.

You know, here in the US, there really is an income bifurcation. So, it's really interesting because Wal-Mart core customers are the primary -- those that we visit without in the Wal-Mart stores, but we also visit with Sam's Club members. And this is where we can sense this.

And still, the number one topic on top of mind of our customers is the job situation. So, as unemployment continues to stay at that 9.1%, our customers still have a concern about jobs. They're still awaiting of concern about their income and their family and their budgets and how they're going to get through.

That pressure, that economic pressure, our customers still feel today here in the US. And I don't -- I can't tell you that I've seen it get better. I'm not saying that it's gotten worse over the last few months, but it sure hasn't gotten any better.

And that's really still top of mind with customers here in the US. Which is what, really, continues to lead to lower consumer confidence. Which also, by the way, of course, affects consumption and purchasing patterns.

Now, the emerging markets of the world, I said there's a different feel there. Even when I travel around the world and I see the number of cranes being -- stacking up big buildings in large cities around the world, it's really clear that in emerging markets, there is a longer term growth expectation in most of the emerging markets of the world.

There is an emerging middle class that has the ability to spend and consume. There's a trend in almost all of these markets towards urbanization as people move closer and into cities. And it's really interesting, the acceleration of digital and technology, even in those emerging markets, is something that's happening very, very rapidly.

So, that's a phenomenon. You might say, "Well, that's just a US or mature market issue." Not a bit. That really is around the world, and the speed of transition in the areas of ecommerce and technology is really amazing. Now, I said I'd give you a few words on my perspectives on the business segments. And let me start with Wal-Mart US, because I know you all are anxious to hear from Bill this morning.

Bill, I really don't want to steal your thunder, but I sure am tempted to. But, I promise Bill that I will wait and let him talk about comp sales. So, you're just going to have to wait a few more minutes until Bill can get up on the stage. But, I can just tell you that I'm pleased. And pleased with the steps that have been taken and pleased with the progress that we're seeing with comp sales.

As a matter of fact, just a couple of weeks ago, Bill had his holiday meeting in Dallas. And I was especially pleased when 3,800 store managers come together with the level of enthusiasm, and the way that they're committed to go back to their stores and have a really strong holiday season, I left there inspired.

And, frankly, enthused about the coming holiday season, not because of the economy, not because of all this external pressure, but because of the commitment of 3,800 store managers. And this focus on pricing, every day low price, giving customers savings when they need it most is something that, of course, the US Wal-Mart team is really focused on.

I'm also pleased with the opportunity for growth in new stores. We had our monthly real estate meeting on Monday of this week. And there is still just considerable opportunity in urban markets, as Leslie discussed last night, but also a lot of rural markets and suburban markets.

So, there's still much opportunity for growth in the US. But, if you could sit in the real estate meetings, you would see the absolute capital discipline of the way that capital is approved and invested in new stores here in the US.

Wal-Mart International. The international business continues to be a vibrant growth engine. So much opportunity for additional growth. And the team is growing market share in almost every market that we operate in. Really pleased with the country by country comp sales.

But, as you'll hear, the international team is focused on profitable growth and, especially, the opportunity for growing profit in the emerging markets and, thus, improving return on investment. I can tell you that's top priority here in the international business. I am very pleased with the acquisitions recently, the last few years and the progress with integration.

Doug and the team have done an outstanding job of integrating new businesses and strengthening the existing business. Doug and the team have coined a phrase that I'm just going to copy and use a lot more, Doug. The phrase, Powered by Wal-Mart. You know, when you think about, Powered by Wal-Mart, and you go into markets around the world, that can have such outstanding meaning. And really pleased there.

Sam's Clubs, and of course, comp sales. That's just that continual growth of comp sales in what is almost a $50 billion business. It'd be easy, when it'd come to this meeting and not really inquiring enough, or not being enough interested in Sam's, but it's almost a $50 billion business.

And I'm really pleased with the progress and merchandise quality, and the product that the customer wants. But, then, club execution is the best that it's ever been. I think what's special also about Sam's is some of the uniqueness that other clubs might not have. For example, the fact of there being Wi-Fi, so customers can shop with their mobile devices in the club.

And then, of course, seeing Apple products that you will not find at another large club competitor. And it's a point of differentiation that I think the team at Sam's has done an outstanding job of. Then, ecommerce and multi channel, you'll hear more and more about. Today, you'll hear more and it's just a part of our life because it's a part of customer's lives.

Customers want continuous, integrated, shopping experience. They want to be able to move their mobile devices, tablets, shop at home, in the store, they want information, pricing. They want inventory information. All of this is so critical.

And then, social connections and how that affects how I spend money and what product I buy, becoming more and more important. I will tell you, there is an outstanding team now that is leading the development of our strategies in ecommerce.

Eduardo was built a really, really outstanding leadership team in this area. And I'm also really pleased with our investments. Our investments in Kosmix, which now as we're evolving to Wal-Mart Labs, and in China and [ehodian] and the investment there, and the plans for the future in emerging markets.

So, as I said at the beginning, our business segments are stronger today than we were a year ago when we stood in front of you and building momentum. So, let me now look. The third topic, I said I'll look a little to the future. What are the strategic initiatives that we're really focused on at Wal-Mart? What's really important looking out?

Clearly, we were just talking about some of those that will continue on like ecommerce and multi channel and some of these other initiatives will carry on and accelerate. But, I want to start back to what is the Wal-Mart business model? The productivity loop, EDLP, EDLC, our most critical strategic initiative is just to be Wal-Mart. And it really is to enhance and be even better at EDLP and EDLC. So, I told you earlier about the 100 basis point reduction. How are we going to do that? What's different about that?

Well, what's different about it going forward, and you'll hear from others this afternoon, is the approach to process engineering, be further in corporation of innovation, how to use technology and systems to enhance, really, the shopping experience, but at the same time, increasing productivity and efficiency, effectiveness of our operation. Our business model around the productivity loop is, really, critical, critical going forward, and we'll even be talking about that more throughout the day.

A second very important strategic initiative relates to having an enhanced customer connection and enhanced customer loyalty. Now, I'm also pleased, Brian Cornell and Cindy Davis, we started up a consumer insight, so customer insights organization, that really will help to function globally, that we can really know our customers better than ever.

And better than any retailer. And we can have a connection with customers that creates loyalty. This, going forward, will be one of the most critical areas, I think, of Wal-Mart's new focus areas, is understanding more detail about consumers.

And again, we'll be telling you more about that over time. A third strategic initiative, and again it's not anything new, it's to have the very best leadership at retailing, and having the highest engaged associates in our stores and clubs and operations.

I mentioned, we have this -- now, this opportunity to be able to recruit the very, very best talent and leadership in the world. And then we've got some of the very best development programs now in retail existence. And what I'm really pleased with is the developments around merchants, because having the best merchants in retailing really leads to being a great retailer.

And then, the associate level, a renewed focus on the hourly associate on the front line, and the relationship with the company and relationships with customers. The next strategic initiative, you heard about it quite a bit last night. And I just like to say it's doing what's right, but it's also good for business.

And all of the initiatives that Leslie talked about are about doing what's right, but all of those are good for our business. We are leveraging our size, our scale, and our reach for benefits. This is all making us a better company, and we're saving hundreds of

millions of dollars in the experience. So, from all this, I see stronger relationships with leaders around the world. It's really opening doors for Wal-Mart.

Now, I know you're interested. What does this result in for shareholders? We are stronger and better positioned, and next year, when we come to this meeting, we'll be even better. The result is improved returns, increased shareholder value, strong free cash flow. I'd like to close by calling out five areas where when we meet again next year, you're going to see us deliver.

Number one, comp sales growth, top priority. Number two, improved profitability of the international markets. Number three, reduced SG&A and then we'll be giving those savings back to customers. Number four, we'll be making visible progress and building our ecommerce business. And number five, we'll have even stronger talent in the organization.

I look forward to taking your questions this afternoon. I thought that rather than this morning, I know we want to get into the business discussions today, and we'll have Q&A time. But, later in the day at the close, I'll be happy to take any remaining questions you've got. But, right now, let me turn it over to Bill Simon, our Wal-Mart US President and CEO. Bill?

Bill Simon - *Walmart US - President, CEO*

Thank you, Mike. Good morning, everybody. I've been very, very excited to get a chance to talk to you about the progress we've been making in the US business. It's substantial, I've been in the role, I guess, this time last year, when I was in front of you, I had been in the role about 100 days. And we had identified many of the issues that we needed to begin working on and dove in right around that point and started making traction.

Now, the traction wasn't as fast as we would have liked, but it is working. And I'm going to talk to you about that in a second. One of the other changes that we made from last year to this year is I was up here by myself last year, mostly. And this year, you're going to get a chance to hear from the team.

Johnny Dobbs is going to come up in a little bit and talk to you about our incredible supply chain and the work that they're doing to help deliver that productivity that Mike just talked to you about. Of course, you'll hear from our Chief Merchant, Duncan MacNaughton. Duncan had joined us in October in a transitional role, and was here and became the Chief Merchant around the first of the year this year, after having spent a year as a Chief Merchant at Wal-Mart in Canada.

Joel Anderson, who I'm told is having a birthday today, happy birthday, Joel, I get to embarrass you in front of lots of folks and on the webcast. Joel Anderson is the President of Wal-Mart.com US. Joel took that role about a month ago after having a tour through our store operations and prior history in the ecommerce space with another retailer. You're going to hear about Joel's, and he's going to talk to you about multi channel opportunities that we have.

And finally, Karen Roberts. Karen was recently announced as the President of Wal-Mart Realty. Karen grew up in real estate, an attorney by training. Was a real estate manager, and later was a general counsel for real estate, and has a real wealth of knowledge in our realty group. And you're going to get to hear some of her strategy going forward. As I said, we've been implementing our strategy. It's starting to take hold and the progress is now visible in the business.

And, initiatives like the assortment ad-backs and action alley we've talked to you about, we've been talking to you about it for a year now, are now delivering pretty consistently of 75 to 100 basis points in sales improvement to our business.

Additionally, led by food, we're seeing about 100 basis point improvement in food traffic and overall traffic, by the way, is also up. The food traffic is now positive and leading up the rest of our business from a traffic perspective. When I think we spoke before, I would have told you we expected to see sales lead up traffic, and that's, in fact, what we're seeing.

And Mike described to you the confidence he had in our plan, and I would reiterate that. We have confidence in our plan, and I can tell you that with certainty because we know it's working. From about May, we've been on an upward trend. We announced at our second quarter earnings that we've had positive comp sales in July.

And I'm very, very happy to tell you that that trend has continued, and with the close of September, we delivered our third consecutive positive comp month. So, while that's not yet a quarter, those three months don't add up to a quarter. We're very optimistic about our sales improvement.

The plan that we are executing is one that should be very familiar to most of you because it's Wal-Mart's plan. It's within our control, it's totally and completely manageable by us. It doesn't require the economy to get better, but we certainly hope it will.

It doesn't require us to have collaboration or participation, certainly collaboration, but not participation or funding from suppliers, though we hope when we begin to grow, they'll get on board and help us with this. It doesn't require us to improve to our cost of goods through improved global sourcing, though we believe that will happen because it's happening now. This is within our control, it's for us to manage.

And it starts very simply with us investing in price and funding it through the productivity improvements that Mike talked to you about. I'm going to describe some of those in a little bit, both the price investment where we think it will occur, and how we're going to achieve some of the continued productivity improvements that we've been delivering now for four years in the US business.

Secondly, and equally as critical is improvement to our merchandising. General merchandise, in particular, has to be a key element of what we're doing. As we invest in price, one of the best ways to do -- for us to do that will be through improving our mix. And Duncan's going to talk to you about some of the initiatives that he and his team are delivering against this objective of improving our merchandising.

Joel's going to come up and talk to you about a multi channel strategy that leverages what only Wal-Mart can do. It leverages the assets that we have in stores, we already have the product in your zip code, and distribution system, we have a world class distribution system, and we have one of the top ecommerce sites in the US.

And, if you put all that together, there are a lot of things that we can deliver that nobody else can deliver. And Joel's going to just mention some of those briefly, without giving away too many secrets, right, Joel? And finally, we're making a change, slight change, to our real estate strategy. One that's more market share driven. We've talked to you in the past about using -- entering the top 15 urban markets with our real estate strategy. That's still part of the plan.

But, we're also looking at opportunities to grow market share wherever we have the opportunity. Not just the low share urban markets that you would've heard us talk about, but medium and high share markets, where market share opportunities exist, we're going to pursue them through real estate.

Again, a familiar slide, but I wanted to just mention it because it's so very important to what we do. And they all work together. And it's important to understand that EDLP, EDLC and a very, very broad assortment have to live together in order to be as effective as we'd like it to be.

Everyday low price allows the customer, clearly, to trust that we'll have the lowest price day in and day out. And if executed properly, takes away all of the ability for competitors to promote to deliver high low savings.

And that's what we've got to have to execute, that's what we've been executing. And I've told you, it's working. Equally as important is having a broad assortment, because if you have a big store and you have a narrow assortment in a big store, you've cut yourself down to size.

We've got to deliver that assortment, that one stop shopping for customers, particularly in high gas price environment, that allows them to come to our building, get whatever they want, and understand that the price will be consistent and low.

And all that has to be funded, obviously, by EDLC. And operating for less, which leads me back to EDLP. From a customer perspective, it's trust in price. From an operating efficiency perspective, EDLP is how we're going to be able to deliver the cost savings to fund EDLP. Johnny and his team, when the demand curve is smoother and not high low, operate much, much more efficiently.

Our store teams and our process engineering group would also tell you that they can better operate -- we can better operate a store when we have consistent pricing and consistent demand. It all works together. So, I'm going to talk about this first piece, and then you'll hear from the rest of the team.

You probably haven't seen this chart before, you may have. But, you could easily put it together from our annual reports. What it shows is that over the last 11 or 12 years, we've been on a consistent trend of increasing gross margin and a correspondingly parallel line nearly of SG&A as a percent of sales going up.

Clearly, not where we'd like to be. Clearly, not sustainable. You will note that in the last 12 months, both of those curves have begun to turn down. Those are the initiatives that we've been executing, and that, by and large, is a strategy that we're going to follow as we go forward.

Productivity improvements, funding gross margin reductions. Gross margin reductions to the tune of about $2 billion over the next two years in the US business, funded by productivity improvements. Let me be clear, if I can, just for a second. We're going to be able to deliver our profit commitments because it's a self funding mechanism.

The productivity improvements that we have already begun to execute will allow us to focus on price reductions and gross margin reductions. Those price reductions are going to be very broad in their application, not necessarily key item focused. So, market basket studies that look at the top 30 items will not be as effective at showing you what we're doing than at 2,000 or at 4,000 or at 8,000 item market basket.

It will be very broad. It will be focused on items in areas that have a reasonable amount of price elasticity, so that when we lower the price, our gross margin dollars go up. That's where we'll invest in our business first. It will be long term, it's not an instant fix. It will be long term, and Mike talked about five years. This is the first two years of it. This is what we're going to be executing, and it's started already. And, obviously, as we looked to elasticity, we're also going to look to traffic driving categories, and areas of the store that will, you know, show price and allow the customers to come in more frequently.

Some of the areas that we're going to fund this, and you'll hear a little bit from Karen about this, Johnny's going to come up and talk to you in just a second, we've been able to lower the remodel cost back to more traditional Wal-Mart remodel expense rates. And I'll talk about capital and exactly how we're going to do that near the end of the presentation.

And we've been able to lower our new store costs and remodel costs. It has a very big impact on the P&L as you all know, particularly in depreciation when we can -- when we spend a lot of money on a remodel, that six, seven year depreciation schedule compared to a 30 year depreciation schedule on a new building has a big impact on our P&L.

Productivity improvements in our stores and in our DCs are something that we've been able to very consistently deliver over the near term horizon, over the last four or five years. In fact, when I -- almost from the time I took the Chief Operating Officer role, many of you asked how long can you continue to leverage expenses or improve productivity on, at that time, it was three comps or four comps.

Then it was two comps, and then it was flat comps, and I won't say anything below that because I've not, personally, acknowledged anything beyond flat, just for the record. Maybe it's just how I have to cope with it. But, we've been able to do it on comps as

high as three or four, and we've been able to do it on comps that were flat or worse. We can leverage and continue to improve productivity in our business because it's what we do.

We look every single day and we're never satisfied, and there's lots of opportunities for us to do that. One of those areas is in our incredible supply chain. And Johnny, why don't you come up and talk to us about some of the things that your team is doing in transportation?

Johnny Dobbs - *Walmart US - EVP - Logistics*

You know, you heard from both Mike and from Bill, that everyday low cost is the foundation for everyday low price. So, our focus across the organization is delivering products that our customers need at the most efficient method and process available.

So, here's an example of a sustained cost reduction in our transportation area. We have improved visibility and routing tools. We've reengineered processes that have increased the number -- that have decreased the number of empty miles and out of route miles that our drivers drive.

Our merchants and our suppliers have improved packaging, and we've adjusted methods that we use to load our trailers, resulting in increased cases in cube in every trailer that we ship. So, if you take a look at the graph and compare FY '08 to this year projections, we'll ship 335 million more cases while we'll drive 300 million fewer miles.

So, across the organization, we're focused on the supply chain all the way down to the customer. Improvements in our DCs and our transportation operations generate savings, but if you improve processes at the store level, you have a significant multiplier, when you think about 3,800 plus stores out there.

So, we've been working with our store operations team and our innovations teams to develop what we call the project one touch. So, first of all, we align the merchandise flow, our delivery schedules, and the store labor schedules together.

So, then, we reorganized our high velocity distribution centers to deliver category group pallets that allow our associates to easily transfer product from our trailers to the sales floor. Then, we added aisle and modular locations to the general merchandise case labels to make it easy for our store associates to get these types of products onto the shelf.

And finally, this past year, we installed a systems-driven process that dramatically improves the less than case back processing in our back rooms. So, you see, these are just a few examples of the types of projects that we're working on across the organization on an ongoing basis. And Bill, you said it, it's just what we do.

Bill Simon - *Walmart US - President, CEO*

Thanks, Johnny. Incredible work they're doing. And if you look at that center picture on that slide, I think it's a great example of what Johnny's talking about. We moved a task from a store to a distribution center. And the pallets are sorted and the colors are outlined on the pallet. We did that so that you could see which aisle they go to.

They're sorted by department and by zone in the store at the distribution center, so that you move the task from a store to a distribution center where we're much more efficient and there's many fewer distribution centers than adding the task in a store with 3,800 stores and a whole lot of different labor issues in the store.

That allows us to be more efficient in the store and that's just absolutely terrific work. I would also mention that Johnny and his team had an incredible honor recently, when one of our drivers was named the national truck driver of the year. So, over 1 million or so truck drivers that crisscross this country every day, the top driver is a Wal-Mart driver, and we're very, very proud of that, John.

So, we bring this slide back up again because I'd like to reiterate that this is a $2 billion price investment that is self funded, and allows us to deliver our shareholder commitment and profitability while moving our gross margin, our gross margin forward.

It's in our control, it's working, and it will deliver growth because we're confident it will because it already is. One of the keys to this is merchandising. And as I said, we've made a lot of changes to merchandising in the last year. One of those changes, is our next speaker. So, please welcome Duncan MacNaughton, Chief Merchandising Officer at Wal-Mart US. Duncan?

Duncan MacNaughton - *Walmart US - EVP, Chief Merchandising Officer*

Thank you, Bill. Good morning, everyone. I've been in my role now for about eight and a half months, and feel very, very good about the progress we are making. We've been working very hard across the business, and it's paying off. We have the right strategy, we have the right team. We have a new leadership team. Put it in place, we have some great executives.

If you didn't see them yesterday in the stores or have a chance to meet them last evening, I'd encourage you during the breaks and lunch to reach out and see some of our great new merchants leading this team and leading this change at Wal-Mart. They're impressive people.

We also have outstanding execution in the stores. We've been focused on five key principles, fundamental merchandising principles in our business, and they're resonating with the customer. We call this the five Ps. It's the traditional four Ps that we all learned in business school, right? Simple stuff, focused on our core customer. We added a fifth. The fifth P is for people.

With these principles, we start right at the center with the customer in mind, the center of our focus. We then go to price. Price is the foundation of Wal-Mart. That's what we do, that's what we stand for. My team and I are very committed to driving price leadership store by store, category by category, across the country.

You heard Bill say it, $2 billion, significant investment, all come from our cost reductions. Next, we go to products. We have some very exciting and significant progress with our assortment initiatives that I'd like to share with you today.

We then go to place, place is the store, it's the environment, it's where the registers ring, it's where we interact with our customer. We have taken key measures to ensure that we are ready for our customers visits by ensuring that we are in stock when our customer comes to Wal-Mart to buy their product.

Next, we move to promotion. Merchant intensity, it's what we do. We're merchants. It's item and price, it gives us an opportunity to shout to our customer the broadest assortment with the best everyday low prices. That's who we are.

The fifth P we talked about, which we added, is people. Mike talked about it. We're investing in merchant development. And at the same time, we're investing in our relationship with our suppliers. We're gaining strong alignment with our supplier partners through our joint business planning process.

Let's review our progress and let's start with price. EDLP, everyday low price, it's Wal-Mart's foundation, and it's our commitment to our customer. It started with Jack Shewmaker, who's up here on the slide. And it has been a guiding principle in our business model ever since. We are committed to helping people save money so they can live better.

EDLP gives our customer peace of mind when they shop our stores, they know across the box, they get the best price. EDLP builds customer trust. It builds customer loyalty. That's who we are. EDLP drives traffic into our stores and, subsequently, it drives top line sales. Every time we execute EDLP at Wal-Mart, it works. We'll do it.

Let's move to product. We told you we're bringing items back to our store. And I'm telling you, we did it. Over 10,000 items are back in the store since we started this initiative. The team's been working hard. We took a very phased approach. And our first phase, we told you, we talked about food, we talked about consumables and dry grocery.

Why? That's where we had our biggest gap, and it's also where the foot traffic goes in our store first. In Phase II, we changed our focus to dairy, to deli, to frozen, to health and wellness, and to our hard lines business.

Phase I and Phase II are complete. We're now in Phase III of this journey. We're moving to entertainment and our soft line business, focused on home and apparel. Probably about 75% done there. They'll take us to the end of the year to finish that.

We've seen some great success. In consumables alone, dry dog food with the new assortment and new modular, we're up 290 basis points as we added back assortment. Hair care, adding back brands, adding back selection, representing it to the customer up 480 basis points. This is cool stuff.

And as you know in retail, you're never done. Particularly, if you have my job, I get a lot of help, let me tell you. We constantly review our assortment. Our customers are changing, the environments are changing, and we need to be there.

So while we'll complete these phases by the end of the year, we're constantly updating our assortment and looking for our customer. The next piece we go to is place. On shelf availability has been a priority in our stores and its driving sales. Historically, we focused on what we called in-stock. That means the product's somewhere in the store.

But, we've shifted our focus to on shelf availability, ensuring when our customer comes to our store to look for that product, it's there. And our sales performance is directly tied to how well we do keeping on shelf availability where it should be. At the beginning of the year, we hit a bump in the road on on-shelf ability. We changed our process. We also changed the metrics on how we measure it.

So, we made it a priority. And when you make things a priority at Wal-Mart, things happen. So, working with suppliers, Johnny Dobbs' team and logistics, our in-store execution team, we made sure that when our items -- when our customer comes to buy products at our store, it's on the shelf.

What you see in this graph is pretty impressive, quite frankly. From the beginning of this year, we've increased our on-shelf ability 570 basis points. And, over the last 12 weeks, our on-shelf availability is over 90%. And most recently, at 93% on the key items in the store. What's the magic here is how do you set the right target by category and optimize the expense in the store, because you could chase things forever.

This is the right way to go about this. We then go to promotion. We look at merchandising density to drive top line sales. We are merchants, we want to showcase product, item and price, big and bold. I'm happy to say we've completed our work to return [action alley] in our store base. This helps us make our assortment easy to find, it showcases national brand products. Items customers want, at fabulous prices.

In over 1,000 stores, we also made significant space improvements. We've raised our gondola heights. We've increased our modular capacity. We've also increased total linear feet, to build the capacity for these 10,000 items that we put back at our stores.

Happy to say where we made these changes, we're up 140 basis points in sales. As Bill mentioned earlier, the combined impact of all of these assortment initiatives, the 10,000 assortment add backs, our focus on on-shelf availability, our return of action alley, and our space improvements are driving between 75 and 100 basis points of comp sales improvement.

This is real stuff, and the customer is engaged with us. The good news is, as Bill talked about, our food business continues to grow momentum. Our customers notice the changes in our assortment, in our pricing, and we're seeing the results in our business.

We brought back the right items and the customer said, I'm ready to buy them, and we're seeing that in our comp sales. We're also seeing traffic from our customer. From our customer with incomes of $50,000 and above.

And as you know, in this industry, we have experienced some inflation. But, for the most part, it's being offset by trade down or trade out. In the recent month, trade down has decreased a bit, but it's too early to call it a trend.

This economy has created significant uncertainty with our customer. And this uncertainty has caused our customer to make choices. So, they're trading down within brands, or they're trading out. Some are trading down from national brands to opening price points, others are trading down from a large size to a small size within the brands.

Customers are consistently looking for better ways to save money. And we're ready to serve them because Wal-Mart provides customer certainty that they can save money with our broad assortment in our stores. So, we think about general merchandise that's critically important for our business. Bill talked about it, and we're working very hard on it.

So, what we started in food and consumables, we're now bringing to the rest of the box. General merchandise is important to it, and my team, which I hope you go out and meet, has a laser focus on improving these results.

And were executing strategies that are focused directly on our customer, providing value, building assortment for our customer. Building assortment with what we call a book end approach. Make sure that we have the opening price point product for that entry level customer.

But, not to walk away from aspirational products that offer great features and benefits on the top end. OPP to aspirational. But, in the store, we must simplify this offer for our customer. Product density, but presenting it with simplicity.

One area this is really paying off in our stores is in hard lines. We like to refer to it as our heritage business. Hunting, shown here as an example, had been underperforming our expectations. We knew we could do more. So, we did a few important things.

We started with assortment. We brought back brands and items our customer wanted. Brands like Remington, Mossberg, Marling, and Ruger, great brands. We looked at merchandising density, how do we present this to our customer? Effectively utilizing space to show brands and broad assortment our customer wants to buy.

And then, showing the customer solution-based merchandising. You see it in action alley, you see it in the sporting goods department. It resonated with the customer. Hunting comp sales are up almost 16%. That's the real deal.

Automotive is another great example. We added back assortment, took the same approach to how we feature that. You may have seen the tires in the lobby, if you walk down to see some of our products. Our automotive team thinks that's the smell of money, those tires, isn't that a great smell, right? It's awesome.

We expanded our assortment there, and our tire business is running a plus seven comp. It's working. Fishing is another example, another great heritage business, where we're strong, but we knew we could do better from some of these learnings.

So, we increase space across all of our stores by roughly 10%. We took our fishing rods and we put them up in the air. It gave us more opportunity to densify our assortment offer. We added back 37 brands in our fishing category, like RattleTrap, like Rapala, and Quantum. We added back between 200 and 600 SKUs by store, depending on the existing space, for their fishing section.

After we dropped the new modular, we resulted in a plus nine comp for this business. And I'm telling you, people are happy. The fishermen are happy, the store managers are happy. But, the fish aren't so happy, sorry.

All right, other categories where it's working. Camping, we're up 2% year to date. These changes are paying off. And we're taking this approach across the rest of our general merchandized business. What's exciting to me about this, and I hope it is to you, we're at the very beginning of this journey. There's opportunity after opportunity inside our general merchandized business.

Core fundamentals, focus on our customer expectations. Let's take a look at apparel. We're building the foundation on what's happening in the apparel business. We are directly focused on our core customer's needs, on the assortment and the basics that our customer expects from us.

So, what are we doing? First, we're going to simplify the offer for our customer. The items, the brands and the solutions our customers want, that's what we're focused on. We are growing our assortments with our national brand partners. We're improving the quality offers across our family section of goods, and we're growing our assortment and plus sizes across the business.

And were very focused, very focused, on winning and basics, on socks, underwear, jeans and basic tops. It's who we are, that's what we stand for. These categories are the foundation of the business, and it also gives us an opportunity in these areas to show our customer great quality, great value, with great prices. We're simplifying the presentation, make it easier to shop within our store, using simple block merchandising.

And we're working with Johnny's team to improve product flow, so we end and start seasons on time. So, when the customer comes to the apparel pad, they see the colors. They see the season. And we're flowing goods so we can make our presentation better.

And I'll tell you, our approach in apparels is showing -- in apparel basics, is showing positive results. National brands, great prices, it's showing value, and it's working. Three areas, underwear, plus six comp in September. Socks, plus eight, Jeans, plus five. This is building foot traffic and bringing people back to our department.

The good news is our apparel business is delivering 600 basis points of improved comp trend. So, as you think about focused on basics, it's started to take hold across the rest of the department. As you know, we've struggled for years in apparel, but these assortment changes in these key category changes have been driving an up turn in our business.

We've seen our comp trends improve consistently over the past year, and our momentum is continuing. While we still have negative comps, we're very encouraged by some of these key segments within the total business. For instance, our apparel business, our apparel plus initiative, is plus 5.2% year to date.

It was 11% up last month. The customer sees it, they're coming back for it. We're also very pleased with our back to school season. We had branded and licensed products. Our backpacks were up 9.8%, an outstanding progress inside the apparel business.

So, as we look at home, we've begun the same approach with our home, focused on basics and value. What you'll notice in our home department is a focus on improved quality. And like apparel, a focus on basics. Value that is unmatched and resonating well with our customers. Our customers come to Wal-Mart for basics and home. That's what we're good at.

We're simplifying the in store presentation to our customer by rationalizing some of our private brands. Make it clear, make it easy to shop. So, we're changing our merchandising focus to key items on core items that sell well that our customer is looking for in our store. Item and price, bold, block merchandising on key categories that resonate with our customer.

Like towels and sheets and candles and floor care, small appliances, and outdoor living. I hope you saw that in the stores when you walked our stores yesterday. Or when you walk around the country. We're making these changes real time.

In small appliances, we've had some great success. Our food prep business is up 5.25% year to date. Coffee category is up 6.5% year to date. Up 12.5 month to date. Customers noticing this come into Wal-Mart.

Microwaves, year to date, plus two comp. It's working. Let's look at entertainment. We're focused on value and immediacy. Similar to the industry, our entertainment business has been quite challenging. We've been faced with deflation and weak market conditions across all of these departments. We know we serve a valuable role for our customer in entertainment.

Our role is to deliver value, immediacy, and easy access for our customer. So, we're committed to winning in a number of areas. First, opening price point. We're going to win there. We're also going to win in declining categories. We'll be there for our customer for as long as we can deliver profitable sales within these key, important categories.

We're going to win in new, new innovation, new products, and new releases. And we're going to build our basket in entertainment, with complementary items, easy to see. Earbuds, iPads, keyboards, cables. And you'll hear shortly from Joel, and he'll talk about how we'll leverage our multi channel business. So, for our entire store base, small to large, we can have an impact in our entertainment business with some of the key initiatives that he's working on.

And we've had some winners here. Let me demonstrate it. $5 movie bins, you may have seen it out in the hallway. We'll do over $300 million in sales in that movie bin. $5 music CDs, ready for it? Wait for it, up 13% year to date. So, for all of us that thought movie is done, our customer's engaged with it.

It's a great value, it's fun to shop, it's inexpensive, and it's there for the customer. We've also had some great successes in leading market share with new releases. Transformers 3 across the DVD and BluRay, 45% market share. First in new, big in new.

All movie releases year to date, 40% share. The customer comes to Wal-Mart for these products. We'll be there for them, and we'll make sure there's other products to buy when they're in the store. So, we turn our focus to holiday 2011. We are very excited, and I'll tell you, very well prepared for a strong holiday selling season.

This holiday season is important to us just like it is to every other retailer. But, about 12 months ago, Bill challenged us and said, we're going to win this holiday. So, we put a dedicated Wal-Mart team to look at sales day by day, product flow, the right items, store operations. What do we have to do to delight the customer?

So, Mike mentioned it. We had our meeting in Dallas. We showed them the plan, right? We communicated expectations, and we placed some big bets. We have the right strategy, we know this is going to work.

Some of the key components that we have are layaway. Our customer has been asking for layaway for many years. As a matter of fact, it's the top request on Facebook. And what I'll tell you is, we'll ask them, what did you do for July 4th, they'll say, bring back layaway.

What did you think of the new movie? Bring back layaway. So, as you know, we delivered. We delivered for our customers, so they'll be able to put toys, electronics and jewelry on layaway. The best part is, it's a simple program. It's easy for the customer to understand. And they're going to be engaged starting October 17.

Other components of the plan include our ad match to ensure best price at Wal-Mart. We planned a great event for Black Friday, we're very excited about it. A very strong baking and food entertaining initiative to really carry us through November, December, January.

And a new toy catalogue that shows powerful merchandise that customers want at great prices to make us the destination for toy shopping. And you know what? The holiday is all about toys. And we have the hottest toys at the best prices in the marketplace.

We will remain the customer's number one choice for this holiday season. Recently, we released our top 20 toy list, and let me tell you, it's in the store, and I'll tell you what, it's already selling. It's pretty exciting. We always guess and we always push the toy team, what's going to be the best, what's going to be the best?

We think the top five this year will be Elmo Rocks, LeapPad, Fijit, iPad 2, and Call of Duty. But, of course, the customer decides. But, we're ready with many toys and many opportunities. So, what are we going to do when we want to talk to our customer about this? We have a very strong marketing plan for the holidays.

We will have a large share of voice in our national and television advertising. We are doubling last year's volume. If you don't see Wal-Mart on TV, call Bill Simon, because you're not watching TV. I'm telling you. We have a significant print campaign. We have seven tabs, ten freestanding inserts, a toy catalogue, and a holiday entertaining guide that will be distributed nationally. Significant communication to the customer. We also have an apparel guide that will be distributed in store for the holiday -

(technical difficulty)

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay, so as some of you are still coming in, a year or two ago, we had a volcano in the UK, and then this past year, we had an earthquake and tsunami put some disruptions into our international meeting once again in Asia. And at the time, I had said, well, when we're in the US, I don't think there's anything that could possibly happen. I was wrong.

So, it was a power outage in the area. It is raining. For those of you who are on the webcast, it's raining in northwest Arkansas, so there was a power outage in our area. And it shut us down for just a couple of seconds, but in doing that, it knocked out all of our systems.

And so, we now have everything back up and running, and for those of you who are on the webcast, that's the explanation of why the webcast went down. It's not your laptop. I'd also like to make a note that for those of you who are on, maybe, some handheld devices, that we thought it was, also, something related to the power outage here as well. They're not working, really, in this room. It's not here, it's apparently an issue that is pretty far widespread across the country.

So, for those of you who are thinking you're not getting any email messages on your handheld device, it's not here. That apparently is across the US. But, we are now back up and running. Welcome back, to those of you who are also on the webcast. And we are going to re-pickup with Duncan's presentation when the system went down.

So, you may hear a little bit again about the marketing presentation from Duncan. But, we will go straight through. As far as what this did to our schedule, we will probably shorten up lunch a little bit, because we're sensitive to the fact that we want to finish up on time this afternoon. And with that, Duncan, take it away.

Duncan MacNaughton - *Walmart US - EVP, Chief Merchandising Officer*

Great. Thanks, Carol. I'm glad I could be on stage when this is the first time this happened. It's awesome. But, just to kind of reframe, and we won't have to be too redundant for those in the room, we were just talking about our holiday plan. And also talked about some great holiday toys and how we're going to talk to our customer about it.

So, our marketing plan for the holidays is quite significant. We will have a large share of voice in national television. We will double last year's volume. Double last year's volume. And I talk about it, if you don't see a Wal-Mart ad for our Christmas holiday selling season, you're not watching TV. We'll also have a significant print campaign, seven tabs, ten freestanding inserts, a toy catalogue, and a holiday entertaining catalogue that will be distributed nationally.

We'll also have an apparel guide distributed in store with great Christmas and seasonal apparel. We'll have daily Facebook cadence, with the largest fan base in retail. We're also investing in digital banner ads and search engines.

We'll have weekly events inside our stores with pictures with Santa, holiday baking, interacting with our customer throughout the holiday season. We're going to kick this off in October with our layaway campaign. We'll utilize television, public relations, FSI's, radio, and of course, our 10 million Facebook fan base.

I think the best way to share with you our excitement is to show you some of our great commercials that we've made for the holiday. We're going to share with you today just four spots. They'll frame the holiday, they'll delight the customer, but most importantly, they're going to drive people into our stores.

What you'll see this morning are two layaway spots to communicate we're back in layaway, a Spanish language holiday ad. Our Hispanic customer is very important to us, and is a key part of our growth plan. And we'll end with a Christmas morning ad. Let's take a look.

(VIDEO PLAYING)

Duncan MacNaughton - *Walmart US - EVP, Chief Merchandising Officer*

We're very proud of the ads, we're very proud about our new initiatives, and we're very, very encouraged by our customer responses across all these key merchandising initiatives and our marketing campaign.

So, we are really looking forward to the upcoming holiday season. Wal-Mart is creating a multi channel solution that will allow us to average our assets to win. Quite frankly, Bill said it, do things that other retailers cannot. And to share that strategy, Joel Anderson, President of Wal-Mart.com US is going to walk you through those pillars. Joel?

Joel Anderson - *Walmart US - President - Walmart.com*

Thanks, Duncan. I, too, am glad you were up here and not me when that happened. So, thank you. I am the new guy on the job. Now on my second month. And as Bill shared with you earlier, I spent several years in a prior life in the ecommerce space, but I will tell you, it's been these last four years with Wal-Mart where I've had the opportunity to run an operating division for us that I really gain the experience and the appreciation for the convergence that's happening online and offline, and what our customers really want from a digital ecommerce experience.

I know that in this new role, I need to accelerate and create a seamless integration between our online and offline channels. As you can imagine, I'm busy assessing our strengths and our opportunities, while balancing the needs to deliver the fourth quarter holiday season. I will tell you, my initial message to you is simply, wow.

I am pleased with the initial strategy that I've seen, I'm pleased with the initial steps that have been taken since the beginning of the year, and I am pleased with the accomplishments that the global ecommerce team has made since that came to life last year.

Now, today, I'm not going to be able to share with you the full specifics of our US ecommerce strategy. But, I can share with you what I've learned so far. The first one is that we are ready for Q4 online. Carol, we've got lots of redundancy. Our site is not going down this year.

Secondly, I'm going to share with you that we are working on initiatives that will differentiate Wal-Mart online. And I will share some of those with you this morning. Thirdly, I'll tell you that the team back in San Francisco is committed to innovation, to execution, and leveraging our physical assets.

Before I'm ready to roll out publicly our full ecommerce strategy, I know that I need to listen some more. Quite honestly, as a team, we need to dream more. And I'll tell you that I need to ask some more questions. But, let's look at some of those initiatives and what the advantages those will provide to Wal-Mart.

One of our key pillars of digital success and differentiation will be about building a continuous channel approach. Specifically, I'd like to share with you the progress we have made in three areas to leverage our multi channel for the US business.

The first of those areas is around the idea of assortment. It is our role online to extend that shelf in the stores. The offline merchants here in Bentonville set the strategy, and then it's our job to broaden that assortment.

We're also working on several tools to optimize the integration of our .com and our store systems. Some of those tools will allow us to optimize our assortment both online and offline, and make it transparent to our customers.

Initiatives like one common item file, one set up process, will greatly expand our assortment and leverage our stores to generate online sales. Speaking of our stores, our store teams next year will get sales credit for both store sales and .com sales. This is like unleashing a sales force of over 1 million people.

That is a differentiation that will be hard to replicate. Secondly, I want to focus on access. Several pilots are currently in place to leverage our ship food storage capabilities. We will offer next day delivery at a very economical price. We will use these capabilities to reach customers in urban areas that we have not yet penetrated.

And finally, our online marketing efforts will over index in these areas we haven't penetrated so that we can continue to provide access to the Wal-Mart brand. The third area is fulfillment. We already have unlimited assets in place. Nearly 4,000 stores, over 150 DCs, this will give us the flexibility to offer our customers best in class delivery options.

For example, last week, we transitioned several disparaged shipping offers into one comprehensive fulfillment program. We are now offering three compelling free shipping programs. This is an excellent example of multi channel strategy beginning to come to life.

Let's look at this one a little bit closer. We call it fast, faster, fastest. On my left up here, you have our site to store offer. And this offers our broadest merchandise assortment beyond the stores. Site to store allows a customer to pick it up in our store or hundreds of urban FedEx locations for free.

Home free in the middle is our new faster program. This launched just last week. Home free allows our customers to bundle their items into one order and have it delivered to home for free. And there are no membership fees like some other online retailers currently charge.

Pickup today on my right, is our third program. It is our fastest option, and it provides the convenience of same day pickup in our stores for free. Pickup today is available in every one of our stores on the hottest assortment we have to offer.

And what's more, our in-store pickup programs on the left and the right there also generate a second transaction in our stores of nearly $60. And they now represent 50% of our digital online sales transactions. Fast, faster, fastest. What a great example of a continuous channel experience that cannot easily be replicated.

Mobile's the final area. I would briefly highlight that it's critical to enabling our multi-channel experience. Our general e-Commerce team, led by Gibu Thomas has been leading this initiative and has done a fantastic job getting us up to speed.

In the next 30 days, we will launch new apps in both -- for both the iPhone and the iPad. And during our global e-Commerce presentation, Gibu Thomas will demonstrate one of those apps for you. We are rapidly working on finalizing our US mobile strategy and I will share that with you at a future meeting.

But let me wrap up by saying this. I trust these examples I shared with you today demonstrate our focus on becoming a multi-channel retailer. Let me go back to what I said at the beginning. Carol, we are ready for Q4 online.

Two, our teams are focused on innovation, on execution and on initiatives that will differentiate Wal-Mart. And, third, we will create a seamless, continuous experience to unite our offline and online channels for what the customers want.

Thank you very much. And now, I would like to introduce to you our EVP and President of Wal-Mart Realty, to talk to you about our last topic, and Karen Roberts will take us through real estate. Thanks, Karen.

Karen Roberts - *Walmart US - EVP, President - Walmart US Realty*

Good morning. I'm Karen Roberts and I'm the Executive Vice President and President of Wal-Mart Realty, and I'm excited to be here today to talk to you about our real estate strategy. We are very excited about our opportunity to grow market share. You heard a little bit from Bill about this earlier. And that is, it's a bit of an adjustment in our strategy, but not a significant change. And that is that we are going to grow share in markets all across the US.

To accomplish that, we've developed a multi-pronged real estate strategy focused on increasing share by continuing to grow in medium and high-share markets, capitalizing on opportunities in low-share markets, utilizing medium and smaller formats, converting our discount stores to Supercenters through relocations and expansions and maintaining our fleet, through the capital efficient remodels.

Today, as in the past, most of our growth is going to come from those medium and high-share markets. As I said, a moment ago, this not a new strategy for us. It's one that we've implemented before and utilized in the past and will continue to utilize next year.

However, we are excited about the opportunity to capitalize on low-share markets and, as Bill said, those opportunities will come in urban areas, but also in rural areas that we have not yet served. In those urban areas, we think we can serve those customers by penetrating with stores both in the cities and around them. You might be wondering how we reach the customers in the markets I've just described.

Well, first and foremost, let me say that the Supercenter still remains our primary vehicle of choice for growth. However, with the development of the Neighborhood Market as a medium format and the Express as a test small format, we're seeing our customer respond to those smaller stores. And we think that those smaller stores, combined with what Joe just described to you about multi-channel, allows us to bring the Wal-Mart promise to a greater number of customers.

In addition, we'll continue to convert our discount stores to Supercenters through relocation and expansion. You might be wondering, how will we fund this growth? Well, I'm pleased to say to you that the changes that we've made to our remodel program over the last year have resulted in significantly reducing the capital costs we invest in those. In addition, the disruption to the customer and for the store is much less than it was in the past, and the average duration of those remodels is now down to five weeks, on average.

This revised remodel program, which addresses end-of-life issues, as well as any refreshing and rebranding that might need to be done, is much less capital intensive than the remodels we were doing in our recent history.

This type of remodel allows us to save on capital, invest it more efficiently in new store growth as well as, as Bill described earlier, change that depreciation model from a shorter depreciation schedule, associated with the remodel, to that longer depreciation schedule associated with new stores.

We believe this multi-pronged strategy will help us deliver the growth we need to serve our customers. As I said before, Supercenters remain the best vehicle for us, that we believe that they're the best vehicle to capture market share. We think that we can do that in markets all across the US, ranging from low to high share and from rural to urban.

In fact, the Supercenters we're building today at about 90,000, 120,000 and 150,000 square feet are smaller than the larger Supercenters we've built in the past, and yet still offer that broad assortment and one-stop shopping for the customer. That variety and size allows us to right-size for the market and for the customer that we're trying to serve, as well as creates more capital efficiency by allowing us to build smaller stores and buy less land, in some instances.

Examples of medium and high-share markets where we can continue to grow and capture sales are Tulsa, Baton Rouge and Oklahoma City. These three markets alone, we believe, represent an additional $480 million in sales and we believe this strategy of utilizing Supercenters as a primary growth strategy will get us there, as well as the other small formats I described a moment ago.

Because Supercenters are our best growth vehicle, next year, we'll open between 130 and 135 Supercenters. And I'm pleased to say that in addition to the capital we saved on remodels, we've also been busy value engineering the Supercenter format, trying to find ways to save capital.

We'll be applying those learnings broadly across all the formats, as applicable. Neighborhood Markets. We are excited about this format. It provides us the ability to grow share in markets that we're already established in and have medium and high share and it's also a great tool for us to enter markets where we're not yet present.

The Neighborhood Market has consistently delivered strong financial performance through the recession and the financial performance of this format, five consecutive quarters of positive comps in traffic, continues to make it an increasingly attractive format for our future growth.

Also we know that the customer enjoys shopping close to home, and so with that, we've identified a large number of Neighborhood Market opportunities. I think Bill previously has shared that we have about 180 internally approved through our real estate committee process. Since the last time he shared that information, we have actually more approved. We are ready to move with this format. And to that end, we'll open between 80 and 100 small to medium formats next year, with a majority of those being Neighborhood Markets.

We think this format allows us to capture share in markets where the traditional Supercenter strategy is not feasible. In the alternative, it's a great fill-in format in markets where we already have established share and established loyalty with customers, like Dallas and Oklahoma City.

Just like the Supercenter, we offer a broad range of sizes in this format and that allows us to right-size the store for the customer and the market we're serving. Wal-Mart Express. I think many of you have, in the room, have been in a Wal-Mart Express, but just in case you have not, let me set -- take a moment to set it up.

We're in the initial pilot stages on this very small format. It ranges in size between 10,000 to 15,000 square feet, has about 13,500 SKUs inside the box, including grocery, consumables, financial services, pharmacy, inside the store.

And in those rural markets and in dense urban cores, the format is providing a promising alternative to our current format base. Currently we have five stores open, three in northwest Arkansas, one in North Carolina and one in Chicago.

As I said, this is a pilot, so we're in the test-and-learn phase, and we'll be evaluating this format for optimal product lay-out, for the right -- product assortment for the right merchandise lay-out and for appropriate ancillary departments, such as fuel.

We're also reviewing ways to better improve logistics and replenishment, making this format more efficient and more scalable. And we'll continue to expand our pilot group, so we can continue our learnings by opening six additional locations before the end of the fiscal year.

The speed of roll-out of this format will be determined by the performance of the pilot stores as well as any key learnings we take away from this pilot. Wal-Mart Express provides us yet another option to serve our customers across the US. Bringing the Wal-Mart promise to the customer. That's really what this real estate strategy is all about. We're excited about our opportunity to grow market share and continue to serve the customer.

We're going to focus on growing market share through the following. We're going to continue to grow in the medium and high-share markets. We're going to capitalize on those low-share market opportunities. We're going to utilize medium and small formats to better serve our customers, continue to convert discount stores to Supercenters, through relocations and expansions, and maintain our existing fleet through our remodel program.

We think this strategy will provide customers greater access to the Wal-Mart promise of EDLP and broadest assortment possible. And I'm pleased to report that we'll do all of that at flat to declining capital. And with that, I'd like to turn it over to Bill Simon.

Bill Simon - *Walmart US - President, CEO*

Thanks, Karen. Before I get to -- bring the team back up for questions, I'm going to walk you through our capital expenditure plans for the coming year. Let me call your attention first, if I can, to the third line from the bottom, where it says total Wal-Mart US. And what you'll see is our capital spend, US capital spend, declining from $7.3 billion in fiscal '11 to $6 billion to $6.5 billion in the coming fiscal year.

The decline in CapEx from fiscal '12 to fiscal '13 is about a 7% reduction in capital. The line directly beneath that will show us delivering more additional square footage with less capital. As you can see, 14 million to 15 million additional square feet.

Now all the way up to the top, you'll see new store spending is increasing, $2.7 billion in fiscal '11, to $4.8 billion to $5 billion in fiscal '13. We're able to redirect capital from the bottom line below, shorter depreciation, expensive remodels, into sales driving, top-line driving growth in new stores and a longer depreciation schedule.

And finally, down to the bottom line, so you can see our unit growth, 153 in fiscal '11. We'll deliver -- that 153 in fiscal '11, I think included some of the in-box conversions that we delivered and is probably not exactly an apples-to-apples comparison. The fiscal '12 number, 142 to 150, increasing to 210 to 235. And as Karen just described to you, about 100 of those units will be Neighborhood Markets and Express stores. 80-ish Neighborhood Markets and 20 Express stores or so.

What we'd like to do with Express now is test the density, the impact of density. And our plan is to go to a market and build a group of them and understand the impact to our operation, the impact to our existing stores in the market and the impact and competitive reaction that we might get from density. And that's what we'll do with that in the next phase.

I just would like to wrap up in the next half a minute or so by telling you we have a plan. We've talked you through the plan. We're very confident in it because we can see it working. And hopefully you can tell that we've got a little bit of energy and excitement in our business because we're seeing the customer respond to some of the things that we've been delivering.

We're very excited about the productivity improvements driving price reductions. We've started that where we could and we're going to be expanding on that in the next year. Duncan, your presentation was so great, you brought the house down literally. We've got a lot of confidence in you and your merchandise team to fix some of the things that we need to get sorted through.

Joel and the multi-channel strategy, and you're going to hear a whole lot more from Eduardo's global e-Commerce team later in the day, they're doing some absolutely fantastic things and Joel's supporting them as -- where we look for very big things coming out of that group. And I think there's an opportunity to grow in real estate, and Karen talked you through that. For us, we think there are hundreds of billions of dollars of growth in the US if we target it and effectively deliver it.

So with that, I'll tell you that three consecutive months of positive Wal-Mart US comps is a good way to be heading into the holiday season. And we are very confident in the third quarter performance and so, so excited about the opportunity for us to deliver value to our customers and shareholders in the upcoming Christmas season. So with that, I'm going to ask the team to come back up and we'll open it up for questions.

QUESTIONS AND ANSWERS

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

(inaudible - microphone inaccessible) If you'd like to ask a question, please raise your hand and we'll wait for the microphone so we can also make sure that the people on the webcast hear the questions. We'll go to our first question to John.

John Lawrence - *Morgan Keegan - Analyst*

Thanks, Bill. John Lawrence from Morgan Keegan. Bill, when you took over, a little over a year ago, you talked about it would take time for the customer to know that you're back in stock. And it would take time. How would you say that you've finished a couple of the phases? How would you say the customer reaction is and knowing that that product is back?

Bill Simon - *Walmart US - President, CEO*

We talked about seeing sales in basket size largely improve before traffic. We never lost customers. I think we're very confident in that. What we lost is the trips. And the trips of current customers. And as those customers were in the store less frequently, because they couldn't find the items they would like, when they saw the item while they were in the store, they bought it. And so we saw larger baskets and basket size improve ahead of traffic. And then finding the items that they were looking for appears to be bringing traffic back to the store. And gas prices easing doesn't hurt either.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Next? Next? Next question, we'll go to Mark. You had your hand up next. Here, I'll get.

Mark Wiltamuth - *Morgan Stanley - Analyst*

Thank you. It's Mark Wiltamuth from Morgan Stanley. Bill, if you look at the 100 basis points of SG&A savings you're looking to achieve, what kind of SG&A growth rate do you have implied there? And is there any delay on when you deliver the gross margin reductions? You need the SG&A reduction to show up first before the gross margin reduction happens.

Bill Simon - *Walmart US - President, CEO*

Our plan is to deliver the S -- the productivity improvements in the form of SG&A in the same P&L that we're delivering the gross margin reduction. So we do need them to happen at the same time. We, frankly, get better visibility to productivity than you might think. So we implement the program and we can see it build to a point and we've got our -- planned our sales and our

investment to where we believe the impact will come. And while it may not be in the same week or month, maybe quarter, it should certainly be inside the same year.

Mark Wiltamuth - *Morgan Stanley - Analyst*

And SG&A growth rate, what should we be looking for?

Bill Simon - *Walmart US - President, CEO*

We -- the 100 basis points, I -- that we've been talking about have been a reduction off the rate of sale. So the rate of sale that we planned would -- we planned SG&A to increase at the rate of sales and we're going to take 100 basis points off of that.

Mark Wiltamuth - *Morgan Stanley - Analyst*

Thank you.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay. Next question, Anna, and then Adrianne, you'll be after that.

Anna Pot - *APG Asset Management - Analyst*

Thanks.

My name is Anna Pot. I work for APG, a pension fund investor in the Netherlands. A follow-up question on the first one. A question on the one-touch system. Congratulations for the increased productivity that could fund the lower prices. But what we've learned from people in the shops, that these measures also have had negative consequences. Less associates in the shops mean less -- bad consequences for the customer services, but also we heard that products do remain in the back room. My question is, what kind of mechanism -- what mechanisms do you have in place to ensure that the one-touch system functions well?

Bill Simon - *Walmart US - President, CEO*

Well, that's a great question. It -- stores that run the program the way that it's laid out do very well with the program. Stores that don't, for any number of reasons, either staffing or management or other issues, can struggle with the system. The product comes off of the pallet already sorted, as we described to you.

If you don't -- if you try to run an old process, which was take it off the pallet, put it on a bin, and unload the next pallet, as opposed to take it off the pallet and take it to the shelf, you're going to add costs to the system and the scheduling system didn't anticipate that you were going to do it the old way.

And so the transition that we talked about, and Duncan mentioned it, as we were transitioning the system earlier in the year, we had stores, not a lot of them, that struggled with the new process and the new guidelines. And you can't run the new hour guideline with the old process. You'll end up with a problem.

But if you run the new process with the new guidelines, associates are actually quite happy with the new program. It makes their job much, much easier. And the hours that are scheduled deliver against that. So some of the problems that you might have heard about, either in on-shelf availability or from associates, and believe me, I get thousands of phone calls and emails

when something's vibrating in our system, we have an open-door policy that works very, very well. And we react to it as quickly as we can.

And one of the ways that we reacted was to begin to measure on-shelf availability, which is the customers' view of in-stock, as opposed to the prior analysis that we did, which was our view of what in-stock was. We knew it was in the store. We were happy. But now we wanted to make sure that the customer saw it. We needed a third party to help us build the capability to read that and we've achieved that.

And the numbers that you saw, that Duncan showed, were the improvement in on-shelf availability, driven by the new metrics, the new measuring system and better implementation of the process that we described. So while it's not perfect everywhere, and we do continue to have isolated issues, we feel like that's a problem that's behind us.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Next question, Adrianne, and then we'll go left to [David Strausser].

Adrianne Shapira - *Goldman Sachs - Analyst*

Thanks. Bill, could you talk a little bit about the adjustment in your real estate strategy? In the past, the team had shifted away from those medium and high-share markets, because cannibalization was a little bit high and it was impacting returns. Could you tell us what has changed and maybe give us an update in terms of what sort of cannibalization you're factoring in?

Bill Simon - *Walmart US - President, CEO*

Thanks for the question, Adrianne. It -- cannibalization is -- can impact us and was. Best example I can think of would be the Dallas-Fort Worth market, where we slowed -- we had a great market share, we were doing really well, and we slowed our growth because of cannibalization. But what we found out was that our competitors didn't slow their growth. And they grew some very high number, I don't know if you know the number off the top of your head.

Karen Roberts - *Walmart US - EVP, President - Walmart US Realty*

They grew at a pace of over 300 openings in the same period that we slowed.

Bill Simon - *Walmart US - President, CEO*

So we got cannibalized, just not by ourselves. And in those markets, in order to keep our market share and grow market share, we do believe we need to build a competitive number of stores. And that's the, I think, the trade-off for us is cannibalize yourself or get eaten up by somebody else's cannibal.

Adrianne Shapira - *Goldman Sachs - Analyst*

And then, just a follow-up, Bill. It sounds as if you've got one more phase in terms of the assortment add-backs. Maybe update us in terms of your thoughts about inventory, what sort of target you've got as it relates to -- is half -- growing inventory half the rate of sales still reasonable as we head into next year?

Bill Simon - *Walmart US - President, CEO*

I think in the long view, Adrianne, it is. We probably have a little bit more to go as we get through, we're in the middle, probably near the end, of hard lines and starting apparel, into home and we'll have to add some more inventory there. But you should begin to see that. You would have seen it in the second quarter, that growth rate slow and we should see that in the third quarter, hopefully in the fourth quarter as well. And by next year, sometime, half -- inventory half the rate of sale is still the objective. Now inflation adjusted, that's been impacting us, our inventory numbers, as well.

David Strausser - - *Analyst*

Thanks.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

David.

David Strausser - - *Analyst*

David Strausser. Thanks. Two questions, more about -- over here, Bill.

Bill Simon - *Walmart US - President, CEO*

Oh. Hey.

David Strausser - - *Analyst*

One about the 93% shelf availability. Can you just provide some context around that? Where you want it to be? Where its been? Just it's a different terms. I'm not sure if it's exactly in stock, how different it is from the concept of in stock. But can you just sort of provide a context around that?

Bill Simon - *Walmart US - President, CEO*

Sure.

David Strausser - - *Analyst*

And then a second one is just around free shipping over $45 and over. Are there exclusions on that? And is that part of the $2 billion investment in gross margin? Because it seems like at some point, on some products, that could be a very extensive thing. So I just want to make sure I understand exactly what you're talking about there. It sounds like a very big issue.

Bill Simon - *Walmart US - President, CEO*

I'll let Joel handle the threshold shipping discussion. And second, the first question was around --

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David Strausser - - *Analyst*

On-shelf availability.

Bill Simon - *Walmart US - President, CEO*

On-shelf availability is a physical audit of the shelf. Somebody walks by and checks the item. Is it there and available to purchase? Or is it not there and available to purchase? The in-stock metric that we would have used before was a system in-stock number. So we would look at our system, our computer systems, and all the logistics and supply chain systems and the store systems and if an item was showed as on-hand, in the store, we viewed that as in-stock. And our metric on that is through the roof, 98%, 99-point-something. And it always had been.

But what we were hearing, through the open door and through customer feedback, was that we had out-of-stocks. And we would look at our system and say, we don't have out-of-stocks, we're at 99. We were transitioning systems where the product was in the back room and not getting to the shelf.

So we built the -- built a new metric on shelf availability that looks physically at whether the item is on the shelf or not. And we've only been measuring that since March. And the numbers that you saw were from the beginning of measure until now.

So they don't reflect what we believe was a dip in on-shelf availability because we never measured it. They only reflect the upside that we had since we implemented the new process and started focusing on shelf availability. We have stores as high as 99-something on on-shelf availability and we still have some stores, not very many, below 90. What we see is that sales go up in every case, at every point.

At some point, the labor model to get to 100 gives you diminishing return. And we're still sort of understanding and experimenting with what the right level is that we should target and want to satisfy the customer 100% of the time. We want to be able to deliver profitable growth and that's a balance.

Right now, we're happy in the 92, 93, 94 range. But we have stores that are working on the high end and we're using them to measure how we might become more efficient and still deliver nine -- up to 99 or 100. I hope that answers that question. Joel, do you want to take the rest of it?

Unidentified Company Representative

Yes, sure. Regarding threshold shipping or the $45 you referred to, yes, there are exclusions. It's not across the entire assortment. In fact, it's really focused on areas like apparel and consumables, where we, in the past, typically had a very small average order size.

So, for example, if you took Halloween costumes and somebody ordered a Halloween costume that was $15 and we charged $0.97 or $1.97, we lost money on that shipment. And now, with the $45 threshold, they're building a bundle, we're able to ship it in the same box, it really costs us virtually the same amount to ship that product. Certainly we're giving up some shipping revenue, but it's a much better proposition for both us and the customer.

And so across the box now, we have some sort of free shipping offer. It's either a site-to-store, its home free or it's our pick up today offering. But we're optimized it so that we really believe it's a profitable, sustainable home-free shipping program.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Next question from Robbie Ohmes and then we'll go to Bob Drbul.

Robbie Ohmes - *Bank of America, Merrill Lynch - Analyst*

Thanks. Robbie Ohmes at Bank of America, Merrill Lynch.

Bill Simon - *Walmart US - President, CEO*

Oh, hey, Robbie.

Robbie Ohmes - *Bank of America, Merrill Lynch - Analyst*

How are you, Bill? Two questions, the return to positive comps, was the gas station initiatives you did with Murphy's, the $0.10 off, was that significant at all to supporting the improvement in same stores sales?

And then separately, a lot of your larger, key competitors were having a lot of success driving traffic, using gas station initiatives. Are you guys reevaluating or looking at all at how Wal-Mart may be approaching retail and gas to lean or working with partners on that?

Bill Simon - *Walmart US - President, CEO*

Sure. We think that the program has helped us. It's hard to quantify, because there's a lot of other moving parts, as we improved certain elements of the business that we talked you through -- talked you through today.

We needed it, and as you -- we think about this summer, in May, when gas prices were so high, competitors had gas programs and we felt like that hurt us from a traffic perspective. We implemented a program and whether it helped us or stopped hurting us is hard to describe. But we do know, and we're happy with the program, happy enough to -- that we extended it through Christmas. We do believe that having gas on the lots as a traffic driver, I don't think we have to operate them, though. And so we're reviewing that as options and we'll probably look to add it where we can.

Robbie Ohmes - *Bank of America, Merrill Lynch - Analyst*

And should we expect the program to be extended further into next year?

Bill Simon - *Walmart US - President, CEO*

We're going to review it and continue to evaluate options. The -- I think the lower the gas price, the less need there is for it. And so while we don't expect gas prices to stay down forever, it's a program that we view as a roll-back and roll-backs sometimes become permanent and sometimes they don't. We're not ready to tip our hand on that.

Robbie Ohmes - *Bank of America, Merrill Lynch - Analyst*

Thanks.

Bob Drbul - *Barclays Capital - Analyst*

Hey, Bill. Bob Drbul, Barclays Capital.

Bill Simon - *Walmart US - President, CEO*

Hey, Bob.

Bob Drbul - *Barclays Capital - Analyst*

Two questions. The first one is, with the lower SG&A as a percentage of sales, are the operating margin implications essentially flat during the next two years? Should we think of it as a dollar for dollar basis?

The second question is, when you consider the upcoming holiday, would you expect to be even more aggressive on price, heading into it? Or the promotional activity that you look at it, from pricing as you head into holiday? Q4?

Bill Simon - *Walmart US - President, CEO*

Going forward, we are going to be more productive and invest in price. And so from the part that we control, the dollar for dollar is what you should expect. Not building it into the plant, but we do believe that the momentum will build momentum. So as we invest in price, sales will grow, which will give us -- fuel the productivity loop and allow us to go faster and at some point we'll go faster and faster and faster.

I think we'll begin to attract the attention of many suppliers, who haven't -- who have been forced to go elsewhere with their funding, to grow their volume and I would do the same. I've been a supplier for parts of my life and don't blame them for it. But as we can deliver profitable growth to them, we'll see more support from them. We expect to get cost of goods improvements continued from our global sourcing team.

And so I think the part that we can manage, and the way we built the plan, was a dollar for dollar investment, from a productivity improvement. I think we can do better than that. I hope we can do better than that. But we're not counting on it. We wanted a plan that we can control.

And the fourth quarter, we're not going to be beat on price. Somebody may beat us on paper, when they publish an ad or a flyer, but they won't beat us in store. That's not what we do. We're going to win pricing battle for the holidays. We'll match it if we don't see it in time, but the way things work, somebody's going to go out, look at the 20 items we just said are going to be the top toys and somebody will probably, today or tomorrow or yesterday or last week, publish a price that's lower than one of those because we've said that those are the top 20 items. We're not going to be beat. That's not who we are.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay. We'll do Bud and then Deb and then we'll have to wrap up on Wal-Mart US.

Bud Bugatch - *Raymond James - Analyst*

Hi. Bud Bugatch, Raymond James. Layaway, you took it away a couple of years ago. Can you give us a refresh as to what that impact was, at that time? I know the program is different this time, but maybe you can give us an idea of what that took away from Wal-Mart sales when you did take it away?

Bill Simon - *Walmart US - President, CEO*

Well, it's also hard to quantify. Because a lot of parts were moving all at the same time. When you do the analysis on layaway, and we did it, and we did an effective analysis on layaway four or five years ago, we lose money -- we lost money on layaway. And so if you evaluate the labor and the storage and the returns and everything that goes with it, it made sense to do.

But like everything in life, there's unforeseen consequences. And I think what happened was we lost trips. So the items that customers would have put on layaway, or the return trip to pick up the layaway item, somehow wasn't quantified or calculated the way it should have been and the net net, we believe we lost sales. Hard to quantify how much. At the same time, some of our competitors revamped or reinvigorated their layaway programs and, by the way, the economy went like, making layaway more and more important to our customer.

So we looked at it differently this time through and we're delivering a layaway program in toys, electronics and jewelry, which would have accounted for the majority of layaway sales in the old program. We put a minimum order size on it so that -- we would have people come and put a pack of gum on layaway sometimes, in the old system. And that can't happen.

So the new program has the meat of what was layaway with an improved profitability perspective because we sort of limited the things that cost us a lot of money. And we're very hopeful, and Duncan talked about the launch next week, we opened it to associates this week, partly to give them a head start and partly to debug it, to make sure -- we hadn't done it in awhile and we wanted to make sure that it worked properly. And we've been very, very encouraged by our internal response to it. And we believe the customer will respond, next week, pretty favorably as well.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

And last question, Bill, will come from Deb Weinswig.

Bill Simon - *Walmart US - President, CEO*

Hi, Deb.

Deb Weinswig - *Citigroup - Analyst*

Hi. So, as these 10,000 items have been returned to each store, and obviously there's a few more to be returned on the hard line side, can you just talk about the mix of art and science and what we're seeing from a localization perspective by store?

Unidentified Company Representative

Sure. Thanks, Deb. Actually, as you look at the different phases that we've done, there are a number of the customer requests that we have were probably majority, Main Street market. Probably 80% of the stores needed to have that.

Really in food and consumables is where we really started to do micro assortment. But I will tell you we're at the beginning phases of that, where we're doing store-by-store, community-by-community. So quite frankly, this makes me quite bullish on the future, that we're fixing the base assortment and then we can fine tune it as we get into next year. So we're really trying to go after the big buckets right now, Deb.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Bill and team, thank you very much.

Bill Simon - *Walmart US - President, CEO*

Thank you, all.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

I know you have many more questions on Wal-Mart US, and you will have an opportunity, also, to see the US team throughout the rest of the day, particularly at lunch. So we'll also have a wrap up Q&A, where we'll be able to add in, I'm sure, some questions on the US business.

Based on a couple of comments during our little power outage, I do want to clarify one thing. And that is that the 100 basis point SG&A reduction that Mike referenced early, Mike was speaking about the total company. I know there were a couple of questions about whether that's Wal-Mart US. That is total company. And when we get into the financial presentation, later this afternoon, you will hear a little bit more context around that, remember total company, from Charles Holley and the financial presentation. And with that, we're going to transition to the Sam's Club team and I`d like to invite Brian Cornell, President and CEO of Sam's Club up.

PRESENTATION

Brian Cornell - *Sam's Club - President, CEO*

Carol, thank you and good morning. I appreciate you joining us for our Sam's Club update today. I'm going to be joined on stage by -- with four of our key executives, Todd Harbaugh, who leads our operations, John Boswell, who oversees marketing insights and e-Commerce, Mike Turner, who leads our important membership initiatives and our Chief Merchant, Linda Hefner.

Before I turn it over to our four leaders, I'm going to spend a little bit of time just giving you a few highlights around our Sam's Club business. A few headlines for your reports. And I'd start with the fact that our Sam's Club business, well, it's performing exceptionally well right now. We're delivering growth. We're delivering leverage. We're driving returns. Importantly, our strategy remains consistent.

Three years ago, at this event, we talked to you about our savings made simple framework. A framework that's really driven by the insights that we have around our member. And our focus on getting our members exactly what they want from Sam's Club.

We continue to be focused on leveraging insights to make great merchandising choices, to improve the in-club experience, to enhance our membership relationships and while we're doing that, we continue to be focused on improving our talent pipeline, developing the next generation of leaders to execute this plan.

The strategy is working. And we know that because our members are rewarding us for this strategy. They're rewarding us by shopping our clubs more frequently. They're shopping more categories at Sam's Club. They're spending a greater share of their wallet with us throughout the month.

That membership reward, well, it's helping us accelerate our comp store sales. And as you might imagine, at Sam's Club, we really like this slide. It demonstrates six sequential quarters where we've improved our comp store performance. And I can tell you that the third quarter is off to a very good start.

We had a very solid August. Our comps improved in September. And we're off to a great start in October. Importantly, we feel very well positioned for the holiday season and expect our momentum to carry through the balance of the year.

We're also seeing broad-based performance increases. Very strong performance in our northern division, in the south, but I'm especially pleased with the performance we're seeing out west, where we go head-to-head with our main competitor, every single day. Our performance has been strong across the box. Our portfolio is delivering great results in many, many categories. Our fresh performance has been one of the stars in our portfolio.

But we're also seeing market share gains and strong comps in grocery, in beverages, in freezer cooler. We're gaining share in electronics. We've brought great new brands to home and apparel and our members are rewarding us by shopping those categories more frequently and driving exceptional comps. And our focus on value and service is improving our penetration in a very important health and wellness space.

So as you might imagine, it's an exciting time to be at Sam's Club. We had our holiday meeting a few weeks ago in Kansas City and it's a very energized team. But I know many of you asked me last night, Brian, where do you go from here? Can you keep this momentum going?

And we believe there's significant head space in the channel. We believe that the type of growth that the club channel has delivered over the last five years, well, it's going to continue as we move forward. We think we're very well positioned at Sam's Club to drive that growth. And we think there's a significant opportunity for our business in today's economic environment.

I thought I'd share a little bit of insight about our member. Starting with our consumer or advantage member. We're really fortunate to serve a higher-income member, one that on average makes over $75,000 a year. They're well educated. And despite the fact that they're less impacted by the state of today's economy, they still are searching for value.

They love the quality we bring them at Sam's Club. They enjoy the type of national brands that they find when they shop at club. They love our assortment. They love newness. And they absolutely demand a great in-club experience. And we wake up every day trying to deliver exactly what they want from Sam's Club. On the other hand, our business member, well, the headline says it all. Today they need us more than ever before.

They continue to struggle. They're right in the heart of today's economic battle. And they come to Sam's Club for quality, for savings, but they come to us to make sure they can survive today in a tough economic environment. They need the savings that we provide to manage their business. They need the ability to shop Sam's Club to manage cash flow and to ensure that they can continue to survive in a tough economic environment.

I have to talk to you about membership. And while we're very pleased with our performance at comps, I'm very pleased to hear Mike Duke talk about the fact that our clubs have never looked better. But I'll also tell you that we're very pleased with the progress we've made in membership. In fact, I think it's fair to say this is the best membership performance we've seen in years.

Our commitment to plus continues to drive plus penetration. Our members love our e-Values initiatives and other value we add with our plus membership. We're seeing more members join the club at the plus level today than ever before. But most importantly, we are now delivering the highest renewal rates we've seen in the last ten years.

But we're not finished. And you're going to hear from John and Mike, the way we're continuing to leverage insights and technology to engage our members, to make sure they're advocates for our business, they're more involved than ever before and we're meeting their needs in new, exciting ways.

As I turn it over to our speakers, you'll hear some very common threads throughout their presentations. They'll talk to you about the fact that all of our initiatives are driven by member insights, by our commitment to giving our members at Sam's Club exactly what they want.

You'll hear them talk about our commitment to quality. And for those of you that were in our test kitchen, our sensory labs yesterday, hopefully you sensed the nature of that commitment. The commitment to make sure we're providing our members with the highest quality products when they shop our clubs.

You'll hear our speakers talk about our commitment to innovation and leveraging technology to enhance the relationships that we're building with our members. And importantly, you'll hear all of us talk about the fact that we're focused on elevating the Sam's Club brand and driving differentiation in the club store channel. So with that, I'm going to turn it over to Todd Harbaugh, who will walk you through our operational initiatives. Thank you. Nice tie.

Todd Harbaugh - *Sam's Club - EVP - Operations*

Good morning, everyone. We are excited about the progress that we're making in operations. And one thing that Brian consistently talks about is the importance of consistency. So it makes sense that I start off with this slide, because it's a slide that you have seen over the last several years, and it talks about how we're working to become the most efficient wholesale club in the industry.

And I'm proud to tell you that we continue to make great progress and, in fact, we're actually exceeding our goal of 6% to 8% improvement in operational efficiencies by the year 2015. We will be the most efficient wholesale club, I can promise you that.

I do want to highlight three points. The first is around our front end. You heard us talk in the past about the importance of optimized scheduling and what we refer to as member needs scheduling at the front end. It is working and it is improving our overall in-club experience.

The second, I will talk about, is sales-driven stocking. And if you look at that picture, there used to be a paradigm that said we had to fill all of our products to that red bar. We talked to our members and our members said they didn't really care that it was filled to the red bar. They just cared that it was there.

So we went through, we made some adjustments, it's given us the opportunity to reduce inventory units in all of our clubs, and it's also given us the opportunity to really gain productivity throughout the entire building.

The third is around self-check-outs. If you've not been to Bentonville or Fayetteville Club to see this new technology, it's exciting. It is new and it is faster. We'll roll it out to about 80 clubs before the holiday and even more clubs next year.

We continue to work very closely with Wal-Mart to make sure that we are leveraging innovation from around the world. And more importantly, we are becoming more efficient, but we're also doing it at the same time that we are exceeding our members' expectations. And we've seen that through our member surveys and our most recent surveys are the highest that they've ever been, as measured around clean, fast and friendly.

You heard us talk a lot about the importance of winning the weekend. Brian talked about the last six quarters and the strong comp sales that we've had. But I'll take you back a year ago, we realized that we had an opportunity on the weekends. We were actually running lower comp sales over the weekend than we actually were through the week. And keep in mind, nearly 70% of our business is done on the weekends.

We put some plans in place. We focused on staffing our production planning in fresh. We worked on things like how do we improve the overall in-club experience, more demos, et cetera. And this has been the result. We are now outpacing the weak comps on the weekends and we believe that this will continue well through the rest of this year and into next year.

And Mike, we heard you loud and clear at our holiday meeting a couple of weeks ago, in Kansas City, the importance that we don't just focus on winning the weekend, but we focus on winning every day. And you have a commitment from all of us in operations to make sure that that happens.

You've heard us talk a lot about the investment of capital in our clubs to improve our members' experience, whenever they're in our buildings. And that is paying off as well. We've gone through and we've really worked hard together, merchandising, operations, membership, real estate, to really improve our process of our relocation, our new and our remodeled clubs.

We put a very strong focus on eliminating the disruption that our members have whenever we remodel a building. And I'm happy to tell you that we've seen an improvement between 100 and 200 basis points in our comp sales in those clubs that we're remodeling. So it's working. We understand the importance of us providing the best experience that we possibly can for our members.

The next thing I want to talk about, Brian mentioned it, we had our holiday meeting in Kansas City a few weeks ago. And I want you to understand that our team is very aligned. Linda, we have great merchandise planned for the holidays. John and Mike, we have a great marketing plan and membership plan.

But it's important for all of you to know that we have over 100,000 fired up and excited associates in the field to make sure that we execute the plan better than we've ever executed in the past. And we will win the holidays and exceed our members' expectations. So with that, I'd like to introduce John Boswell and Mike Turner to talk about marketing as well as membership. Thank you, fellows.

John Boswell - *Sam's Club - SVP - Marketing, Member Insights and eCommerce*

Thanks, Todd.

Todd Harbaugh - *Sam's Club - EVP - Operations*

Yes.

Mike Turner - *Sam's Club - SVP - Membership*

Thanks, Todd.

Todd Harbaugh - *Sam's Club - EVP - Operations*

You bet.

John Boswell - *Sam's Club - SVP - Marketing, Member Insights and eCommerce*

Good morning.

Mike Turner - *Sam's Club - SVP - Membership*

Good morning.

John Boswell - *Sam's Club - SVP - Marketing, Member Insights and eCommerce*

At Sam's Club, with our membership model, we're in a very unique position to engage our members, based on the way that they want to engage with us, both in-club and online. Our ongoing goal is to create a relationship with them, to provide solutions for them wherever they choose to engage with us. At home, online or in our clubs.

I'd like to share with you a couple of examples of these initiatives. Mike, two years ago, you were -- you and your team launched our e-Values initiative, which gave us the opportunity to offer our members personalized savings opportunities. Over the last two years, our members have redeemed over 25 million e-Values offers. This also continues as a great opportunity for us to partner with our suppliers to provide our members with personalized savings opportunities.

We're also seeing strong results from our targeted email campaign, where we continue to engage our members through email. We continue to refine our contact and our messaging plan. And in an effort to engage our members the way they want to engage, we've actually reduced the amount of outbound email marketing that we've done with them this year, but we're actually providing higher sales and higher bottom line profit from this program.

Finally, we continue to look at value-added in-club experiences for our members. Todd and his great team continue to deliver the clean, fast and friendly experience in-club. Two areas that I'd like to highlight are our tastes and tips demo activities and our monthly health screenings. With taste and tips this year, we'll conduct over 1.5 million demos on our clubs. Demos are a great way to engage our members, give them the chance to try new products and add excitement to the club experience.

The other in-club activity that I'd like to share with you, or talk a little bit about, is our monthly health screening, sponsored by our health and wellness teams. Over the course of the year, we've sponsored health screenings in areas like heart health, allergies, kid health and diabetes. To date, we've provided over 250,000 free screenings in our US clubs.

For members, the screenings drive awareness and detection of disease. I'd like to share with you a letter that we recently received from Christina, our optical manager in Kentwood, Michigan, that illustrates the impact that these screenings are having in the lives of our members.

It reads, Dear Health and Wellness team. At one of our recent health screening events, our technician was examining a member and found that the member could not see with her left eye covered. At first, the member was a bit frustrated, irritated, and claimed that our screening -- that our screening machine was not working. The member left the screening area and proceeded to shop in the club. As she shopped, she noticed that when she covered her left eye, she couldn't see anything. This prompted her to visit urgent care, where the doctor who examined her told her she had an ocular occlusion, which left unchecked, could have erupted and caused permanent vision loss.

We're always humbled when we hear members' stories like this. For us, health screenings help to increase our pharmacy and optical awareness and conversion. But most importantly, they provide a service to further enhance the value of our Sam's Club membership.

At Sam's, we're still scratching the surface with the potential of our online business. I'm happy to report that we've had very good performance this year. Most of our track measures, like delivery to home sales, membership sign up and renewal and click-and-pull, have all delivered double-digit increases.

Click-and-pull has been performing particularly well and it's where we allow our members to order things online, have our associates pull their orders in the club and have it ready for our members when they arrive at the club.

My optimistic outlook for this portion of our business is related to our great partnership that we're creating, we've created, with our global e-Commerce team. They're providing us terrific technical support and innovative ideas around the digital and multi-channel opportunity.

Currently, under 10% of our members shop our online website. But those who do spend significantly more and renew their memberships at a much higher rate. This is another reason why we continue to focus on the continuous channel opportunity.

Mike Turner - *Sam's Club - SVP - Membership*

Thanks, John. You heard Brian highlight earlier about our favorable trends in membership, which is extremely exciting. But we're not standing still. We are leveraging our global e-Commerce team, with new initiatives on how to engage and acquire new members.

The use of search engine marketing, reaching potential members that are searching for products, not just membership, and then engaging them with an offer to join. Using social networking, focusing on small business owners and focusing on mom.

If you think about small business owners, they're looking for fixtures, they're looking for equipment, they're looking for other items in their business. And mom is looking for the best values out there. She may be looking for diapers and she can get that value at Sam's Club.

But we are also using targeted offers in our grand opening and relocation markets. You heard Todd earlier about our performance in that area. This is clearly helping us drive new members of the club. These are gift card initiatives or even offering a 15-month membership to get members into Sam's.

John Boswell - *Sam's Club - SVP - Marketing, Member Insights and eCommerce*

We're providing our members with channel-leading technology solutions, both for business and for our advantage members. Our focus is to provide a seamless experience, regardless of how they interact with us. And we're using member feedback to inform our digital road map and our offerings.

Mobile commerce is about giving our members the ability to buy products via our mobile app and our mobile website. This technology will go live for us in the next couple of weeks. With our new M-Commerce capabilities, our members will be able to create a list, purchase merchandise, buy, upgrade or renew their membership, submit a click-and-pull order, track current and historical orders or upload photos to our photo center, all from the convenience of their smartphone. Finally, we're excited to report that our iPad application is in its final stages of development and is scheduled to be launched just in time for the key holiday season.

Mike Turner - *Sam's Club - SVP - Membership*

We're also reaching out to small business. Technology has undoubtedly become one of the competitive advantages for us. But we're also driving new memberships and renewals with our business members by engaging them face-to-face. In their places of business, but also in the club.

Every week, across the country, our club management teams are visiting over 10,000 potential and existing business members. We're showing cost comparisons for items they need to -- for their business. We're also comparing our price to the competitor's price.

We sit down and we talk about items they're buying from Sam's Club, but also items they're not buying from Sam's Club and show them the value we can bring to their business. The technology is certainly important to us, as it always will be in the future. But we are still taking the time to form and maintain that strong relationship with our valuable business members.

You heard Brian say that more members are joining at the plus level. Part that success, this year, has been driven by some changes we made several years ago with the program we called top-down selling. It's where we offer new and potential members our most valuable membership first, the Sam's Club plus membership. And these members are seeing value.

E-Values, the offers and discounts that are loaded directly to the plus card, extra savings in the pharmacy, our plus members are enjoying an 8% -- up to an 8% discount in name brand drugs and also 40% discount on generics. Sam's Club plus members can earn up to 2% cash back from Sam's Club Discover Card and in early shopping hours, John, our business members and also our plus members have the ability to shop the club beginning at seven AM, Monday through Saturday.

This consistent performance and these key benefits are helping us continue to drive plus upgrades and plus renewals. And, John, with that, we'd like to invite Linda Hefner, our Executive Vice President of Merchandise, to the stage.

Linda Hefner - *Sam's Club - EVP, Chief Merchandise Officer*

Thanks, John. Thanks, Mike. Good morning, everyone. Right at the heart of the Sam's Club brand promise is the promise to deliver amazing value on quality merchandise. And so making the best choices for the member is really key to delivering that brand promise to our members.

In a limited SKU business model and a wide array of categories, making the best choices for our member is critical to them, to give them what they want for their families and their businesses, and it's critical to shareholder value. Getting the merchandise mix right, the merchandise portfolio right, is critical to both.

We have built a great team, a great leadership team, in merchandising, over the past couple of years, with eight really strong Senior Vice Presidents and a terrific team underneath them. And we're really pleased with their delivery, in making the best choices for our members, with great quality merchandise at an amazing value.

And the result of all that passion and creativity and hard work on the part of the merchants, as Brian shared with you, is delivering some great comp sales. Six sequential quarters of growth, and we're seeing that in both traffic and ticket. Traffic has been a particularly important objective for us in merchandising and has definitely informed our portfolio strategy.

We're seeing, also, an unequivocal growth in sales per member, which is terrific. That is a leading indicator of how well we're serving our existing member and therefore driving membership retention, membership royalty and membership advocacy. They tell their family and friends and colleagues.

Where we're getting that growth with our sales per member is from other channels. Share of wallet, our share of our members' wallet, the amount of money they spend in these categories, we're gaining greater share as we earn greater trust. It's also showing up in market share growth across a wide array of categories.

So we're really pleased with our growth against these key merchandise metrics and the thing that is driving that growth is our focus on our strategic imperative, of differentiating according to our members' needs. Our Sam's Club member needs.

And sometimes those are different than, say, the general population. So we're very focused on that. In categories like paper and cleaning and laundry, that we refer to as every day needs categories, high frequency categories, we're winning at Sam's Club with price leadership on our members' favorite brands.

In categories like food and beverage, and health and wellness, we're winning with quality and service. Fresh in particular, we've introduced a record number of new items in fresh over the past year, fresh and freezer cooler, seeing great results there, because we're really focused on quality.

And in health and wellness, service is key. John Boswell shared with you our health and wellness screenings, but we were really pleased to just see, recently, JD Power released their annual rankings of pharmacy and we were ahead of the pack in the wholesale club channel in service, thanks to our great health and wellness professionals in the club, and second in all of mass merchant channel, what JD Power classifies as mass merchandising channel.

So we'll continue to focus on those things. In select clubs, we've added more SKUs, more variety, more choice for our members in these important wow categories. We call them wow because we want our members to be wowed when they get to the club and see our offering.

And then in categories we're referring to as excitement categories, like electronics and home and apparel and jewelry, we're winning with aspirational brands and the newness and innovation that our members want. And also, an increased focus on service in electronics, where they have said they need knowledgeable associates who are trained to help them make good choices.

Brands like Apple, where as you heard Mike say, our largest wholesale club competitor doesn't offer that brand. And in a group of categories we refer to as simple solutions, like tires and furniture and mattresses, we do the homework for our members, and make great choices for them.

Now we use this same framework to prioritize resource allocation as well. And how we invest resources is very intentioned according to this and we're placing a particular focus on wow categories because they are big. And they're big growing categories. They're high-frequency, traffic driving categories. Trip driving categories. That's an important objective for us. And they're high-margin categories. So the faster growth we've enjoyed in these categories over the past year has allowed us to invest in other areas, say, in price leadership, and every day needs categories.

In food and beverage, so important to us, and particularly in fresh, two years ago, I shared with you a new process at Sam's Club, new capabilities to strengthen our abilities in product development and quality testing, working with both proprietary brand suppliers as well as national brand suppliers.

Some of you toured our test kitchens at the club yesterday. We heard great feedback from you, thank you. And what we do with this process is first, we start with our member needs. Then we benchmark competitors' products, and that's both inside and outside the channel, because remember much of our growth is coming outside the channel, as members shift from food drug, to wholesale club, Sam's Club. And -- but I have to say, we also test inside wholesale club, and we're always particularly delighted when we are increasingly beating our wholesale club on quality scores and with our products.

Then we partner with our suppliers to innovate and take our learning from the testing process to inform that product development. Again, not just with our proprietary brands, but also with national brands, helping our supplier partners with information about Sam's Club member needs.

And then we put it through the sensory panel test and that measures a variety of attributes, like taste, texture, appearance and even, sometimes, packaging information. And then we take that feedback and then we innovate again until we really get the scores that we want.

We tested more than 4,000 items over the past two years through this process and I mentioned the record level of newness we've had. And we're also seeing much greater success ratio with our new products because we're able to predict, from this -- from the information that we get from the testing process.

Finally, some of the items that we put through here are just to check on how our supplier partners are delivering, so that we can be assured that the quality that we intend to deliver our members, according to their needs, is the quality level that we are delivering. So, real progress here.

I shared with you last year, a new initiative, in merchandising, and we had heard from our members that they really want proprietary brands at Sam's Club to stand for quality in these wow categories, food and beverage and health and wellness, and so over the past five, six months, we've begun to roll out three new proprietary brands, Artisan Fresh, in the fresh categories, like bakery or freezer cooler for example, and then Daily Chef in grocery, an important new brand standing for quality, and then Simply Right, in our health and wellness category as well as in the nutrition categories.

Artisan Fresh led the way. We're thrilled with the results there and as we continue to roll out the new programs under these new proprietary brands, we're really pleased with the response we're seeing. So an important update there.

Another place where we did -- improved our capabilities in merchandising to help us deliver on this quality promise, at Sam's Club, is in global sourcing. I shared with you last year, our intentions to move towards an outsource model for general merchandise. And we've done that, very successfully, with appreciation to our partners there. As a result, we're enjoying access to new factories in a variety of categories. The items that we are sourcing globally are enjoying above average, category average, sales trends, in the categories that we offer them, with improved quality.

And that, as we shared with you last year, has been our intention, to take the cost savings that one can accrue from global sourcing and then reinvest and reinvest in quality, so that we give our members a better value as a result. And that's showing up in this metric too. We are seeing reduced product returns in these categories because of that improved quality delivery, as a result of our progress in global sourcing at Sam's Club.

Supplier partners, really critical to us, and we're collaborating with them in more and more ways. As I said, we see our strategy imperative to differentiate according to our members' demand and really be sharply focused on our members' needs.

So we've instituted a new process at Sam's Club with select suppliers, joint business planning, Sam's Club style, so that -- and it's a little different than sometimes joint business planning is referred to in industry, with a real focus on driving transformational strategic change with our partners in these three priority areas, product and packaging innovation, according to our members' needs, supply chain efficiencies across the whole value chain that we can then reinvest on behalf of our members in a variety of ways, and some of those are with business building opportunities. And that might mean co-investing in e-Values or in marketing outreach to our members, to tell them about great merchandise we have coming their way, or in a great demo, in-club, to encourage sampling and trial of new products that we're introducing.

This has been a really terrific process for us. We get great, great feedback from our supplier partner who have participated in a Sam's Club JBP. And we're taking the same philosophy across the board, even with our smaller suppliers who we don't do a formal JBP, to make sure that we're delivering on this strategic imperative of differentiating according to our members' needs.

Our members love newness. I said that word a few times. And as we deliver it, though, we'll deliver it in this very same strategic framework. We're staying the course. Its brought us these very strong sales performances at Sam's Club.

So in every day needs categories, we're remaining very focused on price leadership. In wow categories, like health and wellness, continued emphasis on service, but also on really quality brands, like G&G, general nutrition. This is an exclusive program at Sam's Club in the warehouse club channel. We're really pleased with it. So are our members.

And then also the proprietary brand programs I mentioned earlier, we see as another way to differentiate on quality and deliver to our members what they want. And excitement categories and electronics, to continue to expand on aspirational brands and building our business -- our Apple business and accessories, for example.

But also department store brands in the home and apparel categories continue to be a focus for us, Waterford Crystal or Warners, a great and strong department store intimate apparel brand. And then in simple solutions, we've got some great brand news too. We're introducing Pirelli Tires, this fall, at Sam's Club.

So newness is important and we are particularly excited about our holiday merchandise. We have a really strong offering that we think, as Todd said, will help us win the holidays at Sam's Club. Brian? I turn it back to you.

Brian Cornell - *Sam's Club - President, CEO*

Thank you. Well, Duncan, while the lights are still on, I'm going to quickly wrap up our Sam's Club section. And I'll start with the points I made earlier. The business is driving really good results. The strategy is very clear and consistent. And while we recognize we'll never be the size of Wal-Mart US, as Mike talked about, we are a scale retailer.

We're a $50 billion retailer. Many of our food and consumer packaged good suppliers tell us that we're one of their biggest and now fastest growing customers. And we do deliver great sales per square foot productivity.

We're delivering strong growth. We're leveraging expenses. We're driving very good returns. And we're going to continue to invest in our clubs, while maintaining a flat level of capital expenditures next year. We're going to take some of that productivity that Todd talked about and we'll open up more new clubs, we'll relocate and expand ten to 15 clubs next year, versus the eight to 10 we relocated or opened up this year.

And we'll continue to invest capital in refurbishing our existing clubs. So I'll leave you with a handful of take-aways before we open it up for questions. We've had very strong business momentum and we expect that momentum to continue as we finish up this year. We are very excited about the ways we're now engaging our members. And we think it's only just begun.

We have certainly improved the in-club condition. And if you haven't been out to a Sam's Club recently, I'd encourage you to go out and visit our clubs and see the difference that Todd and his team have made in how we operate and merchandise those clubs every day.

We're absolutely committed to leveraging technology and innovation to build our business. We've made real improvement in the quality and the number of brands we provide our members inside the club. And we're getting credit for that differentiation. And importantly, we're well positioned to win the holidays. So with that, Carol, I'll invite our team back up on stage and why don't we open it up for a few questions before the break?

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay. And I think, Brian, at the break, you are going to have a cake that has recently gone through the testing process at the test kitchens? Or, Linda, isn't that right? Maybe you could mention that?

Linda Hefner - *Sam's Club - EVP, Chief Merchandise Officer*

A chocolate tuxedo cake. We got really high scores on it from our members. You can tell us what you think about it.

QUESTIONS AND ANSWERS

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

And we will start to take questions on Sam's Club. Peter, you had the first hand up. So we'll start with Peter.

Peter Benedict - *Robert W. Baird & Co. - Analyst*

Thanks. Peter Benedict, Robert Baird. With renewal rates running at ten-year highs, just curious as to your latest thoughts on your fee structure, given what Costco did last week. And then secondly, on inflation, just curious what the impact has been on the comps, the last few quarters, and where do you see that going forward? Do you see that peaking.

Brian Cornell - *Sam's Club - President, CEO*

Sure. Let me start with the membership question, then I'll ask Linda to talk about inflation. As we talked about today, we're really pleased with our membership performance. We've added more members than ever before in our plus group. More of our new members are joining as plus members. We're seeing really good renewals. We like the momentum in our business.

And while we're certainly studying the market, we're certainly aware of the changes that have been made competitively, we've got no plans today to announce a membership fee increase. Linda, why don't you spend a couple of seconds and talk about inflation and what we've seen year-to-date?

Linda Hefner - *Sam's Club - EVP, Chief Merchandise Officer*

Sure. Over the past couple of quarters, we've seen inflation rates of about 175 to 200 basis points impact. We've been managing that, on our members' behalf, and using mix, as I mentioned earlier, merchandise mix, to really make sure that we pass it along only where we need to.

We feel good about our margin performance to date. And as a result of managing that mix, we've been able to actually lower prices on some of those every day needs items earlier this year, on behalf of our members. So it remains something that we pay very close attention to, buyers and their partners are working on it every day, to make sure that we optimize it for our members and for our shareholders.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay. We'll take the next one from Chuck.

Unidentified Audience Member

Thanks, Carol. Good morning. Just on the renewal rates, just to follow-up on Peter's question, could you quantify exactly what your renewal rates are for us today, both for your regular members and then the plus members? And then what that was ten years ago?

And then, second question, you alluded to your strong sales per square foot, which it is good, but it still lags Costco by a pretty wide margin. What do you think the opportunities are for you to get to, say, $1,000 in sales per square foot? Why aren't you there yet? What are the plans to narrow that gap? Thanks.

Brian Cornell - *Sam's Club - President, CEO*

Well, let me start with the sales per square foot opportunity. It is significant and it's part of the excitement we have for the business. We think our strategy today, our focus on improving our merchandise quality and assortment, driving differentiation, improving the in-club conditions, continuing to enhance our membership relationships, we think those are the key to continuing to close that gap. So for us, it's all upside. It's that opportunity that's in front of us that I think our entire leadership team is aligned around. And I think our organization is aligned around that strategy to continue to accelerate our momentum and take advantage of the opportunity that we see in the business.

As far as the renewal rates and some of the other membership metrics, this is a question that I've been receiving now for three years and I think we've bee receiving at Sam's Club for probably 20 year before that. And we've thought about how much information do we want to share. But in an environment, today, where one of our competitors has gone private and our other

competitor going through a lot of change, we don't see the benefit in providing clarity and additional information to our competition.

We think our membership plans are working. We're very pleased. We're seeing it in our membership income performance. But we don't think there's a strategic benefit to providing additional information to our competition around our membership metrics and the performance improvement we're seeing.

It's real. We are driving much better renewal performance than we have at any point over the last 10 years. Plus is increasing. We've got more members signing up at the plus level, but to provide clarity around that information, we just don't see a strategic benefit. And we think it's a competitive advantage we want to maintain.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay. Maggie, next question.

Unidentified Audience Member

With the shifting capital program, and you're talking about opening more new clubs, I'm wondering if you're perhaps moving towards the place that Wal-Mart US is, where you've completed all the major remodels and want to go on an expansion plan yet?

Brian Cornell - *Sam's Club - President, CEO*

Well, Maggie, I think, today, we're being very measured with our new club openings. We certainly see opportunities across the country. Next year, as I mentioned, we'll have somewhere between ten and 15 new clubs, relocations and expansions. We think that's a very manageable number.

We think we still have significant opportunity to drive sales per square foot improvement within our existing clubs, to continue to engage our members to spend more of their wallet in our existing clubs. So, we're in a unique position where we know we can drive continued growth in our existing fleet and we're going to very thoughtfully expand clubs in markets where we believe Sam's Club should be.

But we're also making sure we're relocating new clubs. Todd and I were just in Texas the other week. We relocated two of our older clubs to new sites. They've been really well received and we want to make sure we're continuing to focus on relocating clubs to the right part of town, where we can meet our members' needs.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay. Next question, I can't see in this light here. Oh. John. Go.

John Heimbach - *Guggenheim - Analyst*

[John Heimbach] with Guggenheim. So, Brian, the global insights organization also reports up through you. So I'm curious, how has that process been going and what early insights might you guys be divining from that?

Brian Cornell - *Sam's Club - President, CEO*

John, we're in the early stages. Cindy's been working, really, since June, to really make sure we understand and categorize where we are today. It's been a lot of work internally, working with the Wal-Mart US team, working with the Sam's Club team, working with stakeholders to understand where are we today, where do we need to go, building the organization. We've made some great progress there.

You've heard us announce our agreement with Nielsen to begin to share POS data. That's a very important initiative for us, as we go forward. So we're at the very early stages, but we're very excited about the impact it can have on the organization, as we leverage the breadth of our customer insights across Wal-Mart US and international to really make sure that we have an understanding of consumers like no other competitor in the space.

So, early stages. We'll certainly report a lot more next year, but we're very excited about the impact that our global customer insight group can have on driving continued comp growth for the US, for Sam's Club and for international.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay. Colin. We'll go to Colin and we'll see how much time we have after that.

Colin McGranahan - *Sanford C. Bernstein & Co. - Analyst*

Thank you. It's Colin McGranahan at Bernstein. A question for Todd. Just focusing on the operational efficiencies, you said you're running ahead of the 6% to 8% goal. Is it that you're getting there faster? Is it the wins have been bigger? And are you ready to adjust that up through 2015? Can you -- could you achieve more than 6% to 8%?

And then, finally, as we think about how that flows through the P&L, will that all be reinvested back into price? So we should expect relatively stable margins?

Todd Harbaugh - *Sam's Club - EVP - Operations*

Well, I think it's really a combination of both. I think we're moving faster and I think we're seeing some bigger wins in some of the categories. I think all the time we're going to look at ways we can reinvest back in the business, Brian. Whether it be in price or whether it be other things within the building. I'm not sure that we're ready, today, to adjust that forecast forward. But we do feel good about where we are and maybe more to come.

Brian Cornell - *Sam's Club - President, CEO*

And I think it's important to add, part of that acceleration is really tied to the benefit we have of working with Wal-Mart US and leveraging the synergies in their initiatives across our business.

So it's an important part of the partnership. You'll hear a lot more of that from Rollin and his team later today. But it's a great part of being part of this organization. We have the benefit from the leverage and initiatives and other parts of Wal-Mart. We will tie them very quickly to our Sam's Club business.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay. Brian, we'll do one more question. Adrianne?

Unidentified Audience Member

Thanks. Adrianne Shapira, Goldman Sachs. Two questions for Linda, as it relates to merchandising. You had talked about expanding proprietary brands. Talk about where it should stay as a percentage of sales and what's the target, over time. And then the second relates to global sources. There, too, what percentage of sales does that account for and what are you doing with the savings. Does that flow into price? Or margins?

Linda Hefner - *Sam's Club - EVP, Chief Merchandise Officer*

On proprietary brands, I just heard this last year, we have not set a penetration target. A lot of our competitors do. We -- really, it's still much more of a purist philosophy around give our members what they want.

And in some cases, they want a proprietary brand and the value that can come with that. We are pleased with the growth in proprietary brands. That gives our members what they want and then it provides margin expansion for us as well. So we're pleased with our progress, but don't share the metric. And internally, don't have a penetration target.

In regard to global sourcing, savings are absolutely reinvested in quality. That's how we have determined that we need to differentiate our offering in those categories, where we global source, with our members, it's differentiating around quality versus their other shopping choices. And so we're reinvesting. You saw a photo of a grill and the quality of our grills are better than ever. Better than last year, better than the year before. As an example -- as a result of our new model there in global sourcing. So our big focus is reinvesting it in quality. We actually have seen a little bit of a benefit in costs and margin, but the focus and the continued focus will be on quality.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Brian, any closing comment on that?

Brian Cornell - *Sam's Club - President, CEO*

Carol, I think we've covered it. I think, to Linda's point on global sourcing, our goal from the beginning was to make sure we take those savings and reinvest them in quality. And I think that's certainly fueling some of the comp store momentum we're seeing in many of those globally sourced categories. So our strategy remains the same. It's very consistent. And I wouldn't expect any significant changes going forward.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay. Thanks, Brian.

Brian Cornell - *Sam's Club - President, CEO*

Thanks, Carol.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Thanks, everyone. We will take a 15-minute, this is a hard 15 minutes, everyone. 15-minute break. Again, you have the opportunity to try out some of the products through the testing phase. New product at Sam's Clubs outside in the break room.

(BREAK)

PRESENTATION

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Welcome back from the break and welcome back to those of you who are on the webcast as well. So we are now going to now switch gears, we've covered Wal-Mart US and Sam's Club and we're going to go a little more to the international side. So with that I would like to invite Doug McMillon President and CEO of Wal-Mart International up to kick that off, Doug.

Doug McMillon - *Walmart International - President, CEO*

Thanks Carol, good morning. Wal-Mart International will drive growth, will drive aggressive growth. We are aggressively pursuing the middle income customers in emerging markets. We have been and will continue to do to drive the top line. The top line growth alone is not enough. Within the International division the expense number, the SG&A number really must be driven to a lower level so that our operating income percentage as a division increases. It's our number-one lever to drive returns.

So what that means is, we've got to take that operating income level that has been relatively flat for several years, profits growing slightly faster than sales most of those years, to an entirely different level. You heard Mike earlier today talk about the five-year commitment to take 100 basis points out of expenses. International has an important component of that, roughly 100 basis points ourselves in the next five years. We've got visibility to most of that but not all of that, in our five-year plan and Charles will speak a bit more to that as we go.

Capital allocation continues to be done in a disciplined manner. We continue to refine that with enhancements like country-specific hurdle rates and Cathy will cover our capital allocation. So in summary, our key takeaways are we're going to drive aggressive growth through emerging markets. We're going to drive expense improvement to create leverage and the returns in International will improve. So over the next few minutes the team and I will take you through our plan to make that happen.

You'll hear today from Cathy Smith who leads our finance and strategy area, for international and then the three regionals that lead different parts of the world. You know these folks Eduardo Solozano leads Latin America [Scott Price] leads Asia and we're happy to announce a recent promotion of Dave Cheesewright to lead Europe, the Middle East and Africa, and retain responsibility for Canada. So congratulations to Dave on that new assignment. You'll also hear from Marcos Samaha and Grant Pattison. Marcos from Brazil, Grant from Africa, we'll go straight to those guys via a live video feed in just a few moments.

From a macro environment point of view, we're seeing this growth that you're seeing in emerging markets as a tremendous opportunity. If you look at the markets that we're in today, those classified as emerging markets, and do a weighted average of what the GDP growth is going to look like over the next five years the global insights estimate is a 14% growth in emerging markets but only a 4.5% growth in the developed markets where we exist in Wal-Mart International. So you can see the dichotomy there.

Relative to inflation, we are seeing higher levels of inflation in emerging markets, Argentina is tops on the list in terms of inflationary impact. A lower level of absolute inflation in the developed markets but maybe a bigger relative impact when you look at the lower amount of growth that exists in the developed markets. And so customers in places like the UK are feeling the impact of inflation just as they are in emerging markets like in India and in Argentina, from a relative point of view.

Another key stat that we keep an eye on is employment. Unemployment is higher in the emerging markets than it is in the developed markets, in an absolute way, South Africa for example has a very high level of unemployment. But in places like Canada and the UK, employment levels are at relative highs, as you know. When we put all of those things together, the

inflationary pressure, the employment issue, what that feels to us like is that we've got a great opportunity because customers today and customers tomorrow are going to be even more price sensitive and value sensitive. So at Wal-Mart that's an opportunity to grow our business. It's an opportunity to grow market share and that's what we intend to do.

Also, from an external point of view, to give you a peak into what we see as the macro trends that -- the big trends from our strategic planning process that we undergo, with each market, we wanted to share a big four from our point of view, that are baked into our five-year plan, the first one is this growth of the middle class in the emerging markets. The second one is what's happening with this flux or pressure that we're feeling in developed markets. Third, conscious consumerism. And then last, connectivity.

Starting with the middle market impact, urbanization is happening in some markets in a big way. China and India lead the pack. In a little over a ten-year period that ends in 2020, China is going to see a growth in middle income households of 189 million, new, middle-income households. In India, 54 million new, middle income households. Put those two together and it's starting to get to the middle income level that exists in terms of households in North America. It's an incredible number. And that has an impact on what we do. So for example, if you think of the urban centers in China and the ring roads that go around those urban centers, we've got a great opportunity to continue to place Supercenters which are the right format for those particular locations.

As it relates to rising incomes, it will impact how people consume. In India, a customer recently told us about a story where she and her husband get to move into a slightly larger apartment, got two bedrooms for their two boys, 14 and 8 and for the first time they were going to have separate bedrooms and she was there buying new bedspreads for both of them. And really excited about the fact that they could do their homework in quiet in their two, individual rooms. Her consumption is changing. She's picking up a bedspread not just food.

As it relates to developed markets, one of our customers in Japan recently told us about her mom moving in with her and how that changed how often she shopped which became more often because her mom wanted to walk and what they bought, prescriptions became more important within our stores in Japan. So health and wellness is obviously a big opportunity as we go forward, in those markets and markets like Japan.

Conscious consumerism matters more today than it did a year ago or five years ago. We've had customers for example in Brazil tell us that the fact we reduced packaging on [Pilau] Coffee from Sara Lee, by 9%, is meaningful to them. We put a sign on that item in Brazil, and customers are telling us that builds their loyalty to come back and shop with us. So social and environmental issues are a key part of our strategy going forward.

And then maybe the biggest of all is what's happening with connectivity. Customers in emerging markets and developed markets are using the Internet and using devices to make decisions differently and in many cases to shop differently. And that creates a huge opportunity for us.

We've stared to capitalize that on some places, for example in the UK where we're doing our Asda price guarantee and a customer after they've shopped in the store, can take their cash register receipt back home, enter the code into the Internet and we'll pay them the difference if they don't save 10%. Customers are taking advantage of that.

One mom recently told us that she's created a club where these women compete with each other to see who can save the most money. That she was excited to tell us she had saved [GBP22] the last two weeks and she had won the contest with her friends.

So there's an opportunity here to use technology in all kinds of different ways to drive growth. From a relative growth position, Mike mentioned earlier that in most of the markets we're growing faster than the market. Slightly in the UK, Canada has outperformed, Mexico has outperformed, Chile is strong, Argentina is strong, Japan which is a tough market right now, we're slightly growing faster than the market. The two disappointments are in Brazil and in China as it relates to relative growth.

In Brazil we'll talk a lot with you today about what's happening with EDLP. I'm encouraged by the fact that in the first quarter we were down about 1.5% comp, in the second quarter we improved to a 2.4% comp, still below our plan but headed in the right direction.

And in China, one of the big issues that we've had is related to the Trust-Mart conversions and the legal approvals that we've needed to be able to process that and close it and completely integrate that business. And we've been slowed by that. However, recent performance in Trust-Mart has been much better and it's closed the gap relative to our Wal-Mart Supercenter performance.

So I think we're headed in the right direction both in China and in Brazil, from a relative point of view. I want to hit our performance head on and explain some things. The growth number has been nice, it has been aggressive. Q1 11.l5%, 16.2%, in the second quarter those numbers though have been aided by what's happened with currency. On the operating income side we have not delivered on our target of growing operating income faster than sales, only [1 2], and [8 9], all of these numbers on a reported basis. But we hold ourselves accountable and we managed to a constant currency rate, so let's look at those for a moment.

Backing out the impact of currency we grew [6 2] in the first quarter, [7 1] in the second quarter, and you can see what happened with operating income. We felt the pressure in Brazil, Mexico and Central America didn't have a very good second quarter relative to what we were expecting and then obviously the tsunami and earthquake in Japan has impacted our performance. So those are the operating issues that we'll zero in on as we cover the rest of the information in this presentation.

We also called out a few discreet items that I would like to remind you of, we discontinued the defined benefit program in the UK which was expensive, but the right thing to do. We did get a significant hit from what happened in Japan, and SAP adjustment in Mexico. Those numbers we called out on our earnings releases, if you factor those into the number, instead of being down [3 3] we'd be flat, instead of in the second quarter being up [0.5] on a PEG basis, we'd be up around 6. So in the second quarter we just about grew operating income faster than sales, so second quarter better than the first. But clearly a lot of room to improve and our team is focused on doing that.

And for the next few minutes I want to talk to you about growth. There are four key pillars that we think about as we grow the business in International. The first one and the one that's most important to me is comp store sales growth. Each country has its own plan, improving assortments, improving availability and in stock, for example. But across the division two of the constant themes are first and foremost everyday low price. We will be an EDLP operator, over time, around the world.

And then secondly we want to be great [other] merchants. We have room to improve as it relates to managing our overall inventory, new stores create some of that pressure but we also want to continue to be great [auto] merchants and take risks on things and go after some items to drive sales and that's part of our DNA.

The second pillar of growth is new stores. On this chart we've broken out four your what the capital allocation looks like for this year in terms of square footage, how it plays out. Latin America receiving 53% of that growth.

The third pillar is ecommerce and multichannel. I'll go into more depth on that in a moment. And this fourth area of growth which tends to get a lot of attention is acquisitions. And this year we've reprioritized things, this is different than what we've shared with you a year ago.

First and foremost our focus at the moment is to build scale in existing markets. We really like the markets that we're in. As we look around the world and look at places like China and Brazil and Sub-Saharan Africa, someday India as FDI hopefully gets opened, there are great markets that we're building competency in and we want to win in those markets. So that's our first priority.

And then secondarily there are large, high-growth markets that are out there that can move the needle for us and under the right circumstances we'll obviously still consider acquisitions in those markets. So diving into each of these a little bit deeper; I got questions recently at the Goldman Sachs Conference about EDLP and how confident I was that EDLP would work in Brazil.

I'm very confident that EDLP will work, not only in Brazil but everywhere, for two primary reasons. The first, it builds customer trust and customer trust is the asset that we want to own. We want to be known for price, we want to be trusted as it relates to price.

But the second one that people dismiss, maybe misunderstand to some extent, is the impact of an EDLP retail pricing strategy on costs. Our customers, even in the US have never really been able to articulate hat EDLP means. But what they do know is they want low prices and we've phrased it over the years as Low Prices Always, for example we've changed our marketing tag lines. But what he and she, as customers know is, they want the lowest prices and Wal-Mart's had the lowest prices.

Now, what we know is that on the everyday side of this, if you will not run high-low adds and you'll reduce the expenses that are associated with the items being marked down for sale, so inventory markdowns, the labor associated with moving the product around, the damages that come with the surge in inventory, the accidents that are reduced as a result of not having the surge in inventory, the back end benefit that you get from it, as Bill mentioned earlier today, you can take inventory related costs out of your business model and you can give them to the customer. And when you do that, you spin the productivity loop.

So I'm highly confident in the EDLP strategy because it builds trust but also because it takes these costs out. And if you look at our situation across international, where we've been for a while, Canada, Mexico, these other markets, our level of profitability and returns is attractive, it's exciting. But in these other markets we've not implemented EDLP and as a result our cost structures are too high and we don't deliver the returns that we need to return.

So in a nutshell, we need a delivery EDLP in key markets like Brazil to be able to deliver the profitability which drives the return on investment and changes the composition of the portfolio in international. And Brazil is what we've been focused on, but the other markets also, in some cases, have some room to move. One of you last night asked me if I would have a chart like this, well here it is. If you look over towards the green side of the chart, again, the markets where we've been for a while, Mexico, Central America, the UK, Canada, started in 1991 in International, in case you've forgotten, with the first club in Mexico. Went to Canada shortly after that.

We are closer to EDLP and we're happier with the returns that we have. A few years ago we started moving Japan in that direction, under Mike and [Ed Kolajeski's] leadership and now Japan is pure EDLP and as a result costs have come down, we have a better looking P&L in that market.

We started moving Brazil, as it relates to supplier negotiations, at the very end of last year and then with the customers went public with our first wave of everyday low prices in January. Chile is not there yet, Argentina is not there yet, and we haven't asked China, South Africa, or India to really even start yet. And we don't have to do them all at once, and so what we're trying to do is to take the learning that we got from Japan, the learning that we're getting right now from Brazil which is a highly promotional environment and then we'll stage thee and move them at a proper pace, trying to ensure that every bit of the learning that we get we employ along the way so that we can minimize the income statement impact.

But I want to take you to Brazil now, and let you hear directly from Marcos Samaha. Marcos reports to Eduardo, has been in the role for about a year now and he's in one of our stores. Marcos, where are you today?

Marcos Samaha - *Walmart International - President, CEO - Walmart Brazil*

Good morning to everyone participating in the meeting today. I am in the City of [Osasco] in a Wal-Mart Supercenter in the greater San Paolo area. This is a store that sells over $110 million per year and it's growing profitability by 50% year-to-date. As you know, in January we launched Everyday Low Price in Brazil and we have reduced the prices of more than 80% of our grocery and consumables assortment.

Today we have a price leadership of 7% in the market basket of national brands and our shopping experience is improving in several areas. As you know, EDLP is more than price, it's all about shelf availability, it's a better quality in perishables, having faster checkouts, having a shopping experience that the customer is happy on the one side, the supplier is happy in the other side. Everyone is reducing costs and we are helping people save money so they can live better.

We, as you said, it's a very highly promotional market, very intense, and we want to continue to differentiate ourselves from the high-low advertising of our competitors. We are reinforcing our EDLP campaigns, we are reinforcing our inshore signage and I have an example here of the dare to compare program that's throughout the store and it's really screaming price leadership, comparing our price to price -- our Everyday Low Price, to the price of our competitor and you can see how massive it is, how that screams price leadership. We have a number of formats and regions that are showing positive improvements and we continue to drive to develop merchants, to lower inventories, to reduce costs so we can pass those savings to our customers.

There are a number of categories I would like to share with you that have experienced sales and profit increases such as candies, snacks, health and beauty, pet food, paper goods, liquid detergent, with comp sales in those categories that vary from 20% to 150%. And I have an example here for you. This box of Nestle chocolate, it's a top item in the candy category, sales have grown 37% year-to-date with 5% less in terms of pricing, versus last year.

And we have sold $11 million just in this product, with more than 3 million boxes of this product sold. But more than that, we also want to be the best destination for seasonality's. And coincidentally, today, October the 12th, it's Children's Day here in Brazil, it's a national holiday and we are here in the seasonal department where you can see a lot of activity going on. But more than the activity in the retail [attainment] we have the best assortment and the lowest prices in toys because seasonality is so important for us.

You know, after the two very positive acquisitions that we have had, [Sonai] and Bompreço here in Brazil, we are today an integrated company in terms of culture, processes and administrative systems. There is one important final step which is the conversion of the store systems and that will occur over the next two years. But all of these measures have been bringing to us significant business efficiencies, cost reduction and simplification. We have been able to reduce the cost of administrative staff, this year by 15%, reducing layers, simplifying the organization and making us leaner, faster and stronger.

Here in Brazil, we operate over 500 stores and clubs and we have a highly engaged team of associates and we are absolutely confident that with everyday low prices we will continue to gain customer loyalty and capitalize all the growth potential of Brazil.

Doug McMillon - *Walmart International - President, CEO*

Isn't it funny how some of the customers are really comfortable being on TV and other ones aren't? Look at those guys standing back there in the back trying to figure out what's going on. Marcos, if I'm one of these analysts, one of the things I'm wondering is, what's happening next, what can we expect from Wal-Mart Brazil in the coming months and the coming quarters?

Marcos Samaha - *Walmart International - President, CEO - Walmart Brazil*

As I said, we are increasing our price perception. We are increasing customer loyalty and customer transactions are improving quarter-after-quarter. So as we continue to drive costs down and we continue to improve sales and I'm quite sure this holiday season is going to be very positive for us, and we will have a 2012 with much better results.

Doug McMillon - *Walmart International - President, CEO*

We're planning on that. If you think about Marcos' challenge, he mentioned integration but he made it sound easier than it's been. The systems integration, the reduction of home office staff that he's made a lot of progress on, Eduardo, is still to a large extent in front of us. He mentioned it's going to take a couple of years to get some of the systems integrated. The tax structure and some of the other legalities in that market have made integration more challenging but Marcos is very diligent on that issue, as is the team in Bentonville, Rollin and Kevin Harper and others that are supporting that, getting that cost structure down is the key, that's the key to winning.

We now have a price leadership position. We need to continue to deliver that to the customer so that they trust us and then drain those costs out so that the returns come up month-to-month and quarter-to-quarter. Seeing those big price point signs in the market causes me to have a flash back, last fall Mike Duke and I were in Brazil and there was a wine feature, and a bottle of wine looked like it was about $3 and I thought, wow that's a great value on that bottle of wine and I started walking over to the pallet and Mike asked, is that on installments? And sure enough, we were featuring an item, as other retailers do in the market, but in this case it was a $9 bottle of wine on three installments.

So the customer doesn't even really see the price on the item, they see what the payments are going to cost on something as low as a $9 item, inappropriate. To really win on value what we've got to do -- yes, credit matters in Brazil and we can deal with that appropriately, but we've got to make price matter through EDLP and through the strong price communication like Marcos has demonstrated in Brazil, so that we continue to make progress in the market. And my expectation, Eduardo's expectation is that month-to-month and quarter-to-quarter we're going to continue to see the type of improvement that we've seen in recent months. This is a key market for our success.

I mentioned item merchandising earlier. Those of you that follow the company for a long time know that one of Sam Walton's most famous VPIs, volume producing items, was moon pies. And I had the fortunate opportunity in the early 90s to move into the moon pie category after Sam had finished with that item as a VPI. And our suppliers at Chattanooga Bakery could not understand why we could not sell as many moon pies as we did when Sam had it as his VPI. For those of you that don't know what a moon pie is, it's predominant in the Southeast, if you ever get a chance to taste one, I suggest that you don't. But anyway as you go around the world what I think is really funny is that we're finding moon pies everywhere. These are pictures of items that are moon pies in India, China, our stores are featuring these items and driving it, it would make Sam proud.

So item merchandising, being merchants, is a key part of what we need to do to drive growth. Now, I didn't see any of you walk in with your dogs for this meeting, but you've seen pictures like this, and in Argentina kids want to be fashion icons so our team there, speaking of item merchandising, has found an item that a year ago we sold 5,000 units of it, this year we're going to sell 10,000 and next year they're going after 50,000 and they will sell them. Sometimes we need to take risk on merchandise, we need to take risk on items. We need to drive growth and have that in our DNA going forward. So that was comp store sales growth.

Now let's talk about new stores. Here is a snapshot of five years ago how we had allocated capital, 76% of it going to emerging markets and then here's a snapshot of this year, 90% of our square footage investment going into emerging markets . One of the key reasons why we can do that is because of format expertise, what we're capable of doing with discount and compact hypers, with smaller stores, relative to a 120,000 square foot Supercenter, a 40,000, 50,0000 square foot box, in some cases even smaller. And we wanted to show you some examples of that with a video that centers on Latin America, if we could please play that now.

(VIDEO PLAYING)

Doug McMillon - *Walmart International - President, CEO*

As we look at the post-audit results, the IRRs associated with that particular format, they're really strong and we want to accelerate the growth and I'm encouraged by what's happened with the translation of learning from Mexico to Argentina, now moving to Central America and over time moving to other markets. That's a key growth vehicle for us going forward, it delivers value for food, general merchandise, apparel in a very compelling way.

The third pillar of growth is with ecommerce, mobile commerce and multichannel and we've got opportunities in the emerging markets and Eduardo and team will talk about this a little more later, to run ecommerce businesses, to be vertical there. And to drive growth and to take advantage of the explosive nature of ecommerce growth that's occurring in the emerging markets.

We also have an opportunity in developed markets but in Canada, in the UK where we have the Asda brand the customer expects more of a multichannel experience, more seamless, like that that Bill described and Joel described here in the US. So there's a different approach depending on whether it's an emerging market or a developed. The technology that's developed, the software, the customer experience, the capabilities that are developed can also be scaled across markets, that's why it's called global ecommerce. So we have a great opportunity to take what we develop and scale it and build businesses faster than those markets would have been able to build on their own and we'll take advantage of that as it relates to what Gibu is working on in Mobile, or what Joel is working on as it relates to the platform and other issues.

As of today, this is a quick snapshot of what's happening around the world. We have both GM and food businesses in most of these markets, you can see Canada and Mexico being the exceptions. I'm excited about what's happening in Mexico with home delivery under this suburbia, I'm sorry, the Superrama grocery business in Mexico. Good business, growing, small today but starting to really accelerate. Brazil is probably our best example of where we're winning, where not only are we growing 2-x the market but our website experience is receiving awards for being customer friendly and a winning website.

But you can see that we've got opportunities not just in those markets but in others and a foundation to build on to help us move forward with speed in this area which is so important to our future. The fourth pillar is growth through acquisitions. As I mentioned a few minutes ago, our focus is on building scale in existing markets. Our integration work that Mike mentioned earlier, is well underway in Africa. We consider Sub-Saharan Africa to be one of these large high-growth markets and now we want to go to Grant Pattison, who is in South Africa today, as we did with Marcos. Grant, are you with us and how is integration going so far with Massmart?

Grant Pattison - *Walmart International - President, CEO - Massmart*

Hi, yes, good morning Doug, I'm actually speaking to you from the bakery department of our compact, discount hyper store called Cambridge. It's hard to believe we've only been part of the Wal-Mart Group for four months now and we've really got up and running with integration pretty fast.

We have a 20-person integration team on the ground and the very first thing that team did was launch, six days after going live, a price cut advert where in South Africa for the first time we launched an advert that held prices down for two months as is more traditionally done just for the week.

And in this store, one of the best examples of this is where I'm standing here at the hot bread counter, we have bread here selling for about $0.62, it's a hot bread and this compares well to the national branded bread which is selling for about a $1 at the moment. And the important thing here Doug is that we've have had our first experience of keeping the price low, down, all the time so that volumes are constant and that we are managing to reduce our costs of baking. And we're selling about 2,000 loaves a day through the store now.

We're also implementing other things Doug, like in culture, we're implementing the ten-foot rule where we're encouraging our staff to engage with the customer, greet them, welcome them and thank them for shopping with us.

In terms of governance, we're also implementing global food safety standards that Wal-Mart has and as you can see here at our butchery counter, here our butcher is wearing his hair net, he's just washed his hands and we're making sure that the food is safe.

So, Doug, in conclusion , we are putting a lot of effort into integration. We have a very exciting format here in Cambridge and over the next four years we intend to roll out about 100 of these stores. Back to you Doug.

Doug McMillon - *Walmart International - President, CEO*

Thanks Grant. You can see some of the differences between a developed market and an emerging market, even in that meat counter and how customers want to buy it. It would be packaged in one market, not packaged in another because they're coming, in some cases from an informal market. That Cambridge format is one of the things we're really excited about as it relates to our future in Africa.

Grant, there was noise, as we finalized the transaction, these people would have read things about government approvals in the newspaper, the central issue, as you and I know was around local procurement and supporting the supply base in South Africa. Would you talk for just a minute about what that reality is and what we're doing.

Grant Pattison - *Walmart International - President, CEO - Massmart*

Yes, it's a very important issue I'm sure in all emerging markets, we have several projects that are already underway Doug. And the one I would like to talk to you about now is about wine. You'll know that South Africa is a rich culture of growing wine and what we are trying to do is help black-owned wine farms get into the market.

So what we've recently decided in one of our chains called [Macro] is we've decided to allocate 30 slots to black-owned wine brands and we will be having a wine tasting competition in November where we'll select those 30 brands. We'll put them into our stores and then we will support those brands in sales by investing in the marketing. So we'll do our part share and everything we can to help small and local suppliers.

Doug McMillon - *Walmart International - President, CEO*

So what we couldn't commit to that the government wanted were specific procurement targets by category, but what we are happy to do is to invest in developing a local supplier base, we get shorter lead times. We get more relevant products, so we want to buy locally in South Africa just like we do in other markets around the world.

I'm excited about Grant's leadership, really excited about Massmart, pleased with the integration work that's going on so far. I think it's going to enable us to capture the synergies that we expected and more. So good things there so far.

Cathy, why don't you go ahead and come up and join us now. This is Cathy Smith. Cathy]is responsible for strategy and finance and she is going to take us more into leverage and returns as it relates to our growth leverage and returns approach. Thanks.

Cathy Smith - *Walmart International - SVP, Strategy, CFO*

Thank you. I have to chuckle, today is a national holiday, October 12th, in Brazil. It's also, I think, a national holiday in my home because it's my seven-year old's birthday. He got up this morning and I stayed home a little later and I made him breakfast. And he said, Mom, do I get to stay home today and I said, no, honey. You have to go to school today and he says, but it's my birthday. And I didn't quite get it. And mom, are you going to stay home today? No, I'm not going to stay home today either.

Anyway, so it made me chuckle that it's a national holiday in Brazil on October 12th. Wal-Mart International's returns are below the rest of the company and we know that. But as the International business continues to contribute at a bigger pace, to the total company, those returns must improve and will improve.

I resonated with what Duncan said, earlier, when he said; when we make something a priority at Wal-Mart, things happen. Our returns will improve and we're very focused on that. There are two key levers we can address when we all think about improving returns. First, is operating in kind of an improved [mode]. Really focused on the emerging markets, you've heard that from Doug and I'll talk a little bit more about it. Also, every market has an obligation or responsibility to drive every day low cost so that they can deliver upon our value proposition of everyday low price.

The second lever we can pull is being more deliberate about our capital allocation. You heard from both Sam's and US, CapEx efficiency inside the box and as we make our investments in multichannel. We're also doing that around the world in international. We can also improve the I of the equation on return on investment with more and more deliberate capital allocation, not just by market but also by format and I'll share with that -- share that with you here in a minute.

The emerging markets contribute more and more, as you saw from Doug's chart on where we're spending our capital investments it's in emerging markets, it's where our sales are going to continue to come from as well. Not that the bigger markets, the big three get a pass, but the emerging markets will continue to drive a bigger contribution to the total.

China and Brazil, over the next five years, grow substantially more at a higher pace than the rest of International. China at a 2.5-times pace and Brazil at a 1.4-times pace. At the exact same time though, over the next five years, we've got to drive our SG&A as a percent of sales down to the Wal-Mart International levels, or the average levels. By doing that you can see pretty big improvements in return on investment for Wal-Mart International.

In China, for every 100 basis points of SG&A reduction we achieve we drive 23 basis points of improvement in ROI and for Brazil, for every 100 basis points of SG&A reduction we achieve we drive 19 basis points of ROI improvement.

Every market has the opportunity to drive the productivity loop and it really starts us operating for less. So in every market there are plans and intentions to do that, but very specifically China and Brazil, we're going to take them over the course of the next five years from a nominal operating income levels to mid-single-digits. And we have very specific plans to do that, as Doug shared.

Let me spend a minute on this chart. You've heard us talk about Powered by Wal-Mart, but what does it really mean? These seven areas, procurement, process engineering, information technology, shared services, logistics, format expertise and financial services, are all areas we've identified whereby working together across the globe, we can make ourselves better, faster and/or cheaper.

In procurement, there are three areas we're focused on; direct sourcing, in direct sourcing in food, GM and apparel we can drive 5% to 15% of cost out of our systems. In -- we're working on upstream processing, I'm going to show you a great video here in a minute of some upstream processing efforts we're doing around procurement, globally. And this is where things like slicing, cutting and packaging, we can take out that middle layer of cost and deliver a better product and better value to our customers.

And then the third one is, making stronger, private brands in procurement. That's delivering real power and the scale and the knowledge of Wal-Mart. Process engineering, you're going to hear more about that this afternoon. But there are some processes that we conduct in every market across the globe and by thinking about how to optimize those processes and make them more efficient and consistent and delivering them across the globe, we can then take our efforts for the countries like Argentina, to work on delivering for their customers as opposed to those consistent processes that they would have put some effort into.

So by focusing on the standardized processes here we can let the markets focus on the customers in their markets. Today we're working on inshore productivity and home office productivity as our first two processes. Information technology, we can excel with technology with local, common and global solutions where it makes a difference for Wal-Mart.

In shared services we'll have regional shared services for those processes that are back office, non-customer-facing, non-differentiating activities. We'll standardize, consolidate and automate those processes. In logistics, we have a phenomenal expertise in logistics. By applying that expertise around the globe, we can design, build and optimize better and more efficient networks.

Format expertise, the video Doug showed you from Latin America, taking the same format, a discount, compact hyper and moving it around the globe and using that expertise and not having to repeat and learn in every market, is real power.

And so it's putting the right formats in the right places and operating them more efficiently. And then lastly, financial services. It's providing access and support to our customers to financial services products while managing our risk.

So not only working on the R part or the return part of return on investment, we can also work on the I part, or the investment part. On the left of the chart it shows you our capital investment in priority in dollars that we're going to spend over the next five years. So exactly what you would expect, we're going to the markets that are emerging markets that have some real opportunities; Mexico, China and Brazil. But we're also not just looking at the markets and we've always had a very disciplined process of post-audit looking at our results and how we spend our capital investments, we're also looking at the formats. So we're taking our current performance over formats and saying, how are they performing against our expectations?

And most of the formats are in that middle area of at pace, so they're growing at a pace that makes sense and they're delivering on our expectations. We'll continue to deliver a new store program around those. There are some formats that we want to accelerate, that are coming out of test phase, that are starting to meet our expectations and we know we can now step on the gas pedal, and we'll do that as well.

And then things like what Doug talked about, the discount, compact hyper as we refine that format around the world we know how to operate effectively, it's a great format for the emerging consumer and so we'll start to accelerate discount, compact hypers around the world.

But there are a couple of formats in a couple of markets that aren't meeting our expectations and until their performance improves we hold on our investments and wait until we see that right formula that makes sense for us.

So driving return, we talked about two of the most important levers, operating income improvement and investment by market and also by format based on performance. But there are a number of other levers that we talked about over the past that we didn't abandon and we continue to apply, very disciplined today, and that's our risk adjusted hurdle rates. We use risk adjusted hurdle rates for every single market for every investment decision we make whether it's a mutual acquisition or an M&A opportunity. We also have a very strict and disciplined new market prioritization. Process, as Doug says, every time we look at that process and we know we like the markets we're in and we will stay in those and continue to invest and grow in those markets.

We think about how we might enter a new market if we decide we're not there and it has a high priority for us, based on a market opportunity. And then lastly, we look at the total set of investments we make and we intend to make and we say, how does it look for risk and returns and look at the correlation of those risk and returns to make sure optimizing the returns for our shareholders and doing what's right for our customers.

Over the course of all of those levers what you would see in the next five years is Wal-Mart International's return on investment will improve 300 to 400 basis points. So as Duncan said, in Wal-Mart when we focus on something and make it a priority things happen. With that I'm going to turn it over to -- oh, I missed a video didn't I, darn it. With that I'm going to turn it over to Dave.

David Cheesewright - *Walmart International - President, CEO - Walmart EMEA*

Thank you very much Cathy. So, a new job, two weeks before an analyst meeting, probably not on everybody's wish list but I am genuinely delighted to give you a few minutes update on Europe, Middle East, Africa and Canada. Which brings together two of our biggest markets, one of our -- both of our mature markets and also our newest acquisition in [Nesmar].

Now I think you'll all probably know there are lots of similarities between those three businesses, they're pretty much the price leader in each of their markets, they're actually the number-two player in each of the local markets that they operate in. They have a very similar set of values and they each have a really high caliber management team. But they're also very, very different. They operate in dramatically different market places and have some quite different business models. And I think that in essence is the magic of Wal-Mart. The challenge is, how do you keep all of the things that are great in that business which is largely around a high degree of local accountability and a focus on delivering to the local customer. Whilst looking across the business and taking relevant best practice and using it to make the individual businesses better.

Now, to run through the individual countries very quickly we'll maybe start with Canada. Canada is a really competitive market. It has a relatively unique mix of some great global players and some truly world-class local operators as well. And over the last 14 years since we've been in the market we've outperformed the market every single year. If you look back to Doug's slide earlier on, we're currently growing around two times the market place. And we've done that by being very focused on what we're good at, rather than worrying about anybody else and we'll continue to do that. And what we're good at is delivering unbeatable prices on the products our customers want.

Our biggest growth engine over the last couple of years has been the rollout of Supercenters. As of now, we have 158 Supercenters, that's just about half of our chain and that's just in five years since we opened the first one. We did 40 schemes this year and now we've shared with you at previous meeting the engineering work we've done to come up with different options for different markets which allow us to deliver very strong returns, almost irrespective of where the catchment is, and we'll keep doing that.

So we've got another 40 conversions next year. We've also got an additional 39 schemes next year from the acquisition from Zellers. So it's a huge year for Wal-Mart Canada in terms of growth. Now, with that in mind, continuity is really, really important and I'm really pleased that in [Shelly Broader] we've got someone with a huge amount of experience and expertise to take over the President, CEO role in Canada, Shelly I think -- do you want to just stand up and give everybody a wave in case you haven't met Shelly.

So Shelly has been with us about a year. She came in as CMO to replace Duncan who came down here. She's got a lot of experience in Michaels and in the food businesses with [Delay] and I know that she's going to be a great addition and a great leader for the Canada team. We're going to be working to make sure that's a pretty seamless transition.

In the UK, Andy Clark continues to run a really, really strong business. The UK is a very tough market again, and they are very passionate about price. Andy talked about -- sorry, Doug, talked about the Asda price guarantee, that's a really innovative initiative. That not just allows customers a guarantee, but the thing I think people a lot of times forget is that most customers who go on to that website don't get a refund because Asda is 10% cheaper than the competitors, the vast majority of times.

So as well as giving them a reassurance it also build their loyalty by demonstrating just how much money they can save. Now, in addition to price, Andy is also very, very passionate about quality and some of the work they've done on private label development, particularly the Chosen by You range, is really starting to change people's perception of Asda's fresh food quality. And when you put together low prices and real perception on quality that's something that really interest customers, we're seeing good progress on the back of those two dynamics.

The Netto acquisition in the UK is going well. The team are about 80% through the conversion of those stores now and although we won't talk about specific details of the stores what I can tell you is the customers are delighted with what they're seeing.

Two things stand out above all, the first is they really like the fact they get the same price in an Asda's mall store as they do in a large store and that's not true of most of the competitors in the UK.

the second thing they really like is the increased assortment in their local store, so customers are receiving those stores extremely well. The final thing I would say about the UK is that Andy has done a phenomenal job of building talent and I know that Doug shared at the Quarter two update, the promotion of [Judith McKenna] to Chief Operating Officer, that's a great move for the business there. But over the last quarter there must have been three other notable promotions, two from within and one externally and that's [Ellie Doin] to head of legal, [Karen Hubbard] for head of format development and [Hallie Tate] who has joined us as head of HR so Andy really is building a world class team there. So things in good shape in the UK.

Now, you've already heard from Grant on the Massmart so I'm not going to spend too much time on them. I think for those of you that had the chance to work in the UK or have come across the Massmart theme, the thing that stands out above everything else is we have inherited a truly world-class leadership team there. Whether it's Grant or as CEO -- or the CFO, Guy or the leaders of the individual business units, that is a great team.

When I joined Wal-Mart it was right in the midst of the integration with Asda so I probably know as well as any, that the trick for integrations is finding that balance between keeping all of the best of what made a business like Massmart so good and then finding those unique bits which Wal-Mart can make them the better business. And that's what Grant and I are going to be working on over the next couple of years. So that's a brief update on Europe, Middle East, Africa and Canada, I'm getting used to saying that now.

But I think the lasting message I would give you is that, I've said this before, the best thing about Wal-Mart is not only do you get the opportunity particularly in the International division, to have total autonomy to run a business for local customers, but you get that fantastic ability to go under 50 different formats, 18 different countries and see exactly where best practice exists. And the opportunity to bring that together, that's what makes us a great company. Okay, to give you an update on Asia I would like to hand over to Scott Price.

Scott Price - *Walmart International - President, CEO - Walmart Asia*

Thank you David. In Asia we have an enormous opportunity to create a very strong engine of growth for the company in the future. If you look at China and India they represent probably two of the very few countries in the world where there is a chance in the future to end with more stores in those countries than we have here in our home market in the United States.

And even in Japan we see that there still represents an opportunity to take market share through organic growth, ecomm, of course with the objective to also grow our returns on investment there. On China, Doug mentioned it, we did in Q2 grow slower than the market. We had the conversion of our stores, of the Trust-Mart which involved several periods of time where we had to close the stores. But we are really pleased with the performance sense and in Q3 we're expecting those stores to actually end with very strong comps.

Since the beginning of this year we've opened 24 new stores in China and are on track to deliver 56 by the end of this year. I'll cover the strategy of China on the next slide but I just would point out that we do see in Tier II and Tier III cities, it's a huge opportunity to growth. Which is really just serving the underserved.

On Japan, Q2 had a pretty significant impact from the March 11th triple disaster of the earthquake, tsunami and Fukushima nuclear power plant. Steve Dacus and the team did a great job on recovery but we do continue to see a prolonged impact on consumption, of our customers. However, EDLP is really working in Japan. Doug showed on the spectrum that's off to the far left, which is a strong proponent of EDLP. We continue to make progress and in fact, just recently launched an initiative of 1,000 new items to be put through price reduction.

Customers are voting with their feet, we've got continued increase in customer traffic. In addition, in Japan the team is very much focused on driving growth and scale with the objective being to increase our return on investment and we're seeing great progress there.

In India, it's ahead of plan, it's had an exceptional year. All of our formats are well ahead of plan. Very pleased that the new cash and carry format is hitting break even much faster than we had ever expected. We're also seeing great performance in both of the retail formats which are franchised through our partners Bharti.

The successes that we've seen in the last 18 months really have given us a high level of confidence and therefore we're looking to expand now into both the west and the south of India from our initial starting points in the north, in the State of Punjab. By the end of this year we will have opened over 60 stores and therefore our square footage would have doubled from last year.

Global leverage is going to be an important part of how we drive profitability in India. I've been challenged by Doug to ensure that India becomes a market where we actually hit faster than any other organic growth positive cash flows and profitability, quickly.

Just moving on to Japan, sorry, on to China, before I start I think that many of you have maybe heard some recent news on China. I just wanted to address, we had a pork mislabeling compliance issue in a city in China recently. We take the issue very seriously. We've worked very hard over the last 15 years to build a level of trust with our customers. We've taken immediate action to put corrective systems in place and are confident we'll emerge from this much stronger. It would be important to note that we don't see a material financial impact with China results.

We're very much focused on enhancing our existing business building capabilities, really sales productivity in China is a key objective for us. We see EDLP and the introduction of EDLP as an important part of our growth in terms of sales productivity, but as well, continued improvements on our assortment.

Our objective is to end with the highest level of performance in terms of square footage in the market. To give you a quick update on our Trust-Mart rebannering, we have achieved the rollout plan for this year and in fact, the last batch of conversions finished today in China, with actually the last final batch to be done in Q1 of next year.

Very pleased with the performance and we're also confident now that with the single hypermarket organization we'll not only improve our operating standards but we'll have a better allocation of our financial resources and of course improved financial results.

Our new store growth is very much focused on the urbanization that Doug talked about it and the economic development that we're starting to see in Tier II and Tier III cities where not only is there retail growth but a rising consumer affluences that middle class grows. Our commitment is to grow in these areas and our expectation is that 50% to 60% of our store openings will be focused in those Tier II and Tier III cities. We do believe, again, that China is a market where we have the opportunity to outstrip our growth in the United States and have very aggressive plans.

Talent, it's a key area of focus for us, we will add 160,000 associates in the next five years, in China. We do have, through 15 years of experience in China, quite a valuable positioning as an employer of choice and have received a number of awards here. But it's an important part then for us to build both an internal and external talent pipeline to fill those 160,000 roles.

Training and development is another major lever of support for us with this growing organization. With two critical areas of focus for us which is not only operations but also the merchants organization. Despite outpacing all of our competitors in terms of growth of new stores last year, and so far year-to-date this year, real estate capacity is becoming a constraint for us. Good quality mall sites simply are not as available as they used to. Therefore, we see land purchase and self-development as an important channel for us to continue to fuel that future growth.

Self-development includes land, building and I'm happy to share with you that in December of this year, we will actually open our first self-development store in [Dalian]. The store is in a great location, hope you have a chance to visit it, I'd say summer would be better than winter. And we're pretty confident that store will do very well.

We're now, as well, actively seeking new projects for self-development. We see this as an important complimentary part of our overall real estate and growth strategy in China. It's a massive opportunity for us. We are preparing ourselves for rapid acceleration of growth in China. China really is very much a relay race opposed to a marathon. We see global talent. We brought in a lot of new talent into China from around the world as one way of coping with all of the challenges of high growth in a developing market.

So that's it for China. I'd like to share with you now a brief video, we're talking quite a bit about Powered by Wal-Mart and the importance of leverage. So this is just an example of two very different approaches to logistics that we see in Asia, in China on one hand and in India in another.

(VIDEO PLAYING)

Scott Price - *Walmart International - President, CEO - Walmart Asia*

So for those of you that are well traveled, that wasn't China and India, that was Japan and India. I'd like to now turn over to my partner in crime, Latin America, Eduardo Solozano.

Eduardo Solozano - *Walmart International - President, CEO - Walmart Latin America*

Buenos Dias, what do you think if we continue this meeting in Espangol. So we will have some excitement around -- all day long would be unique. But anyhow, we're going to move to English.

So let me talk a bit about Latin America. I'm really excited about Latin America. I mean truly, I think that we have the potential to keep expanding our business along the upcoming years and I have no doubt about that. We know how to do it, just to give you a flavor about this. In Mexico, we have the capacity to open 70 stores, 7-0, in just one day. So we know how to grow the business and how to do it in a profitable manner.

And certainly, I believe that our capacity to invest and expand our business in Argentina, Central America and Chile is meaningful. However, the opportunities that we have in Brazil and Mexico are even more important for us and we will continue investing in all the countries that are part of the region of Latin America.

We believe that the way to do this in Latin America is through EDLP. Through portfolio management and through integration and also through trying to be more productive within in the region. Talking about EDLP, we as a company believe that this is the appropriate vehicle in order to deliver our message to the consumer. The message of our value proposition and we are really engaged with EDLP.

We launched it, as you heard earlier, EDLP in Brazil early this year and I believe quarter-after-quarter we are getting better and better and we are getting traction in Brazil so we are very excited about -- to see the evolution in Brazil.

We launched it as well in Central America, in all of our formats in Central America, and we launched in some of the formats in Mexico. We are getting prepared in Chile and Argentina in order to do EDLP markets soon for those countries.

Portfolio management is important for us as well. It's a matter of having the right format for the right customer in the right country. And I believe that we are trying to share a lot of best practices among the countries in Latin America. We are testing in one hand new formats such as the standalone pharmacy in Mexico, we have just opened one. We are very excited to see the

result of this standalone pharmacy but we believe that may have the potential in order to be a compliment of our formats in Mexico.

And also, what we are trying to do is existing formats in order to build those, our existing formats, in existing markets such as the chase of Changomas in Argentina. Changomas is the main vehicle that we're going to use in Argentina for our future growth and clearly is inspired in what we developed in Bodega Aurrera in Mexico. But also, were about to open our very first super market in Argentina. Soon we will open the first supermarket in that market in that country and we are very excited to see how the Argentinean consumer will react to that.

Chile, Chile, no doubt that we have the opportunity in order to increase our presence there with our wholesale business, it's a great opportunity. And no doubt that the concept of Bodega Aurrera in Brazil will be a -- something that we would like to test in order to see if we can replicate the same success that we did have in Mexico.

Talking about an integration, integration is something much more important for us. We have integration processes in Brazil, in Chile and in Central America. And I believe doing that faster and cheaper is one of the key objective that we have among the regions, in order to properly support our profitable growth. Profitable growth is probably the key word that we have within the region of Latin America. Back to you. Thank you.

Unidentified Company Representative

Thanks, Eduardo. Wal-Mart, globally, has the best talent in the business and it's getting even stronger. What we've done is pick out just a few examples. Those that are highlighted in green borders include, staring in the top left-hand corner, Don Frieson who is a long-term Wal-Mart associate with experience in logistics and operations who recently accepted the opportunity to move to South Africa and lead the integration efforts there. Moving around, Judith McKenna many of you know, Dave mentioned her earlier, I'm excited about the fact that she's got an operational role. [Renzo Casio] moved from running Puerto Rico to becoming the Chief Operating Officer in Brazil.

Down in the bottom left-hand corner, Emma Fox moved from leading private brand and working in merchandizing and marketing in the UK to now leading marketing in Canada. [Shawn Clark], bottom center, Chief Financial Officer in Canada, today the Chief Operating Officer of Wal-Mart China. You met Shelley earlier. Within the company the talent that we're developing and the new opportunities that people are getting to lead large and exciting challenging businesses is really cool to watch. And we have got depth there, these are just a few of them.

We're also adding talent from external places. Those that are circled in the yellow, or outlined in the yellow border here, top left-hand corner is [Greg Foran], just yesterday we announced that Greg is moving from running the food business, I think it's a $44 billion revenue business, within Woolworths Australia, where he's built a 30-year career, many of us have known him for a number of years, is now going to come join us within Wal-Mart International and start an onboarding and training program. Terrific addition to the company.

When I asked Greg why he wanted to join Wal-Mart he said it's because I want to join -- what do they call us in New Zealand? The All Blacks, a New Zealand rugby team that I should know but don't really know, I guess it's kind of like the Yankees, and not this year, and the Red Sox , no, not the Red Sox either. Anyway, they're a really good team. Greg wanted to be a part of that.

[Haley Tatum], Dave mentioned, bottom left-hand corner in the yellow is Steve Smith, who is from [Delhaze] experienced with [Hannaford], Shelly Broader worked with him in the past, he's now running marketing within Wal-Mart China, part of Shawn Clark's team. So much stronger team in China than we had a year ago today.

And then I'd like to ask [Lev Kostas] to please stand up, Lev is here in the room, he's back here in the back, waving. Lev Kostas many of you would know, ran the X5 business in Russia, did a fantastic job, an extraordinary job of building a very successful

business in Russia and he also wanted to be part of the All Blacks. [Elead] has been leading the retail association in Russia, an important citizen of that country. We didn't hire him because he's from Russia, we hired him because he's a great retailer and he's going to be responsible for leverage within Wal-Mart International, working across the company to help deliver Powered by Wal-Mart and he's uniquely positioned to do that with his experience in his entrepreneurial capacity. So I'm excited about working with him and learning from him.

So a deep team, a team that's getting stronger and one that I really enjoy working within Wal-Mart International. Another key enabler other than talent is this idea of leading on social and environmental issues. One of the cool things about being part of Wal-Mart is that you can leverage scale for good. When it comes to leading on things like sustainable agriculture, we can go to China and build a relationship with a million farmers on a direct basis and help them make more money because they're doing business with Wal-Mart, deliver fresher product and help drive the fruits and vegetable business.

Satisfy our customers at a higher level. We can take a stand on things like women's economic empowerment. This is a picture of one of our associates from Wal-Mart India, here name is [Amandeep Khar] and a few years ago I met her on the floor of our cash and carry in [Aritser] which is in the Northwestern part of the country and she pulled me aside and explained that our training center had enabled her to learn something about retail, therefore enabling her to get a job within that cash and carry. And instead of spending her life picking fruits and vegetables out of -- on a farm, and probably getting married at a much earlier age, she's now got a career.

And I recently found out that she's pursuing her MBA, she's just one example, there are thousands of examples where Wal-Mart, through its business model, helps people have a better life. Obviously our core mission is to save people money so that they can live better, that frees up cash they can use for college educations or whatever they want to spend it on, but these other issues are also an important part of being at Wal-Mart and providing leadership.

So I'll now share with you the capital plan, this is a more complicated chart than what we showed a year ago because it's got more detail on it. At this meeting a year ago we told you that we would be in a range from a capital perspective, in the division, of $4 billion to $4.5 billion and deliver 24 million to 25 million square feet, the numbers that I've circled there.

Now, when we look forward what's happened with acquisitions as we've completed Massmart, Netto, these acquisitions of a few stores that we've picked up in Canada, the Zellers stores, we've invested in new stores and remodels since those acquisitions and that has been another $0.5 billion in capital. So now our new range is $4.5 billion to $5 billion for the year that we're in delivering 25 million to 27 million square feet.

Looking forward to next year, those numbers become $5 billion to $5.5 billion, again, with most of those dollars going towards -- the vast majority of those dollars going into emerging markets and square footage growth of 30 million to 33 million. So if you just take a look at that square footage row, for example, across the bottom, 21 million to 25 million to 27 million and now to 30 million to 33 million next year, it's a large amount of growth that we'll be experiencing within the division. We're really excited about the growth but we don't want you to miss the point that we understand that our responsibility is to deliver returns simultaneous to that.

So in a nutshell, what we've got to do is accelerate what we've done before. In the beginning when we were in Wal-Mart Canada people were skeptical that we could deliver returns in Canada and we did. Mexico has turned out to be a great investment. So what we're trying to do is to accelerate that return improvement that we've delivered in those markets in places like China and Brazil, by running an EDLP, EDLC business model that gets costs out of the business and then layer on top of that Powered by Wal-Mart, so we get even more productive and efficient.

As the SG&A number goes down the operating income percentage goes up, returns start to improve and that's what our focus is. So we'll stop there. I'll ask my colleagues to come up and join me on the stage and we'll field your questions.

QUESTIONS AND ANSWERS

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

: So, we'll start with Mark. First question, Mark, right on the end here.

Unidentified Audience Member

Thanks Doug. Nice presentation and I applaud the goal of increasing returns internationally. Within that objective for a five-year return improvement, does that -- is that inclusive of potential acquisitions?

Doug McMillon - *Walmart International - President, CEO*

It's not and I should have called that out. That is assuming no other acquisitions other than those we've already made.

Unidentified Audience Member

Okay. And then within that improvement it seems like a key piece of that is going to be to reduce SG&A within China and Brazil to the international average, over five years. So is that also being contingent on a requisite level of comp sales growth in those markets; they were lagging in 2Q, it seemed like you're optimistic. But what kind of comp growth do you need to achieve that, as well?

Doug McMillon - *Walmart International - President, CEO*

Yes, our comp plan for next year is higher than the one that we've got right now with a lot of that being driven by emerging markets. And we believe they can do this simultaneously, drive the growth and reduce the expenses. And if I could say it this way, in a nutshell what's happening is, there are places where we have to work together. I remember when I first moved over to international, [Rollin] looked at me and said, you guys are driving us crazy because you want to do a different system for every process that you have in different countries and we can't keep up.

So what we've done is work together as a team, you'll hear more about this later and I give a lot of credit to this leadership team that's standing up here, to say, wait a minute, we have Supercenters in many of these markets, the back end management of inventory and the frontend check out process are largely the same and you can break those processes down and actually determine where they overlap.

In those areas, the processes need to be consistent because they're best in class, the system needs to be done once to the extent that it can be and that means to be scaled. And that enables us to do this for less. That enables us to be faster. And so by doing that, without distracting ourselves from being good merchants, that's the key. And so that's what we're focused on delivering in the five-year plan. And starting now, Mike would say, yesterday is good.

Mark Wiltamuth - *Morgan Stanley - Analyst*

By the way I'm Mark Wiltamuth from Morgan Stanley. In Brazil, do you think you can reach all of your goals without an acquisition and then maybe if you could give us a little more detail on what's going on with [Wal-Max] they had some stumbles in the last quarter and what are you doing to get things back on the right track there?

Unidentified Company Representative

I think Mexico is back on track. We relaunched in May, I will say EDLP, in one of the format that was offering a bit more. However, we are very excited in order to see our comps grow, last month, that we have already reported that this was above the analyst consensus which I saw, we are happy to see that.

In Brazil, I think that we -- our improvement is going probably slower than we anticipated, however, it is on a constant basis and we are very happy to see that the trend that we have in Brazil is that the numbers are getting better month-after-month.

Unidentified Audience Member

If you look at the EDLP rollout in Brazil, can you compare that back to maybe Mexico and how that's progressing versus expectations? And then also, on Brazil, you talked about the next years in terms of converting store systems and if we look at the CapEx I think for 2013, on maintenance systems and shopping centers of [$0.8 billion], are there other system investments that we should expect to see going forward, and if so can you maybe elaborate on those as well?

Unidentified Company Representative

If we compared what we did with EDLP in Mexico in 1999 and we compare with Brazil, I believe that there are a lot of similarities in many things. And that has encouraged us to see, because not all the formats in Mexico reacted exactly the same in Mexico when we did EDLP. As a matter of fact, in Mexico it was a process that probably lasted something about 18 months or so, since we started with the Supercenters and then we incorporated the Bodegas. We incorporated the (inaudible) that were the hypermarket that we used to have there, by then, and as well the Supermarkets.

And I think in Brazil we're seeing something similar, not all the formats are reacting exactly at the same, not all the categories are reacting as the same. You hear what I and Marcos said about some categories that are having a very solid growth. So I see a lot of similarities and I believe I am confident that probably in Brazil we will start to see the results earlier than we did in Mexico.

And in terms of integration if I might [offer] that we are learning a lot from what we have integration in Chile. Chile was something that was a breakthrough for us in terms of integration so while we are taking a lot of the knowledge that we learned in Chile to [order contrast] in order to facilitate or accelerate the integration to the Wal-Mart and have them Powered by Wal-Mart, I believe is a critical and very important, you know.

Doug McMillon - *Walmart International - President, CEO*

Systems investments Deborah, are in the plan, Brazil it's a pretty big effort with the three regions that we have and the tax complexity. I'll just give you one quick example of something we've done in the past. We wanted to make sure we were tax compliant and the tax code in Brazil is amongst the most complex in the world. But we created a really good tool to ensure tax compliance but it created an incredible workload for the merchants. And the buyers spent too much time building different item numbers for different regions ensuring tax compliance locally, not time in the stores, not time focused on the customers.

So what we've had to do in the last few months or year or so in Brazil is really focus on some short-term wins with process and systems improvements, so people can get their head up and look forward at the customer. Those numbers are part of the pressure that we're feeling in Brazil, but they're baked into our plan in the other markets, there's nothing extraordinary that you should be searching for beyond what we've called out.

Unidentified Audience Member

Colin McGranahan at Sanford Bernstein. Where are you at?

Unidentified Audience Member

Just thinking about returns and the progress that you plan to make in China and Brazil, but given the relative size of those markets, versus the UK or combined they're probably only about half the size. Can you talk a little bit more about Asda and just the reality of the market there, both from a demand perspective and a competitive perspective? What do you think about returns in the UK and Asda going forward, is it possible you're going to see some pressure there that can offset some of the progress you expect to make in China and Brazil and is it an area you should still be adding space in, at this point in time?

Unidentified Company Representative

Well, if I take that, Doug. I think on productivity in the UK one of the things that's been a real highlight over the last year is with Rick Webb running a global team on particularly store-based productivity. We've been able to access a lot of the best practice from Asda now. When you run stores that have the sort of densities that we're operating in the UK, you're forced to be incredibly efficient in terms of how you flow product to the -- how you manage it. Everything from shelf-ready packaging to warehouse layout, and some of that best practice is now sharing.

So the UK for a long, long time has had two common factors in it. The first is that there's not been a year that I can remember where there hasn't been a price war. And obviously there's been a lot in the news about one of the competitors recently. That's kind of pretty par for the course in the UK.

And second thing that Asda's done a really good job over the last 12 years, in my time there, in developing enough productivity initiatives to do as the US business which is from the price investment and keep that price leadership position. As they're actually one for I think for the 15th year running this year, the Lowest Price Retailer Award from The Grocer Magazine. So I think that will continue. And when I look at the productivity plan that Andy's got in place for next year it's as big as I've ever seen, there's some really exciting initiatives and we really are starting to see Wal-Mart leverage some of the systems and processes across the globe now which is helping them.

So I don't see a huge risk on that. In terms of investing incrementally in the UK, I think that that's something we have to look at scheme-by-scheme. And as Mike talked about at the beginning, we have a pretty robust capital allocation process and where we have an opportunity that makes sense for us financially, then we'll take it, and if not we won't. So I think we'll continue with that approach.

Unidentified Company Representative

Scheme is code for a store project.

Unidentified Company Representative

Also our multichannel efforts in the UK.

Unidentified Company Representative

Right, acquisition or investment-by-investment.

Unidentified Company Representative

I do think the small stores in the UK, the supermarkets, and the Netto conversions, are really encouraging and they've got an opportunity to grow small stores there, ecommerce and multichannel are a big opportunity.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Next one from John Zolidis and then we'll go to Greg.

Unidentified Company Representative

When an American hears the word scheme it always makes us suspicious, at least me.

John Zolidis - *Buckingham Research Group - Analyst*

I'm definitely suspicious also. So let me ask a question about ROI -- as well it has a good segue in there. So goal to get up 300 to 400 basis points on returns over the next five years. So I guess last year you told us that you thought you could get returns up in the current year and the comp margins would grow faster than -- or your op profit would grow faster than sales, hasn't quite worked out that way. So I guess two questions. One is, what are you doing differently going forward to ensure the expansion of returns? And then second, on the emerging markets, are those structurally lower return markets, can you just comment on that, what might be different versus UK, Canada, Japan?

Doug McMillon - *Walmart International - President, CEO*

What's different John is the EDLC, EDLP model. Costs are coming down as a result of us implementing that approach. And then secondarily, this process systems, shared services, procurement approach that we've been describing up here. So you layer on top of what a country can do by their selves, a global initiative that leverages the global expertise and the scale of Wal-Mart to be more effective, that's what's different.

And yes, it takes time. It took time in Canada and Mexico and what we're trying to do is accelerate it. And in some ways what we've had to do is break Brazil to fix it. The home office headcount reductions, the investment in the integration work, the change to the business model, these are big changes. And to some extent that's what's been happening in Central America as well.

But we have the more of a mid to long-term view. Now, I'm not happy with the progress that we've made, the pace of the progress. I'm happy with what we're doing but not the pace of the improvement. And so that needs to accelerate and nobody wants to have that happen more than me. In terms of it being structurally different, wage rates are different, the cost of operation for example in Brazil, not only in terms of wages but also in construction cost, is higher than that in Mexico.

So yes, there are some issues that put pressure on expenses but when tear apart of the income statements there's a lot of room to improve and we just need to get on a path where the returns start to really show a quarter-to-quarter or year-to-year improvement before you'll believe us, that we're doing it, we have to do it first. And I think if you look back at the operating income percentage over the years that we've looked back at it on, about ten years we haven't really moved it. New stores create pressures, acquisitions create pressure so the underling operating performance has to improve even more to help offset those kinds of activities and that's what we're focused on delivery. I'm enthusiastic about it and excited about it. Excited about what we're doing.

Unidentified Audience Member

(inaudible question - microphone inaccessible)

Doug McMillon - *Walmart International - President, CEO*

I can hear you, I'll repeat the question.

Unidentified Audience Member

How much of the 100 basis points SG&A improvement over the next five years are you budgeting to come from China and Brazil, is it the majority of it or it seems like that you've focused on is a real area to get that leverage that you're commitment to Mike is?

And then second, of the $1 billion of incremental CapEx from acquisitions, could you help bucket that a little bit, how much of it is the Zellers stores, how much is Massmart and how much of it is Trust-Mart? Cathy maybe you'll take the second one?

Cathy Smith - *Walmart International - SVP, Strategy, CFO*

And I can take the first. Either way. The SG&A improvement, the majority of it comes from the emerging markets. In Mexico, Canada and the UK the SG&A as a percent of sales, while we all have opportunities, their reductions in SG&A will go to largely into price which makes a lot of sense. The emerging markets you would expect that we'll see some of it come through to the bottom line. So that's how I would divvy up.

And then on the additional CapEx associated with Massmart, Netto and the Zellers stores, some of its in 12's so it's kind of mixed and some of it is in 13. So largely for like 12, that Doug showed you is going to be more your Netto and some of the Massmart new stores, since the acquisition and then in FY '13 it's primarily into Zellers and Massmart.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

: Next question we'll go out to Dan Binder and then to Wayne in the row behind him.

Dan Binder - *Jefferies & Co. - Analyst*

A couple of questions, the first is on acquisitions going forward. How do you see them playing into the future growth as your trying to focus on getting the returns up on what you have, what's your willingness to take on new projects beyond what you've announced thus far. And the second question, was related to this ROI improvement, how it's weighted, should we see fairly consistent improvement over the time line or is it more backend weighted?

Doug McMillon - *Walmart International - President, CEO*

No, sorry Dan, go ahead.

Dan Binder - *Jefferies & Co. - Analyst*

And then just the final question was related to traffic. I think last quarter most if not all of the International markets had negative traffic for various reasons. I'm just curious what your thoughts are on traffic in the future quarters? Kind of what your -- broad

strokes where you see that going, is it going to remain negative with ticket really driving comp or do you see the traffic improving in --

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Unidentified Company Representative

Yes, we did not have a good quarter in traffic. It's gotten better as of late. I don't expect every market to be down. There will be some that will be down, Brazil will be down for a while, that the average ticket is growing by 5%, 6% and that may even go up further to help drive the comp number. So I think you'll get a little bit of a mixed bag depending on the circumstance on traffic.

The return on investment improvement is not backend loaded it's quarter-to-quarter and year-to-year, a fairly straight line improvement. We're expecting to make improvement in the short term not just the longer term.

Role of acquisitions, as we mentioned, first and foremost we want to build scale in the markets where we are. So we want to make sure that we can be competitive with our size in the key markets , the key strategic markets. So we continue to look around the world for quality assets that do make sense, quantitatively as well as statically. But we like the markets that we're in. And would like to continue to prioritize those and will.

There are a few remaining large high-growth markets and sometimes we don't control the timing of when a particular asset might be up for sale. What we will do is continue to have a high bar about what that will deliver for us, deliver for shareholders. But we're not anxious to make anything happen but we won't miss an opportunity if the right one presents itself.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

: We'll take the last question from Wayne.

Unidentified Audience Member

I had a question for you and for Cathy on the returns. On the growth questions do you feel like I guess in retrospect in China that maybe you didn't jump on some of the real estate that became available, quickly enough and now you're in a situation where the real estate isn't there and you have to move more to self-development and how that might create a higher hurdle rate for you to hit your growth targets?

And then Cathy, related to this, if more self-development is going to be the way of the world over there, how much more capital will be required in a self-developed location and how you manage it, because it's not just the Wal-Mart store, it's the whole, development and how it effects returns?

Doug McMillon - *Walmart International - President, CEO*

Yes, Wayne, I think we've gone about as fast as we could go and should go. It is more challenging in China given the way development occurs. We have put more feet on the street as it relates to real estate development, as of late.

But I wouldn't look back and tell you, with the possible exception of Sam's Club, I think if we all had it to do over again, five years ago or more, we would have accelerated the Sam's Club format more aggressively within that market. As it relates to self-development, one comment I would make quickly is, I don't want you to think that this is a large change that will happen quickly.

What we're trying to say is we're going to have to be more creative about the way we grow in that market. In some cases that might result in some self-development. Not all of our projects will be self-developed. We don't expect that to have a big impact

on returns and if it starts to become a bigger issue than what we're expecting we'll disclose that with you and share it. But I don't want you to think that you need to adjust your models in China because of self-development.

Cathy Smith - *Walmart International - SVP, Strategy, CFO*

We'll step into it lightly as we develop the capability. But we have a great market that gave us a lot of the confidence that we can get there and that's with Canada. When we moved into self-development or partnered with development in Canada and we've had a fairly good return experience there. So we know that we can develop that experience as needed in China.

Unidentified Company Representative

And I think we're not talking about massive mall development. As we get into Tier II and Tier III cities what we're finding is the developer capacity simply is not there to even put up a single box. So the Dalian facility is actually just a single standalone store. So it would be mainly around more following the model that we've had maybe in the United State where we setup our own store. It's not major mall development.

Doug McMillon - *Walmart International - President, CEO*

One of the things that motivates us operationally is that sometimes we have a hard time getting the box, the store on one level and rectangular. We can get lots of store locations in some of these markets but they have strange shapes and they create operational challenges. So to have more influence we may to need to, in some cases, take a different approach.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Thank you all very much. Okay the reality is that as we created the presentations obviously you saw the agenda we have so much time allocated for each of the segments. We do have to make up some time because of the power issue. So we're going to cut lunch to about 30 minutes and we just ask that it's buffet style. You move quickly through the lines, the tables for eating are in the next room but lunch setup is immediately outside these doors in the hallway.

Please bear in mind that you're eating Wal-Mart food and your deserts today come from Sam's. So if you could head out for lunch and we'll come back in here in about 30 minutes. Thank you.

(BREAK)

PRESENTATION

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Eduardo Castro-Wright.

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

Thank you, Carol. Good afternoon, everyone. I hope you had a good lunch. It's tough to come after lunch. Either you didn't have time to eat all that you wanted or you ate too much and then you're going to fall asleep. Well, whichever is the case, it's a tough spot.

But, let me try to bring some excitement to this time of the day by talking about something that is more about the future than it is about today, and it's a future that it is happening in many places around the world. It's starting to happen today.

I will be using the next few minutes to do three things. The first one, we will try to update you, and when I say we I mean it's going to be myself and a couple of the senior leaders from Global eCommerce, Venky Harinarayan and Gibu Thomas. Gibu Thomas you've heard about -- a lot about today, so this is the Gibu Thomas Show really.

So -- and Gibu will be showing us a couple of the most recent developments that we have completed from a technology point of view and in bringing our technology in mobile to a level that we feel can not only compete but can win in the marketplace. And so we'll take -- talk sometimes -- talk about update you on where we are. We will give you a sense of the kind of opportunities that are being pursued and, third, we'll answer any questions you might have.

If you think about a -- any venture, and certainly it's more so for a new venture, the key is the people and having the talent to be able to pursue an initiative like the one that Mike outlined this morning as being one of the five key pillars of the Wal-Mart future requires really looking inside first and defining what are the gaps that we have relative to the marketplace; what are the competencies that we don't have that we need to bring to bear if we are going to be able to compete with the best-in-class companies around the world, some of which I know you follow as analysts here in the US and others that have become fantastic online players outside of the US.

And what we did is looked at the capabilities and defined that we didn't have a lot of those. We had no ability to compete if we didn't have the people that actually could create the platforms that would allow us to go to market in ways that we can be credible with consumers, not only here in the US but around the world.

We were fortunate to be able to attract that talent. The leadership team that you see there are really terrific in their own rights, and some of the hiring took place in the way that you typically would do, right, in executive search firms and the rest. But, mostly what we did is we brought people through networking and through acquisitions.

And the reason we did that is because we felt that, in many cases, again, the kind of talent we wanted to fill the gaps that we felt that we had, particularly as it relates to search, as it relates to mobile, as it relates to the future, which is the social platforms that are redefining how people behave when it comes to shopping, all of that, it's not something that you can actually add one at a time.

It would have taken a long time to be able to build the bench, to be able -- to have the kind of talent that understood those technologies and could build the engines that will fuel the growth of eCommerce at Wal-Mart for years to come.

So, we decided to look at the landscape and see what companies excelled in some of these technologies and we have made some targeted acquisitions, some very small that -- a few people and some a little bit more larger like in the case of Kosmix World who brought a larger team of very capable individuals.

In every case, what we brought in house is a level of competency that we lacked but that today I feel very comfortable in telling you that is the kernel that will allow us to continue to grow our technology and innovation in the future.

The team also obviously belt bench strength, and so I can tell you that the team has significant strengths in places, for example, like China where we have been hiring talent to be able to execute our plans in each one of the markets where we compete.

You've seen this several times now from other presentations, so I'm not going to spend a lot of time here. You've seen that if you ask an online shopper, and we've done a significant amount of market research in these last 12 months that's been a major focus of our effort in trying to understand what it that best-in-class, customer-centric players around the world that is different than what we do today and that could give us at least an indication of what are the gaps that we needed to fill.

Then, we also defined what were the needs beyond those initial gaps. If you look at assortment it's like, and someone in my team has defined it as if you don't have the assortment you are not in the game, right, you don't even come to the stadium, if you use an analogy to a baseball game.

The fact of the matter is that today, although assortment is very important, as you heard before from the US team and others, and nowhere it is more important than online because the customer expectation online is that if you want something choice is what online provides you with.

And, therefore, the very initial action from anyone shopping online starts with the choice that they have by going and clicking through several different opportunities, whether it's a search engine or whether it is a specific brand in looking at how are they going to fulfill their choice. If you don't have the product the customer drops you and you simply don't participate. It's interesting.

But, if you look at our traffic in the United States it's -- the traffic online that we have today, it's not as high as the largest retailer online, but it is pretty close. And yet when it comes to conversion, that's where we lose significantly when the customer actually goes online, tries to find a product and we don't carry that product, and then automatically that entire -- the conversion of their traffic is lost.

So dealing with assortment, whether it's here in the United States or around the world and how to build assortments that actually can match up to what best-in-class competitors have around the world, that's one of the key initiatives we have.

The second one, of course, is price. We will lead in price no matter where we are, and price leadership I think was very well covered today by the US team. It is not different online. Price is what defines Wal-Mart. Price is what will define what Wal-Mart will do online.

Customer experience is a major component of where we are investing today because it is where we had fallen behind significantly over the years. We didn't have the tools to be able to really compete online the way that other online retailers have been doing.

It's things like pricing tools. The ability to expand assortment greatly depends on the ability to manage that assortment through technology. If you don't have the technology and you have to throw bodies to do it, guess what?

Either it is prohibitively costly or you can't do it because, simply put, you can't manage millions of items online with pricing unless you have the technology to support it. We didn't have the technology. That's what we're building today. Search becomes a major part of that customer experience, as I said before, and we have made major inroads in redefining what search looks like in the last 6 months and we hope to do a lot more in the future.

Venky Harinarayan will be talking about that work and things that are a little bit more out there, things like social, commerce and the ability to use mobile to redefine commerce in the future. Those are areas where we still believe that we can lead here and elsewhere, and we are making a major investment to actually be able to execute against that.

Access is what defines our competitive differentiation. If you think about it, we will be able to provide access to customers here and in all key markets where we have significant assets that we can leverage to offer customers the choice of shopping wherever they want whenever they want.

And just like Joel this morning shared with you what that means in terms of the ability to get the product at different points, at different cost of shipping, that's exactly the choice that we can offer and others will not be able to do.

Let me now ask Venky Harinarayan who together with Anand Rajaraman were the founders of Kosmix and entrepreneurs for many, many years and they have built a formidable team, and I will have him tell you what he is doing with that team.

Venky Harinarayan - *Wal-Mart Stores, Inc. - SVP - Walmart Global eCommerce, Head - Wal-Mart Labs*

Thanks, Eduardo. So, like Eduardo mentioned, we started at Wal-Mart Labs coincident with the investment in Kosmix, and it has been a very exciting last five months for us. The charter about Wal-Mart Labs is really around innovation, and what we see right now is this amazing growth in both mobile as well as social. It really leads to some exciting opportunities ahead in terms of redefining eCommerce as well as physical commerce. And so where we want to be is really in creating new technologies, products, business models that are at the intersection of social, mobile and retail.

And so that's the charter, and we -- it's a true labs environment in the sense we will try a bunch of ideas. Some of them will work and some may not, but we want to take risks and we want to try some big ideas. That said, like Eduardo mentioned, we are focused on -- on two tracks we have projects. One track is really around near-term impact to our core businesses, and these are businesses both in the US as well as globally so we're building it out as platforms.

And top among that is search. We feel like there's a lot of opportunity in search at both Wal-Mart.com as well as globally, and so we're building out the next generation of search platform that we believe will be a cutting-edge eCommerce search engine and hope to roll that out over the next 6 months.

And we're already seeing some of that improvements on the site even in the last month or so, but it is a process of rolling it out and we expect to be done in the next six months. The team is really excited about the progress we've made there and the results that we're starting to see.

The second point, like Eduardo mentioned, was really around pricing. So, what we want to build is a real-time pricing engine, which takes advantage of the fact that prices are transparent on the web and you can actually know what people are selling a product at and, people, your customers are also doing the same thing. So, we need to have that information.

And two is we need to be able to create a engine that can take that information and make smart pricing decisions in real time, and so we are actually building that out. This again would roll out over the next 12 months and really excited in terms of having the teams start to come together on this.

And the last near-term sort of project that we are working on is around online marketing. The reality today is a lot of shopping intent online starts with the search engines like Google, Bing and so on, and so what we need to do is we need to be present there and have a large footprint in those search engines.

And that is a big opportunity for us at Wal-Mart.com and other sort of properties for us to be in these search engines, and we feel like that's something again that we are starting to see. A lot of the early results that are very exciting a the -- a lot of opportunity to keep growing our footprint in these search engines. So, in the near term, opportunities that we're addressing is starting to see a lot of initial results that are exciting and we hope to continue to execute on this over the next six to 12 months.

The second piece that is really interesting to us is around social, and -- increasingly clear that people are expecting social to be a default layer in every aspect of what they do, whether it's in the physical store, whether it's online or whether it's on Facebook by -- or its Twitter, by definition.

And so, a couple of things I'd like to highlight there in terms of projects we're looking at, one is we started thinking about what sort of shopping activity makes sense on a social network like Facebook or Twitter. And the more we thought about it, inherently social shopping activity is gifting. How -- when you make gifts to friends and family you are connecting to other people using sort of products.

And so, what we are building right now is a gifting application on Facebook because a lot of your family and friends are on Facebook at this point, and so how do we make the gifting process much easier using Facebook as an underlying platform? Again, this is a experiment. We will launch this holidays and we will iterate and hope to get better as we go on from here.

The second piece, which is also really interesting, is how do we apply social to the physical store? And there are two sort of aspects to this. One is can we take social data, because there is such a preponderance of data that people are creating right now by tweeting or by creating updates on Facebook, can we take that data and help make better merchant additions in the store?

And so, one example of that is can we determine when to sort of stock products for Halloween? We can tell you using social media when people start talking about Halloween, and that is a pretty good time to start stocking products. So, there's a lot of intelligence that we can derive from social media that we are trying to now feed back into the store process.

And the second piece there is really can we actually start building social -- build a social layer in the store that customers can interact with each other and with associates, and that's again projects that we are sort of experimenting with at this point.

So, that's just to give you a flavor of some of the projects we are working on. The team is very excited, and we are really charged up about being able to apply some of our technology to the scale that Wal-Mart has today. With that, I'll ask Gibu to come in and give you guys a great presentation on mobile here.

Gibu Thomas - *Wal-Mart Stores, Inc. - SVP - Mobile Walmart eCommerce*

Thank you, Venky. Good afternoon. I feel like I have one of the most exciting presentations to do today because I actually get to show you some of the stuff that we've been working on. As mobile devices have become more mainstream we find that our customers are increasingly using smart phones to shop in our stores. We think this is a great opportunity for us, not only to help our customers shop with us better but also to drive productivity gains in the store, drive more top line sales and create a unique multi-channel experience. So, we built a great team that's going after this opportunity.

We have three main pillars to our mobile strategy. One is creating self-service tools for our customers to help themselves in the store that allows us to reduce the need for labor and drive more store productivity. The second is to use the mobile device as a personal relationship with the customer, as a one-to-one relationship with the customer, leverage the insights we gather from that to drive more conversion and basket size to impact the top line.

And third, we think mobile can create a unique multi-channel experience by leveraging our assortment across channels using the location capabilities of the device and serving our customers with our value proposition, regardless of where they are.

So, I want to show you two examples of how we've impacted customer experiences. These are both products that are in development that are imminent -- imminently launching. The first is a very traditional experience, which is most of our customers, 95% of our customers who come into our store create a shopping list of one form or the other. So, we wanted to reinvent shopping lists using technology.

And the second one is using an iPad application. iPad is one of the most exciting platforms, one the most disruptive consumption platforms that have been created, and we want to show you what kind of shopping experience we can create on that.

If we could switch to the iPad, please? There we go. So, I'm going to first talk about the shopping list. So, what you're competing when you're talking about a shopping list is you're competing with paper and pencil, which is a hard thing to compete with. It's very hard for customers to change their behavior.

So we said we have to make the input mechanism, the ability to create a list, as easy as possible. But once you create that list there needs to be enough value for the customer to want to keep using this instead of resorting to paper and pencil.

So I have a shopping list application here, which is about to launch, and so first I'll go to Favorites. So, these are the items that our customers shop every day, so I have some items that are my favorites. I can easily add that to the list. So, that's pretty easy.

And one of the things you see is that I've set a store, my default store, my local Wal-Mart store, which means it can actually show me the price of that product in the store as well as the aisle where that product is located.

This means I don't have to go talk to an associate to find where the product is. Some of the in-stock issues or availability issues we've talked about, we can be transparent to the customer as well as we can give them a great way to create a budgeting tool, things like that that allow them to manage their shopping with us better.

So to continue to create the list, obviously you can type and create a list, so I can add French Mustard -- French's Mustard pretty easily. I could scan a product. You've seen a lot of barcode scanning scenarios. I'm not actually going to scan the product.

But voice, it's a very natural thing for people to do, so how we can use voice? Milk, ice cream, peanut butter, Campbell's soup, pretty good, so what this has done is the system is smart enough to know that peanut butter is one thing and milk and ice cream are two different things.

So we've created a list, and now you see Campbell's soup, there's an opportunity to save. So, if I go into Campbell's soup it shows me that there are some coupons that are available that are additional opportunities. These are manufacturer coupons that are additional opportunities for our customers to save.

You simply click the coupon. I'm going to pick peanut butter. It can show me the actual peanut butter that's available in my store, the different kinds of peanut butter that's available in my store. I may want to pick an opening price point, peanut butter, so I can do this in a manner that becomes incredibly convenient.

If I want to create -- actually, if I want to see my coupons all I have to do is -- I can see all my coupons. I can take the clipped ones, email them to myself, take it to the store, we'll honor those coupons. So this, we think, is an incredible foundation for our customers to manage their -- plan their visit to our store in a much more effective manner.

And in the future, this is not going to be part of the initial version, you could see how if I created this list I could easily use that list as a basis for self-checking out, lots of other tools. We could recommend other items for you based on your preferences, based on your budget. So, we think there is a rich opportunity to innovate in this area.

Now, I'll switch to the iPad application. As I said, the iPad application is one of the -- iPad is one of the most exciting platforms that has been created. Over 30 million iPads have been sold in -- since the iPad has launched, and people who have a tablet and a PC prefer to use a tablet for shopping over their PC.

So, we wanted to create an experience that is touch optimized that showcases our assortment in a very effective manner. So, as soon as you get to the home screen of the application what you'll see is that immediately you see assortment that is being surface, so you should be able to shop.

You can shop directly from the home screen, go find a product, add it to cart, isn't that cool? I can browse the various departments, so I'll go to best sellers, and quickly the product is the hero here and our low prices are the hero here. So, you can quickly go through different departments.

If I want to go and see outdoor living, again, I can see all the different products. I can refine by the products that are available online, but I can also see the products that are available in my store. I can refine by color, various different attributes, price, things like that.

So, let's say -- and once I go into the product we can actually make it very easy for people to see that all the assortment we have in this card-like metaphor. I can see the details of the product. I can see the reviews. I can see where that product is available, and I could even just click on the product and drag it to the cart, and obviously you can check out and purchase.

Now I quickly want to show you one other thing, which is how can the iPad impact a store shopper that's not thinking about shopping online. So I have set my store to Store 100, so I can browse my store assortment. This gives me visibility into all the assortment that is in our store.

So -- and one of the things I will do is we can -- you can see all the products. You can see the prices, and once you decide what you want to buy if you don't have that product -- here we go, if you don't have that product in the store we'll show you the online assortment as an extended assortment. So, you can see these are the products that are available in the store, but you see the extended assortment that is available online. We're very excited about this iPad application. We think this is a great foundation to create some incredible shopping experiences for our customers. Thank you.

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

All right. Thank you. Thank you, Gibu.

Gibu Thomas - *Wal-Mart Stores, Inc. - SVP - Mobile Walmart eCommerce*

Thanks, a lot.

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

I hope that you can see that we're very excited about the kind of opportunities that we have by applying knowledge to solve customer problems and improve the experience. I'll cover briefly now just where we are with our geographical expansion because as we initiated this effort it's clear that we can't do it everywhere and get the same bang for the buck, so we chose markets that are large or that are fast growing and in all cases markets where we can leverage the significant assets, whether it's infrastructure or stores in cities and people around the world.

And those are the markets where we're focusing, so basically North America, the UK, China, Latin America and that -- those are the key markets that we are pursuing at this point in time. That's not to say that we won't have solutions for other markets, but it is the markets where we're going to put investment. And that investment, that way that we're going about it is we're building what we can, partnering wherever we see that we can go to market faster by finding appropriate partners to meet customer needs. And in cases where we can't find that we can build or partner, then we are using business development activities to acquire a presence in those markets.

You already heard from Bill, Doug and Brian about the different initiatives that are being pursued in each one of the respective markets. I'm not going to go into that in detail. I am going to cover, however, a little bit with more detail a couple of markets because those are the ones where we have put a lot of investment in terms of people and resources.

China is one. You heard from Scott Price before and from Doug about China. China is expected to become a market as large as the US online in five years. The growth is explosive and what's happening in China is that, much like in the United States many, many years ago, Mr. Sam brought products to rural America that customers in those markets did not have access to and brought them at prices they could afford.

The same is happening today with online as it relates to third- and fourth-year cities where there's no real infrastructure or formal commerce yet. Most of our stores, Scott, are in the main cities. Once you go outside of that it's going to take some time to build the kind of presence that would be required to address customer needs.

So, what's happening is customers are using the Internet to get access to products at the prices they're counterparts in the cities, large cities in China, for example, have. And they -- that phenomenon, it's making the online channel grow exponentially in China.

We have been hiring a very talented team in the last year. We're very pleased with where we are. But in addition to that, we also made a strategic investment in a -- one of the best online players in China, the largest in the grocery -- online grocery segment, Yihaodian, and that has enabled us to enter that market much quicker than what it would have taken for us to build the complete infrastructure.

We will -- through different service contracts, we will be able to work through Yihaodian to quickly enter the China market, and we're working on that and you will be hearing a lot more about this initiative in the next weeks and months.

We're very excited about it. Yihaodian is a quality company. The leadership of Yihaodian is -- are just fantastic, and we feel very comfortable that through them we will be able to have a formidable presence in the Chinese online market.

Brazil is the other one, and [Eduardo Solortional] did talk some about it. We're incredibly excited about the possibilities in Brazil. It is growing at a very fast pace. Online businesses are growing at a very fast pace, but we have outgrown the market significantly in the last couple of years.

We are now developing the infrastructure to be able to take advantage of that growth because right now if you ask me what is the barrier to be able to grow at much faster pace in Brazil I would tell you that it is the ability to fulfill orders, so the ability to actually have the infrastructure to reach customers when customers need. And so, we need to build that infrastructure in order to be able to win in that market.

This is -- I'll close by just briefly summarizing what you should take back from this presentation. The first one is that we have a terrific leadership team, and I hope that with time you get to see them. Today we have only two of the members. The rest are in China. They're working. Not that we are not working, but they are working. They're really working for the customer, which is the way it should be.

Secondly, we certainly expect to take advantage of the technology that we have bought and the technology that we are building to close the gap as it relates to customer experience and quickly position ourselves as one of the market leaders in every market where we participate.

I said what -- where's the focus? North America, UK, China, Latin America, said that we will actually build a differentiated next-generation eCommerce platform, one that is heavily based on the way that customers interact today and that have social and mobile at the center.

And last but certainly not least, you will see that business development activities, again, partnerships, acquisitions, will play a major role in how we are able to build this to the scale that we are thinking that it can be built. So with that, we'll take questions.

QUESTIONS AND ANSWERS

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Eduardo, are you going to take them or do you want to have their -- your team come up with you?

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

Oh, yes. We will take questions.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay.

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

My team right now, it's only the three of us. So --

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Right, the team that's here.

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

We're everyday low cost also, so --.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay. We'll -- let's see, who hasn't had a question yet? Matt, we'll start with you. Is that Matt? We need better lighting. We'll start with Matt.

Matt Nemer - *Wells Fargo Securities, LLC - Analyst*

Thank you, Matt Nemer of Wells Fargo Securities. You announced you expanded your free shipping offer this week, and I noticed that it comes with a three- to five-day guarantee plus processing time. You have a leading competitor that ships in basically two days, and I'm wondering if you have the capability to bridge that gap or if it's a strategic decision to drive customers in the stores on a one or two day request. Thank you.

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

I don't think that it's a strategic decision. I believe that here and everywhere else, and Joel covered it also during his presentation, what -- we want to be able to serve customers the way that customers want to be served. So, it is the customer that needs to be at the center. We will serve them in whichever channel they want to shop in and that is what we need to do, which means that in terms of shipping capabilities and bridging that gap we have some work to do.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay, next question we'll go to Mark.

Mark Miller - *William Blair & Co. - Analyst*

Thanks, Mark Miller with William Blair. In the presentation, there was not any discussion about third-party sellers or a marketplace platform so I was wondering if you could give us an update on your reviews toward that.

And then particularly in the context of getting the technology to admit -- to manage the very broad assortment, effectively third-party sellers are the ultimate in price optimization as they compete again themselves. So, if you don't have that marketplace how can you be as effective as it is in an -- in a third-party model? Thanks.

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

We said very clearly that assortment is a key driver of customer behavior, and to be able to compete effectively here and elsewhere we will have to build those capabilities. Marketplace is one way of solving for assortment and is certainly one that we are exploring and certainly, depending on which market we're talking about, there are possibilities of addressing that through sellers.

We've got a small marketplace today in the US. We have had it for some years. We have learned a lot from it. If expanding assortment requires us to build a capability in the marketplace we certainly will pursue whatever it's needed in order to have an assortment that is comparable to best in class in each one of the markets where we compete.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay, next question from Greg, Eduardo, on this side.

Greg Melich - *ISI Group - Analyst*

Hi, Eduardo, Greg Melich from ISI.

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

Hi, how are you?

Greg Melich - *ISI Group - Analyst*

Great. Could you fill us in on where we are in terms of fulfillment now? So if I buy from Wal-Mart.com am I getting it from a traditional DC? Do you have a separate fulfillment center? And as you expand assortment would you expect to build that out to be fulfilling more from, say, dedicated .com facilities? How should we think about that?

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

Think of it this way, and this would apply to the US but it applies equally to any of the key markets that you or [now as] described before, the first thing I would say is that fulfillment, online fulfillment today in the United States, just to answer the first part of your question, it's basically a mixed -- a hybrid system where we have some distribution capability in house and we use 3PLs and 4PLs to actually serve the rest of the market.

It is not a fulfillment system today that can compete with best in class in the United States. Having our heritage in distribution gives us, first, the ability and, second, the confidence that actually we can close that gap by leveraging the assets that we have in distribution in the Company.

But, it's going to require a very different model as it relates to distribution and in -- and we internally have reviewed that and you can expect that we will make changes to be able to compete in markets like the US. In markets like China and in Brazil, for example, if you don't have fulfillment you really are nowhere. That is what will define winners from losers in emerging markets online.

It's not enough to present the product online. If you don't fulfill the expectation of the customer in terms of delivery you will not be able to compete. So, in both markets the focus that we have today, more than anything else, is in building fulfillment capabilities.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Next question, Colin?

Colin McGranahan - *Sanford C. Bernstein & Co. - Analyst*

Eduardo, it's Colin McGranahan. I -- Wal-Mart is the largest food retailer in the world and food as a percentage of your mix is I think the largest single major category. Can you tell us a little bit more about how you've learned how to do food and fresh food online delivery in the UK, how to make that a profitable model and what your plans are longer term in the US?

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

I don't know if David Cheesewright is here. He would be the best person to answer that. Doug, do you want to take that?

Doug McMillon - *Walmart International - President, CEO*

Happy to, it started out with us picking from stores until the volume got high enough. When we moved to dark stores we had to adjust to the way we picked to get the cost down further, so we've been able to take a concentric circle around those dark stores there so we started to expand and that's enabled us to improve the profitability level of it. Answer the question?

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

I think you did.

Colin McGranahan - *Sanford C. Bernstein & Co. - Analyst*

Are -- and really this -- the heart of the question, Doug, was what are you going to do in the US? Can you have a credible same-day food delivery operation in the US?

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

Well, we haven't even said that we are going to do that, right? I mean that at this point in time in our plans except that, much like everything else at Wal-Mart, we are piloting a -- that initiative in one store in the San Francisco area. And, much like Bill covered this morning with small -- our small stores, will he build 1,000 or 10, it depends on how the pilots go and what we learn from them. It's the same thing with this one.

We're learning. We've got terrific results. When you get a 70%-plus repeat customers that's an awesome number. That means that they love the service. So, all the customer information we've gotten in the last few months since we launched that would indicate that there is a fantastic customer proposition.

The question now is can we make money, right? So, it's not enough to have a customer proposition that's terrific. You have to define the business model to be able to make money, and that's what we're working on today.

One of the things I didn't mention before, Greg, relative to your question about distribution is one thing that, and this is something that Bill is very much pushing for, is the leveraging our asset base that we already have.

If you think about it, even the best-in-class competitor that we have today has 40-plus distribution centers. We have -- if you include Sam's Clubs, we have over 4,300 stores and clubs in the US, and you have hundreds of distribution centers.

Now, if you take all of that and rethink your distribution model to leverage those assets, I bet that you can end up with a cost-effective way of serving customers in less than 48 hours much more effectively that you -- that are some of our competitors can.

So, I believe that leveraging our asset base is what Joel talked about this morning in terms of the multi-channel initiatives. It's what Bill has been talking about for quite some time in terms of leveraging our asset base to create a real differentiation with pure online players, and that you should see -- in that you should see a real effort in the next few months.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

All right, next question Dan and then we'll go to Wayne.

Dan Binder - *Jefferies & Co. - Analyst*

Hi, Dan Binder, Jefferies, a couple of questions regarding assortment. To put a finer point on the use of marketplace and third parties is it your view that in the future your preference will be to own more of that or to use third parties as you broaden that assortment? Is there a preference to go one way or the other?

And then the second question as you look at the different types of products that you're going to sell online are there particular categories that you want to be going after in a much bigger way to be more dominant in? And then finally with regard to pricing if you could just comment on like items with your stores, how you're pricing today and directionally where -- if that's going to be changing at all?

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

So the first question was -- you had multiple questions there so the first one was assortment, right?

Dan Binder - *Jefferies & Co. - Analyst*

Yes.

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

Okay. Where are you? I can't see you.

Dan Binder - *Jefferies & Co. - Analyst*

Over here.

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

Oh, okay. The first one was assortment. Our preference in assortment will -- or how we actually grow assortment will depend market by market, where markets where it will make sense to have an expanded assortment that we can manage and there will be markets that we probably would prefer to go with someone else.

So, a great deal of what we do will depend on how our level of development in each individual market. It's very different in the US where you already have a formidable store presence and infrastructure than it would be in places where we don't. So, I don't think there is a one size fits all.

Also I want to remind everyone that what I said at the beginning is that we are not going to do everything on our own. We have defined that to win here, in many cases, you are better off by ensuring that you find the right partner to go after the market in ways that otherwise you wouldn't be able to do it on your own. That is the question on assortment, so no single -- no single model there. You asked about pricing?

Dan Binder - *Jefferies & Co. - Analyst*

Well, first on the category, the various categories, if you want to dominate in certain ones in particular and be deeper and more competitive in some versus others.

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

We're Wal-Mart, right? And Wal-Mart is consumables first and its general merchandise, and now obviously we've got food as a -- the number one driver in our business around the world.

Categories where we have both expertise and where we can leverage our supplier base would be the ones that you should think of as categories that would be favored over others where we don't have those relationships.

Remember that scale is -- scale matters when you are able to apply that, and nowhere will it matter more for an online business in a market where we are only initiating to sell online than the ability to leverage the volumes that we already have on -- in our physical stores. And so, that is at the center of which categories will we focus on in each individual market. With respect to price, I don't know. I see Mr. Simon there. I don't know if, Bill or Joel, you want to answer what -- the question is the -- I think about channel conflict or something like that? Is that what it is?

Dan Binder - *Jefferies & Co. - Analyst*

Well, pricing on like items in the store versus --

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

Yes.

Dan Binder - *Jefferies & Co. - Analyst*

Online, how is that today and is it changing at all?

Bill Simon - *Walmart US - President, CEO*

We -- we've always, as you know, had a policy of taking care of the customer, whether it's a ad match from a competitor or taking back items that we know, in many cases, that we didn't even sell or we had sold 3 or 4 years ago.

So informally, most of our stores will match an online price when presented it that way. Most isn't good enough, and we'll be clarifying that to the stores, so if you go in this holiday season to a store and the online price happens to be lower for some reason then you -- the customer will be given that price in the store.

Dan Binder - *Jefferies & Co. - Analyst*

(inaudible question - microphone inaccessible)

Bill Simon - *Walmart US - President, CEO*

No, not generally. They're usually the same. We start in the same place. But, since stores competitively shop locally against a different competitive set that's competitively shopped online from the starting point, at any given moment given the relative volatility of online price matching with online competitors and the relatively slower movement of online -- of brick-and-mortar movement, the prices can diverge. They start in the same place typically and sometimes at any given snapshot in time when a customer presents may or not be the same in the store. But, the intention is that they are.

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

Okay.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

And Wayne -- Eduardo, will -- Wayne Hood will have the last question for you.

Wayne Hood - *BMO Capital Markets - Analyst*

Yes, and I guess it's just on the pricing subject that Dan is bringing up. I mean you're building a model there where, in theory, you're supposed to be able to have prices lower than Amazon or others online to be competitive, which would imply maybe you're store-level pricing would be higher. So now, Bill is saying they're going to be the same. Why wouldn't you have lower pricing on the web to compete with a broader segment?

And then over time, Bill, do you run into a conflict where you're -- the customer comes in with mobile technology. They look at the online price. It's cheaper. The store has got a match. And then she says, well, I lose pricing credibility with you now because I'm finding your online pricing is cheaper than your store-level pricing. How do you balance all of those things? And where is the decision going to come down on this?

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

I'm going to give a short answer, and then Bill -- I'll ask Bill to finish there. For the first, it's going to be relative to a question I got before also on our model today and why are we -- why have we aligned the business that we have.

And I want to make sure that everybody understands that the reason that we said that we would align the developed markets, which means markets where we have a footprint, that it's very significant and it's branded Wal-Mart or its branded Asda but it's got a brand that, to your point, creates that potential customer disappointment.

Because of that precisely, we made the decision that we will align the organizations so that internally at least the decisions that are made are consistent with the fact that the customer is looking at a single brand. I'll say only that and then, Bill, if you can --.

Bill Simon - *Walmart US - President, CEO*

Frankly, it's not a new issue. It's an actually a quite old issue. It happens today between two stores. One store matches a competitive set or comp shop, a set of retailers in their vicinity, and 10 miles away a store could match a different set of competitors and competitively price against them.

When you throw -- and so customers often times come into a store and will say, I saw this for less at your store across town. And we say, yes, no problem. We'll take care of it. It's complicated and faster when you overlay the online, the pace of which online pricing changes. Competitors will change their price online minutes and hours, even faster than airline ticket pricing sometimes. And so, we've got to become better at understanding when that happens online and develop a policy that just takes care of the customer at retail.

And I think customers are increasingly understanding that the ability to deliver consistency in the brand is going to be required, and we're headed in that direction. It also is managed with assortment, and as you start moving the assortment from the 100,000, 150,000 SKUs in a Supercenter to the millions that will be online the relative frequency of price changes or discrepancy -- sorry, price discrepancies like that will go down because the broad assortment that's available online will be complemented by what's available in the store. Today, we have a lot more overlap than we'd like to have.

Eduardo Castro-Wright - *Wal-Mart Stores, Inc. - Vice Chairman*

Okay? Thank you, everyone.

PRESENTATION

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay. Thank you, Eduardo and apparently we were not live on the webcast earlier, so I am going to reclarify before we get to the next presentation what I said earlier before Eduardo came up on stage.

And that is that there was some discussion as we were coming back from lunch about exactly was said on the Wal-Mart US comps, so let me just reiterate. We've said, as we had in second quarter, that our July comps were positive. July, of course, was part of our second quarter.

What Bill said this morning was that August and September, the first two months of the Q3, and these are comp discussions on the 4-5-4 calendar, August and September were positive. We have not given our third quarter comp nor have we indicated what our comps are for October. That news will come on November 15th when we announce third quarter.

In the presentation, Duncan showed a slide showing food and that was the food comp. The food comp was positive. But we do want to clarify that the overall box traffic, and that was a topic that was talked about this morning, traffic is trending better but it's still not positive. So, again, if we have any questions or need further clarification on this we'll cover it in the last Q&A.

And now though we do, as I mentioned at the start of our program, have a new presentation on the agenda and this is about where we're going with leverage, what we're doing to gain some of the expense savings that you've heard talked about so far today. And with that, I'd like to welcome up Rollin Ford, our Executive Vice President and Chief Information Officer. Rollin?

Rollin Ford - *Wal-Mart Stores, Inc. - EVP, Chief Information Officer*

Well, good afternoon. I feel like before I get started this afternoon that I've got to give a disclaimer, and the disclaimer is that Wal-Mart systems had nothing to do with the power outage earlier today. And it wasn't off long enough to effect generator sales, but we're working on that.

It's good to be here this afternoon and talk to you about this Powered by Wal-Mart. When you hear about SG&A reduction over the next five years, you think about our capabilities in the supply chain, inventory management and labor productivity, traditionally we have worked these issues by vertical business and by country.

We now have forged a global team to really put pressure on these elements horizontally across all business segments, sharing best practices and best processes. What we want to do in the next few minutes is kind of peel back the curtain on some new ways of working that's different than what we have done in the past. We still have a lot of runway of improving our efficiency across the Company and, candidly, we're excited. We're excited about the opportunity that we see in front of us.

And before we get started, let me introduce a very talented group of leaders. This group that you see up here is an experienced group with over 50-years worth of Wal-Mart experience. Now only a subset of those are going to be visiting with you this afternoon, but let me tell you they are an exciting group, as exciting as engineers can be.

Unidentified Company Representative

Thanks.

Rollin Ford - *Wal-Mart Stores, Inc. - EVP, Chief Information Officer*

First and foremost, Dr. Rick Webb, Rick has been with the Company since 2004 and has been in Logistics and Store Operations. Next to him is Karenann Terrell. Karenann Terrell represents one of the new acquisitions. Eduardo talked about new talent coming into the organization, and Karenann was former CIO of Baxter Corp. and is going to do a great job in our Technology area.

And then Jeff McAllister, Jeff McAllister, been with us since 1998, has experience in Logistics, International and most recently in Store Operations. So, we're very excited about this team that we're putting together to forge together this Powered by Wal-Mart fight mentality.

So as a team we continue to focus on growth, leverage and returns, and obviously we're going to talk about leverage this afternoon. But specifically, we want to create a global horizontal muscle to generate synergy and capability that produces real productivity in SGA savings.

Let me tell you I've been around the Company a long time, and we have had greatness in process discipline in individual functions of this Company, but we have never brought this capability on a global scale. This global capability will begin in process, be

enabled through IT innovation and then scaled on the back end through shared services, which honestly we have never done as a company.

What is exciting about the potential of this leveraged capability across the network of the world? You hear Mike earlier talk about the 100-basis-point commitment but this has actually become an inflection point, a point that has galvanized our focus, and you've heard it through all of the presentations that you've been a part of this morning. Our global process journey will start, start, in workforce management but be much broader than that. But to kick it off, Rick, tell us about that process journey if you would.

Rick Webb - *Wal-Mart Stores, Inc. - SVP - Innovations*

Thanks, Rollin. You know, we've got great merchants. We've got great operators at Wal-Mart, but we also have great engineers. So I had a chance to join Wal-Mart in Logistics and, as you heard from Johnnie Dobbs this morning, we have a disciplined process of using engineering principles to drive efficiency in Logistics.

About a year after I got here Mike asked me to start a Wal-Mart process engineering team, and so applied those same engineering principles to the stores at Wal-Mart and the bottom line of that is that the store process team has identified $300 million to $500 million of productivity improvements every year for the last five years.

We've done that with improving customer satisfaction scores in our stores and we've made the jobs easier for our associates to perform in our stores. So, as we create this new global process team we're taking those same engineering principles and we're going to apply them globally.

We'll lever across proven successes, and you've heard those this morning from Asda, from Sam's, from the UK, around our world. We'll take those great ideas and we'll put them -- and lever them across the -- across our markets.

I've only been in role for about eight months. It's a new team, but I've already seen great examples of best practices. So we are excited about the opportunity, and I am confident that we are going to meet our SG&A commitments that we've heard about today. So, our primary focus is going to be building even more global capabilities, global process engineer capabilities around our country.

We have lots of smart people working on productivity initiatives but, as Rolling just mentioned, they're doing them independently. We have the opportunity now to solve them together, solve them once and then lever them across all of our markets, and that'll be the goal here.

We recently brought the process engineering team leaders together and we, for the very first time, developed our five-year productivity plans together. It was a big deal because we had -- from all our different formats we had ideas from different formats and from key competitors around the worlds that we've integrated into our five-year plans now to drive SG&A reduction.

Tactically we're building a library of best practices, global best practices that the markets will have access to so that they can adapt these global best practices to the specifics of their formats and their markets around the world.

More -- most importantly, we're connecting process engineering teams around the world, and Jeff McAllister and I are going to give you a few examples here in this presentation of where we have some early successes of that leverage.

And finally, we're hold ourselves accountable. It's Wal-Mart, and you heard several times today where we get focused, we get things done. Even more importantly, when we measure ourselves we get things done. So, we'll measure against our SG&A commitment. We'll also measure associate productivity improvement. We'll measure improvement in inventory management, on on-shelf availability and customer satisfaction.

As Rollin mentioned, we're starting in workforce management globally. It's something we've been very focused on in the US now for five years. We're going to take those learnings and scale them around the world, and this means improving associate productivity by making their jobs easier to perform and, at the same time, serving our customers better.

So, we'll do it by standardizing store processes across the different formats and optimizing the operations of our DCs, replenishment processes and transportation networks. We have a (inaudible) we have leverage capabilities and expertise in those areas that we want to move around the world.

Finally we're very focused on what's next, on innovative processes and applications of technology that will keep our innovation pipeline full for years to come. It's a very collaborative process. This last week we had the first meeting of a global team that's focused on efficiencies of our front ends of our checkouts, trying to drive efficiency and service levels. It comprised of engineers from around the world, GEC, our Global eCommerce group, and our technologists so that we're solving it together against ones.

So let me start with a couple of examples, and Todd Harbaugh this morning really set me up very nicely for this. So Ami Spivey is the leader of the process team at Sam's Club, and Ami wanted to enhance the scheduling system for the associates in the Sam's Clubs.

Rather than starting on her own and building her own system she saw that the US had had a system and she adapted that system to Sam's Club, which was a great accomplishment. But, most importantly, she saved a year of development time and she's already seeing the productivity improvements that Todd talked about this morning.

Recently, Ami joined me and joined me and joined Gary Maxwell as we went to -- who runs our International process engineering team, and we went to Brazil. And Ami has not been to Brazil, first trip to Brazil.

But because she has this experience with Sam's Club she was able to interact with the leadership team in Brazil and help give them quick wins for their wholesale club, opportunities there in Brazil, and then has a better understanding of how the wholesale clubs around the world operate.

So as she builds processes and systems capabilities here in the US they'll be scalable on a global scale. So, it's an exciting place to work right now as an engineer. Jeff's going to give us some more examples that the US is doing to lever.

Jeff McAllister

Thanks, Rick. You know earlier, Mike, Bill and a host of other people really talked about our focus on productivity and the efficiency in the real basics of our business to drive SG&A. In particular what they focused on was a disciplined approach that really looks at every process and figures technological changes that we can apply to better manage the basics, the inventory and the labor we have in our stores and our clubs.

As Rick had mentioned, we've really got a talented group of engineers and Karenann technologists that are focused every day on how we improve the operating costs and the efficiencies of the store while improving what matters most to our customers, which is merchandise and merchandise on the shelves.

Many of you that might have seen the stores or gone to Fayetteville yesterday would have seen some of the initiatives that are on this slide, things like My Guide, which really gives the ability to focus where and what the work needs to be and gives the people the capability to learn what they need to do if perhaps they need more information about it.

Aisle location, Gibu referenced that earlier, looking at the list, well, that's also a great tool for our associates to be able to identify productively where to put product and how to get it on the shelf more efficiently. Electronic product code, we've talked about

that for several years, another way for us to manage the perpetual inventory and make the accuracy of the inventory that much better.

Clearly scheduling the right people, the right place, the right time, and then ultimately inventory management, and we've got lots of tools now to be able to do that better. We've really been expanding on these solutions and sharing them with the international markets, and the process improvement from all of these initiatives have saved hundreds of millions of dollars to date and, frankly, is going to continue to do so.

What we're really talking about is taking the waste out of the processes that we might have and putting tools in place to better manage the activity and the labor in our stores while ultimately improving the customer experience. So Rick, myself, a number of us, went to the UK to have a meeting with our counterparts and really learn about a bunch of the initiatives that the UK is driving.

And I will tell you it doesn't sound like a fun trip, per se, of taking that week but we learned more about how the UK is reinventing and improving and taking cost out of their business and really is helping us understand what and how we can apply that back here in the US. And I will tell you the UK has a bunch of great ideas.

I want to give you a practical example. This is a picture of sugar in the UK and it really, I think, represents the basics that matter the most to our customers, and that is do I have the product I want and is it on the shelf when I want to buy it.

During the trip to the UK, we explored the advancements that they're making in their modular design that really ensures that they've got the merchandise available and that the inventory, that is the inventory on the shelves, is accurate. And, frankly, it's world-class what they're doing.

Most importantly, though, what we did is we're taking those ideas back from the UK and combining them with the initiatives we talked about earlier to drive our in-stock and ultimately to improve our productivity and better our customer experience. Now I will tell you perhaps sugar or even this next slide, a pallet of water, maybe isn't your thing but for a bunch of industrial engineers and logisticians it's really -- it's a thing of beauty.

The fact is as they purposely manage the supply chain to be able to minimize the touches like the pallet here that arrived shelf-ready and the mod design that was ready to accommodate it. You know, we called it One Touch previously. Now we're thinking of more in concept of No Touch.

What does it all mean? Lower cost, higher in-stock, in translation, better price, so imagine the application of this concept and others into the US and you'll start to see what we do, which is an infinite number of possibilities to integrate supply chain solutions and improve productivity by taking non-value-added task out of the stores.

The fact is we have a world-class logistic network, Johnnie talked to you about that, that is truly optimized to deliver the lowest cost. And with their tools now that we're deploying in the stores we have the ability to measure and take work out and optimize that supply chain, reducing countless hours of non-value-added task, again translation, better productivity, lower cost, better price.

In addition we're piloting tools, innovative tools that give us the ability to improve inventory accuracy. You talked about on-shelf availability, but the secret sauce is can we actually improve the perpetual inventory in the store. We now are piloting tools in the store that'll give this the ability to measure that across the entire store and to direct people to be able to fix discrepancies real time.

Compared to the existing processes this'll take steps out. It'll improve the accuracy and minimize outs in our stores, and what's really cool about this is it's a capability that we will leverage around the globe and, frankly, Asda is teaching us how to do so.

The fact is with our scale in reducing steps and tasks that may only add up to seconds or perhaps minutes, with our scale that adds up very quickly to millions of dollars. Let me give you another example. Todd mentioned this earlier and Ami Spivey and her team worked on it with the Sam's checkout technology. Sam's leveraged the processes and the designs that were already being worked on by Asda and the mobile platform that the US was working on to really create a terrific self-checkout.

And by benchmarking with the UK they added host, that is an individual in front of the checkout, to really help their member or help a customer understand how to use the technology. Now, if you think about it, it's kind of a no-brainer. When we got back to the US, we were looking at our own process and realizing this is something that we really need to consider here as well.

Sam's levers the work that Wal-Mart had been doing on mobile and benchmarked across a dozen other competitors to provide not only a better member experience but did so at 30% of what the cost would have been had they tried to do it on their own.

The global process team working with Karenann and her systems professionals continue to enhance this checkout technology for both our members and for our customers. Now I'll let her tell you more about that, but first let's take a quick look at this video of a mobile pilot in one of our stores.

(VIDEO PLAYING)

Karenann Terrell

So if you found yourself getting exciting about sugar and water, then you're going to love this. The technology vision for Wal-Mart and our next generation capabilities are really built on a very, very strong foundation and history.

Technology has always been used at Wal-Mart in order to power the business model and not just by ourselves but in conjunction with our retail suppliers. Innovation has been a driver, and the thing about innovation is to focus on being great in a few.

It's very important what you pick at Wal-Mart as the few. Our focus is around three things, store of the future, multi-channel experience and advanced analytics. Let's start with the most impactful thing, and that's our store and store of the future.

If you begin at the front-end experience and you look at our mobile and self-checkout vision it's all about our customers using and integrating their own technology. It's not just about innovation done by Wal-Mart but done for our customers with their own technology. All of you could not do what you do without your personal devices. That's the same with Wal-Mart's customers worldwide.

And the benefits come from a customer satisfied who has more of a paced shopping experience. If I've just got to get chicken at Sam's and get out I have the ability to be very fast. If I want information as I move along I can get that.

The benefits of our store of the future don't stop at customer satisfaction. Think of the concepts that we are seeing now in stores around My Guide and being able to do work assignments in the store, the ability to use technology integrated into our stores to drive productivity.

Our store of the future has a big associates focus. Again, if you look at the tire display that's out here under Goodyear you'll see RFID tagging. You now see electronic product codes in more categories, and you'll see a much higher penetration of RFID and technologies like that to drive productivity. The lower cost to serve is the focus of that kind of technology.

So you say to yourself, all right, great, Karenann, how do you bridge from the environment that we're in today into the future world?" And the answer in our store is also going to be about innovation. We have to look at delivering that bridge from one to the other through the use of EDLC principles, even in technology, such as open source so that we can drive flexibility for our formats and we can really change the cost of technology in our store of the future.

Fascinatingly next is the multi-channel. It is the true transformation of the retail model, and we are experiencing it but it's a very uneven model today for consumers, consumers in stores that use third-party technology in order to find out about our products, to go and meet us online, our online experience, which is just now, as Gibu talked about, starting to show availability and inventory in our stores.

Move from the brick-and-mortar environment into the click-and-mortar environment and you will begin to see the continuous and seamless experience that our customers will come to expect from Wal-Mart in that area of innovation.

The video that we just saw was really a customer experience that puts the customer at the center of the retail continuous channel. They're more informed. They have the information that they want when they need it in a store or online and it is a simplified use of technology.

That is what our customers have come to expect from us in the store experience. That is what they will expect in the multi-channel. The customer needs and deserves an integrated technology experience, and that is the area of innovation that we will focus on at Wal-Mart.

Joel Anderson talked to us this morning about looking at innovation in the area around access and delivery that a customer is looking for, where to get what they buy and to get whatever they want. That experience will go all the way to the shelf in terms of that broad assortment that Eduardo talked about just moments ago.

We've started with Pick Up Today activities, but a much more continuous logistics and delivery model is our future in the multi-channel. Online capabilities integrated with mobile right to the customer in the store is the vision that the -- that Gibu Thomas talked about, that Bill Simon talked about and that Doug McMillon talked about.

All that is a focus of our innovation, and if you think I was excited about those first two the real huge area of opportunity and innovation for Wal-Mart is around analytics. If you look at Wal-Mart we are not big data. We are biggest data. That has always been the case. We are second to none in terms of the data that we have coming from all of our stores and our customers. We built historically Retail Link, which was really about structured data, defined data from our point of sale that we shared with our suppliers.

So much value has been built through the years on Retail Link, and that area of structured data augmented, as Venky talked about with social and unstructured data together, will provide the next generation of analytics, not just for Wal-Mart to make decisions but also for our suppliers.

It's going to aid us in merchandising decisions. It's going to help us with customer insights. It's going to look at all of the capabilities that Wal-Mart Labs is developing around that social unstructured data and it's going to deliver it together for us and make better decisions.

Driving analytics further up our supply chain in order to enable more EDLC decisions and merchant decisions, specifically merchant decisions, is going to help our EDLC implementations. If you look at what our real vision is, we want to drive information that will help us assort a store, that will help us drive assortment directly to the customer. Our ability to take all the analytic data that we have to work with entrepreneurial supplier -- to entrepreneurs outside of Wal-Mart and inside is really the technology that will power Wal-Mart in the future.

We're going to return to that innovative thinking time that we've had. It has always been a competitive advantage for Wal-Mart. It will be that same competitive advantage in our future. Rollin, innovative technology and process are two sides of the same coin. It provides a great user experience, and it has that great opportunity to power EDLC.

Rollin Ford - *Wal-Mart Stores, Inc. - EVP, Chief Information Officer*

Thank you, Karenann. So in closing, this is -- should not only be exciting for engineers but should be exciting for each of you as well. We are excited about this capability, this new capability that we're talking about, process, IT and shared services.

You know when I think back over the history of our Company, I think about our ability to take ideas, shape them, share them and execute on them. With this new capability we will be able to do this worldwide and move even faster. So, yes, we are excited about our ability to continue to leverage through process, through innovation of IT, and we are just starting our journey on shared services.

Just one comment on shared services, that's about taking the low-complexity, high-volume transactions, and scaling them in a service and a consolidated environment. We can continue to fuel the productivity loop and continue to leverage and exercise this new horizontal muscle that will help power Wal-Mart to another level. Thank you, and I'll turn it back over to Carol.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Thank you, Rolling, and I know it on the agenda we did have that we'd have a Q&A. But, I think in the interest of time we're going to save questions for the last session after Mike's remarks. So, we're now -- we'll now turn it over to our CFO, Charles Holley.

Charles Holley - *Wal-Mart Stores, Inc. - EVP, CFO*

Thank you, Carol. Good afternoon. Oh, yes. I can tell. It was that cake you had from Sam's Club. It made you tired. First of all before I start, thanks so much for your interest in our Company. Thank you. We really have enjoyed hosting you here today, and those on the Internet listening in thank you for listening in and your interest in our Company.

I'm going to spend the next few minutes putting the growth leverage and capital discussions that you've heard in context. Before I do that, I want to summarize some of the important points. First, I hope you heard we have very positive momentum in the back half of this year, especially in our Wal-Mart US operations. Second, we have some great opportunities, opportunities to grow more sales in our existing base in the US and around the world.

This doesn't mean we're going to grow for the sake of growth. We're going to be very deliberate with our investments and we will pursue what makes the most sense for our shareholders over the long term.

Third, as Mike has stated, we will leverage expenses this year. We aren't backing off of that commitment, and we believe we have a lot more opportunity. In fact, we believe we can reduce our SG&A percent of sales by over 100 basis points over the next 5 years.

Now, what are we going to do with those savings? We will invest in prices and we're going to increase our returns. And finally, we have strong earnings and we remain committed to returning money to our shareholders.

Return on investment will be down some this year partly due to acquisitions, which is to be expected, partly due to currency and partly due to a little bit tougher performance than we anticipated. However, we have new momentum in the US and plans to increase our returns in emerging markets.

Now, let's go a little deeper into the numbers. We have a great foundation with our Wal-Mart US operations. We believe we're turning the corner and are committed to driving positive comps in the US. We feel better about where we are today and we can feel we could deliver positive results going forward.

Sam's Club continues to lead all the segments in comp sales performance. As you heard, they will continue to differentiate their merchandise offering and drive membership value. Our International segment will continue to be an important part of our growth plans. We want to grow in a disciplined fashion and take advantage of the opportunities in less developed markets. Driving everyday low price across our International operations is a major priority. This will drive value to our customers and our shareholders.

One of the key priorities for all three segments, comp sales, comp sales growth. If we look back at our growth over the last five years, comp store sales were a relatively small piece of our growth. Going forward, our focus will be to make sure that our comp store sales play a bigger part of our growth story. We know that this will create the greatest value for our shareholders.

Now, one last area of our business that you will continue to hear more about is Global eCommerce. We know that we have to be more aggressive to serve the customer when and how they want to be served. We will continue to invest in capabilities both in the US and abroad to better serve the online customer.

There's a tremendous opportunity for our Company to grow through multi-channel initiatives and we'll be a major player, leveraging our know-how with merchandise, with supply chain and customer insights. This part of our business is growing faster than any other part of Wal-Mart.

Now, that's a summary of the growth initiatives that you've heard today. Let's turn to leverage. We made a commitment two years ago to start leveraging our expenses. By the end of this year we forecast we will have reduced our SG&A percent of sales by about 50 basis points.

Beyond this year, we're committed to take out over an additional 100 basis points and that'll go into five years. Now, this is everyday low cost and we know that we can't drive everyday low price without it. Now, what does that mean for the business? It allows the US to invest in price and widen the price gap. It also will help enable our International segment to improve operating margins in the emerging markets. Now, this isn't a goal that can be achieved without innovation and productivity.

I hope you got a sense from Rolling Ford and his team on the kinds of projects and initiatives that will help drive this kind of a result. It's still early days, but we're confident we can deliver the necessary productivity and leverage.

We're also focused on being more productive with our capital spending. We'll bring down the cost of building in all of our operations. We will also continue to reduce the cost of remodels. Next year in fiscal 2013 Wal-Mart US plans to build more square footage with fewer dollars.

We plan to decrease our building cost in the US by about 10%. In addition to our efforts in the US, construction teams around the world are working together to ensure our designs in construction are the most efficient in the world.

Now, we've talked about growth and we've talked about leverage. Now, these initiatives should result in continued growth in earnings per share. Despite a very tough and volatile economy our Company has delivered strong and consistent earnings growth.

Over the last five years Wal-Mart has grown its earnings on average about 9%. Now, to give you some context on this performance, the Dow has returned an average of about 6.5% and the S&P an average of about 2.7%. And do you know what? We can do better.

Our earnings performance has also translated into strong free cash flow, especially over the last five years. Over this time our free cash flow has grown on average over 24%. Again, to put this into some context, that's double the average growth of the S&P 500. It's four times that of the S&P retail companies.

We will have strong free cash flow this year, and it should be even stronger next year. Our cash flow is the foundation of our very strong balance sheet. We plan to maintain the AA credit rating, which allows us to navigate volatile financial markets. Our strong rating and balance sheet also allow us the capacity to grow.

Now, as a reminder of how we use our cash, we first want to grow our business. Organic growth is the very first priority and then acquisitions. We then want to make sure that we have an attractive dividend, and finally we want to use what's left over for share repurchase.

Now even during these tough economic times we have the largest borrowing capacity we have ever had. During the debt crisis this summer when the markets started to freeze we actually had investors seeking us out to acquire our commercial paper. I think that speaks volumes about the strength of our Company and its balance sheet.

Now last year, you would have seen me present a slide similar to this. It shows how we've evolved in using our cash. We've steadily increased our available cash for dividends, acquisitions and share repurchases. I said that we would -- that you should see a similar use of cash as last year barring acquisition. As you can see, our uses of cash this year will be fairly close to how we projected last year we would use our cash except for acquisitions, which in turn reduced the share repurchases.

Now going forward, we do not expect any large deviations from this. Acquisitions will obviously be the factor that will limit share repurchases if we do any. Now, while we're talking about uses of cash I think we ought to talk about dividends.

We remain committed to returning to shareholders through increased dividends. I mean this chart behind me shows very strong and consistent growth. Over the last ten years we've increased our dividend by 18% on average. In fact, last year we increased our dividend around 21%.

I can't tell you what the increases might be in the future right now, but I can point to the past and the current year. That history of increasing dividends, along with increasing earning -- earnings per share and cash flow speaks for itself. Few companies have had that kind of performance in that timeframe.

Now, let's talk a little bit about return on investment. We remain committed to maintaining a stable return on investment. As you heard me say in the introduction ROI, especially in developed markets, has declined a little more than we would have liked.

However, our underlying operations continue to produce some of the highest returns in retail, and we believe our current momentum in the operations will continue. This should allow for returns in our developed markets to remain stable in the longer term.

As for the emerging markets, we know we have an opportunity to increase returns along with growth prospects, and we think we can do both. Some of these emerging markets will take longer than a year or two to reach high returns, but we believe in the long term they can achieve superior returns for our shareholders.

Now, what does this mean? Well, in developed markets we want to have stable returns, which are already very high, and we want to continue to improve returns in our emerging markets. Okay. Now, it's time to take a look at the numbers. First, how do we compare to what we committed to last year? We should be close to the 6% sales growth, but that includes benefits from currency and acquisitions. On a PEG basis, that's without currency and acquisitions, we should be at the low end of the range.

Now, even though it's in the range and we've got the positive momentum in the US we can't give ourselves a green light because of the comp sales performance in Wal-Mart US in the first half of the year. Now, for square footage we should be well within the guidance of 3% to 4% without acquisitions. With the additions of Massmart and Netto, which you heard from Doug, the reported square footage will grow even higher.

As I've already addressed, we believe we will lever our SG&A for the year and then some. We feel positive about our operating income performance despite a tough first half of sales -- first half of the year of sales. Now, without the effects of acquisitions and currency our underlying business would have operating income growing at or slightly less than sales growth. Our returns will be down moderately from last year due to the acquisitions, the business performance and currency. And, as I've indicated earlier, free cash flow should continue to grow and remain strong.

Let's take a look at next year. For fiscal 2013 sales growth should be between 5% and 7% with square footage growth between 4% and 5%. More than 50% of the growth will come from our International segment.

To put that in perspective, that means without the effects of currency we should grow our top line by $22 billion to $31 billion and square footage by 45 million to 49 million square feet. That includes 4 million to 5 million square feet for Massmart and Zellers.

Now, as you've already heard, we will stay focused on productivity, which should allow us to leverage expenses and grow operating income faster than our sales growth. Return on investment, it'll decrease 30 to 40 basis points next year as we integrate our investments in South Africa, Canada and the UK. We expect the ROI to decline in fiscal '12, moderate in fiscal 2013 and then start increasing after that.

This is all based on what we know today. If we make other investments, this could to alter the forecast. Now, in spite of our investments, we believe we will still continue to drive strong free cash flow. Let's turn to CapEx. This is our current fiscal 2012 guidance of $12.5 billion to $13.5 billion, and we still feel comfortable with those amounts in our core business.

But we also have acquisition-related CapEx, which would add another $500 million, and Doug covered that earlier. This would include the CapEx for Netto and Massmart, and it wasn't anticipated at the beginning of the year when we gave you the guidance.

With that said, our new guidance for fiscal 2012 is $13 billion to $14 billion including the acquisition-related capital spending. Now, our estimate for 2013 will be flat with the prior year. However, the segment breakout has changed a little.

Wal-Mart US will be down about 7% year over year. International will be up slightly as we grow in the emerging markets. Sam's Club and the Corporate Other area should be around flat. We also have about $500 million of acquisition-related CapEx for fiscal 2013.

This includes not only Netto and Massmart as a reminder of the CapEx for those two but also includes the remodel CapEx related to the purchase of the Zellers stores in Canada. Our guidance for our fiscal 2013, between [$13 billion] and [$14 billion] and should be around flat with the fiscal '12 guidance. However, remember this is without any additional acquisitions that we've not mentioned here today.

Okay. In concluding, I'd like to leave you with a few thoughts that I think are important for you as investors. We believe that we continue to be an excellent investment. We have some of the greatest sales growth opportunities ahead within the existing base of stores along with new stores.

That growth should produce $22 billion to $31 billion of additional sales. That's about 47 million square feet, additional square feet. We've reduced our SG&A by around 50 basis points over the last 2 years. We plan to reduce it by at least another 100 basis points over the next 5 years.

This will allow us to invest in price in the US and help ensure that we increase the returns in the International segment. All of this should translate into continued strong earnings and strong cash flow. And finally, we'll remain committed to provide strong returns to our shareholders. I appreciate everybody's attendance and listening in on the web, and due to the short time we're going to cut over to Mike right now instead of the Q&A. We'll do a general Q&A after Mike. Thank you.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Thank you, Charles, and, Rollin and the team, good job. I think Rolling probably forgot when he was talking about lack of excitement from engineers. He probably forgot that I'm an engineer, and -- but I thought I'd use the opportunity to remind him.

You heard me say this morning that our business is stronger today than it was a year ago, and it will be even stronger a year from now. I hope what you heard today has convinced you of that. I also talked this morning about the specific areas that we will be delivering on this next year. We have a clear understanding of what we need to do as a company to increase shareholder value.

So, here is what I am expecting from each of our businesses and the teams that presented to you today. In Wal-Mart US, you heard Bill describe improvements in merchandising and operations that have resulted in 3 straight months of positive comps, and I expect those trends to continue.

In the International business, we will improve operating profit and returns while providing a growth engine for our Company. At Sam's Club, we'll continue our comp sales momentum and we'll lead in merchandising, membership and club execution.

We'll grow our eCommerce business by leveraging our assets in key markets and leading in the next generation of social and mobile e-commerce. We'll reduce operating expenses as a percentage of sales significantly over the next five years and return the majority of that savings to our customers in the form of lower prices.

We'll recruit and develop top global talent, and we'll strengthen our culture even more. We'll continue to make a difference on the issues that matter to our customers and to communities around the world. All of this will generate increases shareholder value and will deliver strong free cash flow.

Now we are going to go to our final wrap up of Q&A time, and I know Carol will take a little bit of time here doing this. And, you know, you can ask me a question but if you've also got other questions that are directed more to one of our business segments then I may call on one of the other business leaders. So, if Doug and Bill and Brian and Eduardo, others, could be close by, so we'll open up for kind of our wrap up and final Q&A at this time.

QUESTIONS AND ANSWERS

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay. Are you out of questions yet? We'll start with Bob Drbul over on the side here.

Bob Drbul - *Barclays Capital - Analyst*

Hi, Mike. Just --

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Bob.

Bob Drbul - *Barclays Capital - Analyst*

The first question is, are comps positive in the US?

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Yes.

Bob Drbul - *Barclays Capital - Analyst*

Just kidding, sorry.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

I don't know. Maybe we should go back and start over the day, huh?

Bob Drbul - *Barclays Capital - Analyst*

All right. So as we look forward for the -- your assumptions for this year and into next year, in terms of the expectations for sales it seems like the comp expectations are for the continued positive comps. What are the assumptions for cannibalization in those numbers based on an acceleration or increase in the square footage in the business?

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Well, of course, I think when Bill was talking and even Karen in some of the discussions this morning was looking out further on future real estate strategy and the example that was used in Dallas specific about cannibalization.

Bill, I don't know if you have any specific information that you'd like to share. But, we don't -- I don't believe we calculate or break that out in public information. But, most of the discussion about growth in the future was really growing market share in some of our strong markets like Dallas and Tulsa. But, Bill, would you like to add any comments?

Bill Simon - *Walmart US - President, CEO*

Mike, we don't break that out and while we understand there will be some cannibalization, as I described, in markets where we believe the competitors are building we need to build at least at the market rate just to hold market share and we'll continue to do that. And while that may have an impact of cannibalizing some of the current stores, it's certainly required for us to retain and grow market share.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Okay, next question we'll go in the back to David Strasser.

David Strasser - *Janney Montgomery Scott - Analyst*

Thank you, very much. You're accelerating the CapEx internationally as you go forward at a time where the business is -- I -- it's just not doing as well as you had hoped. There's definitely some issues there. A lot of them are -- you've outlined a lot of ways that it's going -- you're trying to resolve those issues.

What happens if you don't turn the business around? And at what point do you say, wow, we -- maybe we really do need to cut back the investment there, or what are the two or three things you're looking at to make sure that that investment -- that continued investment is worthy of the capital?

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Sure. And actually, Doug, I'll add -- I'll start off and let you add to it. But I'll tell you, you know, the kind of things that we're talking about like Brazil and China are just two great markets. So this year, Doug covered well I think about the change to EDLP in Brazil and the integration of businesses and the steps to create a very, very strong business in Brazil.

I would tell you I could already see the path that's -- that we're on in Brazil. I can see the leadership team, and from our perspective I have complete confidence that this is going to lead to next year being a better year than this was in Brazil, similar situation in China and in other emerging markets.

Now, I think clearly we -- we've referred today to post audit. We continually are post-auditing ourselves. We look at new store post audits. We look at acquisition post audits, and all of that. I guess I'd say if we ended up concluding that we were not delivering what we were investing the capital in then we would go back and alter that strategy. But up to this point we are pleased with the path we're on, and even in those areas like Brazil and China, we see the path to get to greater success in those markets. But, Doug, I'll let you -- feel free to add.

Doug McMillon - *Walmart International - President, CEO*

And in reality we actually have already adjusted. I would say that there's about a six-month reaction time where we can make fluid decisions, and in Brazil the amount that we're investing this next year and the amount we're investing this year is actually less than what we had forecasted in our five-year plan in previous years.

So we are adjusting by country, and then secondarily we are adjusting by format. As Cathy said in the presentation, we've got one format in particular in Brazil that it's not performing and we've stopped investing in that format while we're growing others. So, we'll continue to make those adjustments as we go. We don't need to wait for an annual planning calendar to do it.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

I think that's what's -- is really very, very positive about the fact that International is actually a portfolio of businesses. They're emerging markets. They're mature markets. They are large, medium, small stores, but there are different ways to go to market. And so the kind of dynamic adjustment that Doug describes is the kind of opportunity to run a portfolio and then to be able to grow return on investment the way that Doug described in his presentation today.

David Strasser - *Janney Montgomery Scott - Analyst*

Thank you.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Next question from Chris?

Chris Horvers - *JPMorgan Chase & Co. - Analyst*

Thanks, good morning. Chris Horvers, JPMorgan. It sounds like ticket has become more positive over the year at Wal-Mart US and traffic becoming less negative has driven positive comps in the past 3 months. I was curious if you could talk about maybe how much inflation has helped that in apparel and food. And maybe another way to ask it, has unit comps been as encouraging as the overall trend in sales?

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Bill?

Bill Simon - *Walmart US - President, CEO*

Sure, Mike, happy to take that. Unit comps have been strong. We have seen inflation by category very similar to Sam's, although the mix is different, and a significant and substantial trade down.

In food, we -- our mix -- deflation was around 2.5% with a trade down of almost 2%, so the net impact was -- for us was 40 or 50 basis points. That's changing. It's been changing. It was much more of a trade down three months ago and just this last month started to abate a bit. But, inflation hasn't been the primary driver of the comp improvement. It's been assortment, fuel price reductions and starting to see a pickup in traffic probably as a result of the previous two.

Chris Horvers - *JPMorgan Chase & Co. - Analyst*

So, is the fuel price -- do you see that in a pay check cycle, the fuel price reductions coming down?

Bill Simon - *Walmart US - President, CEO*

For the first time in quite a while, the -- for us, the sales have held up longer into the month than they have over the last couple of years as the economy was difficult. Whether that's an easing of fuel prices or a customer who is getting used to a different pay check is hard to determine at this point.

Chris Horvers - *JPMorgan Chase & Co. - Analyst*

And then, Mike, just on the 100 basis points of leverage goal over five years --?

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Yes?

Chris Horvers - *JPMorgan Chase & Co. - Analyst*

I was curious how much of that is driven purely by sales growth and how much of that maybe is perhaps actual cost out.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Actually we develop a five-year plan, a financial plan that we review with our Board of Directors. And, frankly, we've taken a more conservative approach to the world economy. So, you start off by kind of looking at the growth of consumer spending, and we look at markets individually and we roll up and develop a financial plan.

We -- here, of course, we don't share in public what our 5-year sales plans would be. But, frankly, I think we've taken a very realistic but a positive -- in other words, we assume positive comp sales in all of the markets and businesses that we operate in that rolls up to that.

But, it's not based on any aggressiveness in terms of unreachable, a very achievable sales growth. But, we do know that there is a -- inflation, and there'll be some inflation in expenses. So, in other words, good chance that over the long term utility costs and other costs will go up in terms of the unit cost.

So, inflation is not just in cost of product. It's in the cost of operating, so what we're committed to do is that the productivity, the innovation and all the things that we've talked about today has to outrun any inflation and the actual SG&A as a percentage of sales will decrease over the 5-year period.

But, there is an element of -- naturally, the productivity loop is about more sales per square foot allows us to operate with lower expenses and lower expenses allows us to operate with lower prices for our customers. So, there is an element of sales improvement, which is that what the productivity loop is all about.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Our next question will go to Budd here.

Bud Bugatch - *Raymond James - Analyst*

In looking at -- Mike, in looking at the plan for next year it seems pretty reasonable considering the momentum that you've developed, but what -- we live in an uncertain world, as we've all seen now for quite some time. What are the major risks that you now see to the plan? You talked a little bit about inflation. Is that the major risk? Or, are there other risks you'd like to enumerate.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

I think Bill said this morning related to the Wal-Mart US plan that I think the oscillations that we're seeing in consumer spending and confidence, Bill has the confidence that his plan will work through and work even with the, you might say, low consumer confidence, very little job growth and doesn't require a recovery. So, the plan that we're basing this on is a more conservative view of next year's overall economic development.

Now, you asked what are -- there could be severe economic challenges in the world. There could be a very significant rise in fuel prices, but we're not anticipating those and we're not building those in the plan. But, I think if there are those kind of wild, unusual kind of situations then I think every business then has some flex -- some change in plan that would have to be looked at.

But, I think the normal risk and normal situations that we see, which are not very positive, by the way, normal doesn't equal positive anymore, we've got that built in the plan and I think we'll be comfortable with it.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

And then we'll go to Joe Feldman.

Joe Feldman - *Telsey Advisory Group - Analyst*

Mike, can -- maybe -- back here.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Yes?

Joe Feldman - *Telsey Advisory Group - Analyst*

Maybe you could talk about -- or you and Doug, how you guys implement the best practices and ensure that they're being met. You know, it seems like you can go around and there are some one-offs that you find and somebody -- a manager from one country might go back and do something, but I mean are you having weekly meetings, daily meetings? Like, how does that pollinate across the organization?

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

I'll let Doug answer that because he's doing a lot better job of that when I did when I was running International, so he has a lot more credibility to explain how he's doing that.

Doug McMillon - *Walmart International - President, CEO*

Well, I do think that the team is getting better at it. I think the number one thing I would say is in certain areas we have to resource it. So, for example, one of the areas of best practice would be what Rollin and Rick and Jeff and others shared around global process.

In the past, that was a bit haphazard and accidental. We had meetings. We discussed things, but it's different to have a set of engineers working on those specific issues, prioritizing what we're going to work on together and then, as Rick said, tracking it all the way through to the P&L.

So in some places we need to hard-wire it. In other areas where maybe use the other side of your brain and we're talking about merchandising and where the customer is going and things like that, we have a number of meetings.

We're connected via technology weekly, though quarterly the International team gets together, the International leadership team, many of which are the people that presented to you today, and we go through an agenda where we talk about a number of items including sales, and then the regionals go back and interact with the countries. We're also together throughout the year at a number of different venues, so it actually feels more continuous that you -- than you might imagine when you put together travel and technologies.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

I think it is great technology. We often -- we'll think of technology. It could be e-Commerce. It could be what Karenann discussed. But, frankly, even just the live video conference that we participated here from Brazil, so now you can imagine -- and Doug uses

a great deal of video conferencing that you can share information globally just at a much, much better level than we did five years ago.

I think -- I mentioned today the real estate meetings. Once a month on a Monday we have the US real estate meeting and we go through in great detail and great discipline approving each store in the United States. Well, on Tuesday at 7.30 a.m. we start off with the international markets and roll through by video conference to all the markets around the world, and that way I and Doug, we can go through in detail.

And so, a lot of this is technology-enabled, but it also -- Doug, I think you -- I give you a lot of credit. It's also a mindset and collaboration where the country presidents and the regionals really are looking to learn from each other.

I think I applaud, Bill, the US team and the discussion today about US learning from International. You would have heard more today about complete sharing of information around the world, including Wal-Mart US and Sam's US learning from markets outside the US more than you would have ever heard at a meeting like this.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

We'll go to Pete and then Adrianne.

Peter Benedict - *Robert W. Baird & Co. - Analyst*

Mike, a question about gross margin. I think the $2 billion of US price investment envisioned over the next few years comes to something in the neighborhood of 40 or 50 basis points of impact. Is that what we should be thinking about on the consolidated gross margin line? Or, are there other items within COGS that can offset that and make the gross margin contraction less?

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Since that's specific to Wal-Mart US, I'll let Bill just address the specific question and then I'll add a little more general color to it.

Bill Simon - *Walmart US - President, CEO*

We -- the dollar investment translated directly to gross margin is what you would have described. With an improvement in our general merchandise business you should see -- we hope to see less than that.

As we get, while it's not in the plan, support in the form of supplier participation and/or cost of goods improvement through sourcing, global sourcing, that would also improve it. But what you're seeing if you translated it directly would be that.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

And what I'd offer over, let's say, a longer view of looking at Wal-Mart is -- and I think Bill also talked about the kind of coordinating SG&A expense percent reduction and gross margin reduction, and I think that's what you should expect from the whole company over the next 5-year window is some reduction in SG&A percent and some reduction in gross margin percent.

But they should be corresponding fairly closely on an annual basis because we also -- we've talked a lot about customers today. We want to give the savings to our customers. But, at the same time, we want to enhance shareholder value and we think that's a way we will do both.

Adrianne Shapira - *Goldman Sachs - Analyst*

Mike?

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

Over here.

Adrianne Shapira - *Goldman Sachs - Analyst*

Adrianne Shapira, Goldman Sachs, Bill just alluded to it in terms of global procurement. We didn't hear you mention it today. It's ebbed and flowed as it relates to --.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Yes.

Adrianne Shapira - *Goldman Sachs - Analyst*

Priorities, help us think about what that presents as an offset to margin. That's my first question.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Yes.

Adrianne Shapira - *Goldman Sachs - Analyst*

And then the second as it relates to achieving the SG&A goal, how are you holding peoples' feet to the fire? Is there any change in compensation metrics?

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Yes. Global procurement is a good question and, frankly, we just really had to go through and say what can we cover and try to finish here at about 3.30 or so, so we could really talk even more about that and other areas of initiatives to bring benefits.

So, I think that's why the business segments all mentioned sourcing and procurement as advantages. I do think we are making a lot of progress and, frankly, we've sometimes been at this meeting and have talked about it a lot more. I think now we're delivering more.

And you heard Linda. You heard Duncan and in the international markets. So, I do think it is one we are capturing some opportunity, but I think there's still a lot more ahead. And it's not just -- you know, we think about just going into factories and buying product, but it really is all the things like sourcing food and the steps that have been making -- been made in how we source and deliver food to stores, and so there's still more upside in that area.

I guess the second question is one that's just kind of the Wal-Mart way of doing business of holding ourselves accountable. Our -- we've -- sometimes you hear our basic beliefs of respecting every individual or the way we treat people, for example, and service to our customers.

Our third is striving for excellence. That means measuring results and holding accountable for results, and I can guarantee you the business leaders that you saw on the stage today, my job is pretty easy because they hold themselves so accountable and their teams accountable.

And it kind of works its way down through the whole organization so there is that mutual accountability, and our business is just not that complicated. When we say we're going to hit an SG&A percent to sales it's not that hard to measure it. It's not that hard to understand how to get it and when some -- in areas not delivering it's not that complicated to then take the appropriate action to get back on track.

And that's --

Charles Holley - *Wal-Mart Stores, Inc. - EVP, CFO*

Hey --

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Yes?

Charles Holley - *Wal-Mart Stores, Inc. - EVP, CFO*

Mike?

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Yes?

Charles Holley - *Wal-Mart Stores, Inc. - EVP, CFO*

This is Charles.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

What?

Charles Holley - *Wal-Mart Stores, Inc. - EVP, CFO*

It's built into our targets too.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Yes.

Charles Holley - *Wal-Mart Stores, Inc. - EVP, CFO*

It's built into our short-term and long-term targets. Maybe that's a good short answer that I think you're --.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

Sure.

Charles Holley - *Wal-Mart Stores, Inc. - EVP, CFO*

But that Mike is right, we're going to hold ourselves accountable to it.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

But I think if you think back, Charles, it goes back many years, long before you and I were here, let's start monthly P&L meeting, all of the officer discussions we have and how store managers even run their stores. So -- and, of course, it does roll up to compensation at the same time.

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

And, Mike, I think that's a good note to end on.

Mike Duke - *Wal-Mart Stores Inc. - President, CEO*

(inaudible)

Carol Schumacher - *Wal-Mart Stores Inc. - VP - IR*

And we've been able to pull it off and stay relatively close to schedule. So on behalf of Mike and Charles and the rest of the Wal-Mart management team, thank you for your interest in our Company.

Thank you, to those of you who traveled a great deal to come to hear our news, and we appreciate your continued support and your continued interest. Please, continue to ask us questions. And, again, our next news will be out on Tuesday, November 15th, when we announce third quarter earnings. So, this ends our webcast today and we'll have a couple --