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# EDITED TRANSCRIPT

WMT - Management Update for the Investment Community and Q and A Session

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**OVERVIEW:**

WMT provided a management update for the investment community.

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**Neil Ashe** Wal-Mart Stores, Inc. - President and CEO of Global eCommerce

**Bill Simon** Wal-Mart Stores, Inc. - President and CEO of Walmart US

**Doug McMillon** Wal-Mart Stores, Inc. - President and CEO of Walmart International

**Rosalind Brewer** Wal-Mart Stores, Inc. - President and CEO of Sam's Club

**Rollin Ford** Wal-Mart Stores, Inc. - EVP and CIO

**Jeff Gearhart** Wal-Mart Stores, Inc. - EVP, General Counsel and Corporate Secretary

**Leslie Dach** Wal-Mart Stores, Inc. - EVP of Corporate Affairs

**Susan Chambers** Wal-Mart Stores, Inc. - EVP, Global People

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## PRESENTATION

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

Good afternoon. I'm Carol Schumacher with Walmart Investor Relations. Thank you for those of you who came to Bentonville to visit with us for our annual shareholder meeting, and participate in what was not only an educational but also a very entertaining morning this morning. And I know many of you came a long way, so we appreciate the time that you did take and the investment that you made in coming to hear our shareholder meeting earlier today.

We have this session before us, and it's a chance to hear from our members -- our management team, and we'll have some very brief remarks upfront and then we'll go directly to Q&A. I would ask you that when we start the Q&A, we will have a couple of people in each of the aisles. If you do want to ask a question, please raise your hand. We'll get a mic to you, so that those who are also listening in on the webcast would be able to hear the question, as would everyone in the auditorium here with us this afternoon.



So, before we get underway, I'd like to introduce the team that you see here on stage. And I think you can see this is a very illustrious group. This is the group leading Walmart, leading our business. And of course, directly behind me is Mike Duke; and the team to Mike's left, depending on which side you're on, is Mike's direct report group. This is the leadership group that leads our Company, that helps define our strategy, and that sets the course for us to have the kind of results that you just heard us cover in the first quarter.

Immediately next to Mike is Susan Chambers. Susan is head of our People division. So, on a global basis, Susan is responsible essentially for all things from the HR standpoint. Next to Susan, some of you may not know Neil. Neil Ashe is relatively new to our Company, and Neil is leading our Global eCommerce business. He's actually based out in California, and is not only looking at running the operations that we have in place, but looking at where we're going from the strategic standpoint with our Global eCommerce business.

Next to Neil is Leslie. I know many of you who joined us in October appreciate the updates that you hear from Leslie, as he talks about where we're going from a reputation standpoint. Leslie is our EVP of Corporate Affairs. Next to Leslie is Rollin Ford. Rollin was named our Chief Administrative Officer at the start of this fiscal year. Essentially, Rollin's area now is responsible for all our efforts under the banner of leverage. So, think global sourcing, the business processes some of you learned about on our store tour yesterday, and all the things that we have in place from a productivity standpoint.

Next to Rollin, you all know Doug McMillon, who runs Walmart International. And yes, I think those of you who were here with us this morning heard a very entertaining session from Doug about our International business. He got Mike to try a new drink from India. Next to Doug is Rosalind Brewer. Roz is our new CEO. She started at the start of this fiscal year, and she is now running Sam's Club. Joined us as CEO of Sam's Club from the Walmart U.S. business.

Next to Roz is Bill Simon. Bill, of course, runs our biggest operating segment and that would be Walmart U.S. Next to Bill is Jeff Gearhart. Jeff is head of our Legal division, very much overseeing the work involved in the allegations that you heard about this morning, and that many of you have already asked some questions about. Last but not least, the head of our Finance area, Charles Holley, our CFO.

And before we get underway on the screen, there are a couple of announcements that I'd like to make. The first is that you know we have our meeting in October. This year, we're going to be kicking it off on October 9, and that is going to be our annual kickoff reception. This year, we're not going to be at the Hammond Center; we're going to be at the Crystal Bridges Museum.

Many of you have asked if you'd have a chance to see that, and we'll be having the reception with management at that Museum. So you not only get to interact and ask some questions about our business, but more importantly, you get to see the gift that Alice Walton gave our community here. And that's the breadth of artwork, and just the tremendous artwork and exhibitions that are available at Crystal Bridges.

On Wednesday, October 10, we'll have our annual -- and this will be the 19th -- the annual meeting where we lay out our strategy for the upcoming year. That is also where we provide the update on our capital structure and talk about our capital structure going into next year. That meeting will run the bulk of the day. We'll commit to you, for those of you who are looking to schedule, that we usually end around three o'clock. That will be the end time again probably for this year.

And then we could not have a meeting like this without our obligatory forward-looking statement. I'm sure that many of our leadership team may be, in answering some of your questions, covering some forward-looking information.

So with that, I'm going to turn the program over to Charles.

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**Charles Holley - Wal-Mart Stores, Inc. - EVP and CFO**

Thanks, Carol. Welcome, everybody, and I'll just echo what Carol said. We really do appreciate your interest in our company; we know you've come a long way. We're going to try something a little bit different this time. We wouldn't want you to leave without getting some access to our executive management and getting your questions answered, the ones that we can answer.

As a reminder, we're going to our answers to the first quarter. We're not going to give you any information for the second quarter or a re-forecast or anything like that. I'll say a couple of comments, and then I'm going to hand it over to Mike Duke, who would like to make a few brief comments. And then we'll open it up for Q&A and allow you to ask questions.

First of all, we have a very strong balance sheet. And if you saw the shareholders meeting this morning, you heard me refer to, it's stronger than it ever has been. I think in these turbulent economic and financial times we're seeing again this week, I think it screams how important it is for us in our business model to have a strong balance sheet and strong financial position.

The second thing I'd like to talk about is -- which I've said before to you in various forms, but I think there's four key things to happen for Walmart in order to have a great year. The first is that we've got to continue this campaign and success we've had on leverage, very important. Walmart and Sam's Club in the US have to continue the great momentum that we've seen, especially in the first quarter.

The third thing would be, I think we have to -- the International has to improve returns, especially in Brazil and China. And the fourth is that we continue to -- we need to see continued growth and investment in the technology that matters for our eCommerce businesses.

So, with that, I'll turn it over to Mike Duke, our CEO. Mike?

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

Thank you, Charles. And I want to extend my welcome to you also. It's great to see many of you back in Northwest Arkansas, and hope you enjoyed the day so far, and maybe have some productive time for Q&A here.

It's especially good having you here after the first quarter that we concluded. We're pleased and we do see, as we discussed this morning, all segments of our business having a good first quarter. The comp sales improvement, that I hope you will ask Bill Simon a lot of questions about, in the Walmart U.S. business is really rewarding, to see that increase in traffic and increase in comp sales in the Walmart U.S. business.

Rosalind, the Sam's business is layering on top of good comp a year ago. So, Sam's had a good comp, but that was -- I should say had a great comp, but on top of a good first quarter a year ago. And then Doug, the International profitability I mentioned this morning -- you know, there is a real focus, as Charles said, on increasing profitability of the international businesses. And frankly, had a great improvement in profitability in the first quarter, too.

So we are pleased with what we reported a few weeks ago in the first quarter report. And we're happy to get into further detail in the Q&A period.

I'm just going to hit three quick points. I want to hit them because I hope you'll ask a lot of questions around these, so I'm trying to tee it up for you a little bit. One is on productivity loop and leverage.

Many of you come to the October meetings. And I hope you will all come to this coming October meeting, because I think, first, it will be a good meeting and we'll try to make it -- we always do try to make every one better than the one before. But I think it was the October 2009 meeting, when many of you were there, and we kind of drew a line in the sand, because we had not been leveraging expenses, and we said we are going to leverage expenses going forward. And we're going to find ways to give those savings back to customers.

We -- even though sales haven't been great over -- since October 2009, I wish I -- it's always easier to leverage if you've got higher comp sales. But we have leveraged expenses nine quarters in a row, and now we're starting to get even more leverage because we're growing comp sales and leveraging expenses at the same time. That gives us opportunity, of course, to both give savings to customers and also then improve return.

That's part of the story of the first quarter is, even accelerated leverage of expenses and at a time when sales were starting to show some positives. What I will just tell you is that we have a long-term strategy to continue to leverage expenses year after year. And so we've even said, over the next five years, we plan to take an additional 100 basis points out of our total corporation's expense percent to sales.

And frankly, we also expect in that productivity loop that we'll give more savings to customers, we'll add more traffic, we'll grow comp sales, and then we'll lower expenses more, and we'll give more savings to customers, and that productivity loop at Walmart is back. And we plan to churn the productivity loop going forward.

So I'm asked at times -- and I would encourage you to maybe ask Bill or Doug, any of -- are you at the end of leveraging? We're on the beginning of leveraging. I am so excited about the initiatives, the ideas, the focus on the opportunity to further leverage and gain productivity in the Company.

I visited with Rollin -- now in this new role, so many of the areas are -- really the background of leverage, like shared services, engineering and business process, use of technology -- so like I visited with Rollin a new shared service center that we're setting up in Costa Rica, because we have so much opportunity to do more work in shared services globally. I'm really pleased with the work going on in International that Doug can explain more. Bill and Rosalind, the Walmart and Sam's US businesses, are focused on this productivity loop and leverage. So that's first.

Second, I would tell you there is real opportunity that, frankly, we haven't capitalized on in the past, and we will. And that is, you might think of a productivity loop related to CapEx, and a focus on construction costs. And really looking at everything that we've put into new store construction, remodels, and with a real drive toward focus on a 10% leverage, you might say.

And so this is really taking -- if we were to take the same building, the same square footage, and build it now, we want to build it 10% at a lower cost, and you'd say, are there ways to do that? Absolutely. Without -- no impact to the store relationship with the customer. And there's just a real focus that Bill and Rosalind and Doug have put forward on the development of CapEx. The idea of not cutting out growth; it's really how do we grow with the growth rate that we want and investment in growth, by getting a 10% construction productivity benefit? And that's why I kind of say it's like a -- it's kind of a productivity leverage focus in the area of CapEx.

The third area that I would really encourage you to ask questions would be to Neil Ashe. Because Neil, sitting here to my left, has now been here for a few months, so he is completely up to speed on anything that you might ask about eCommerce. And he has a really good ability to answer questions.

But I'm really pleased with the -- now the developments that are rapidly taking place. I'm really -- it is really fantastic having Neil on the team leading that. But then the other talent and the other investments and the focus -- we're in the process of transforming Walmart from a retail company to a consumer company. And a consumer company means that we all start with the customer instead of starting with where we are today. And that's what Neil has already helping us to really think about is, in the whole area of eCommerce and how it connects to the retail stores, and how customers want to shop in the future, using their mobile devices and all of that. And how does Walmart really be there for the customer?

And it says start with the customer, the consumer, and we'll end up winning in this overall. And we're not really trying to separate and say, this is eCommerce and this is selling in a store. It really is so integrated the way customers look at shopping in the future is, we want to do it the way the customer wants to do it, not the way we've tried to drive them -- maybe we've been guilty of in the past at times.

So those are three key areas that I think are very, very important to Walmart. And I think all three of those are going to lead to a long-term positioning for Walmart as the healthiest and best retailer for growth, leverage and returns that we talked about this morning.

With that, Carol, I'll turn it back to you so we can get right into the questions.

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## QUESTIONS AND ANSWERS

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

Okay. I saw Bernie's hand go up first, so we'll take the first question. Just as a reminder, please state your name and your firm before your question.

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**Bernie Sosnick - Gilford Securities - Analyst**

Bernie Sosnick, Gilford Securities. To Neil Ashe, you've been made a target. I've got a BB gun. (laughter) You arrived here, Walmart was facing the challenge of achieving its goal of becoming a leader in global eCommerce. What are you doing to change that into an opportunity? And could you give us your key points?

**Neil Ashe - Wal-Mart Stores, Inc. - President and CEO of Global eCommerce**

Sure. So I'm on the job about four months, which I made a joke at the Board meeting just recently -- I finally earned my associate discount card, which you get after three months. And I've taken advantage of it. So I think, as to Mike's point, that makes me the expert.

So about a year-and-a-half ago, we created this organization, Global eCommerce. And Global eCommerce is the umbrella organization for all of our eCommerce efforts around the world, focused on developing the strategy that we can execute to win, and building the capabilities, both technology and people necessary to execute on that strategy.

And so I joined in January. We've put together, I'd say, one of the better teams in Silicon Valley now, that have the capability to build technology in a way that it can be a competitive advantage for us going forward. So strategically, our goal is, as Mike indicated, is to be the entity that's closest to the consumer and to provide anytime/anywhere access to that consumer, so that they can be a Walmart customer however and whenever they like -- whether that's via their mobile device, their computer, or walking through the door of our store.

We believe that we can expand both the breadth of our customer group as well as the depth of our relationship with those customers. And it's our goal to have the deepest and most intimate relationship with the customer of anyone in the marketplace. When we do that, we could offer them the goods and the products and general merchandise that we offer today in the stores, and we can offer them other services as well. So we think we can expand our -- expand the enterprise that way.

To do that, we've got to do a lot of work. So, we're in the process, as I said, of amassing a really, really talented team in Silicon Valley. We've had real success both acquiring small businesses for talent as well as hiring. We are building a new global platform. The benefit of a global technology platform is that it allows us to take innovation to every one of our markets simultaneously.

So, I know that this company is built on leverage, and so, obviously, there's some financial leverage involved in this; but I really want to focus on the customer leverage, the opportunity that that gives us to innovate -- we like to say innovate at the edge. But we'll innovate in Brazil and we'll feel the benefits of that in the United States as we're building that platform.

We've already rolled out the first pieces of that platform. So, most notably, a product search engine, which is live at Walmart.com in the US. It took us about six months to build that search engine, and it's the equal of any product search engine in the land. And we'll put it up going forward on all of our other properties.

So you'll see us continue that technology innovation. You'll also see us start to improve what we call our customer promise, which is our ability to get you what we said we're going to get you when we said it and where we said it. And we'll do that through innovative partnerships with the stores, in programs like Site to Store. So we harvest the traffic in both eCommerce and the store perspective.

And then we'll do it also by better ability to get the product to you. So net-net, when we finish that, as I said, I think we'll have the deepest and most intimate relationship with the consumer in each of the marketplaces in which we compete. And then I think, as Mike indicated, we could be the best consumer company in the world.

**Bernie Sosnick - Gilford Securities - Analyst**

At what point might there be handhelds in the store for the associates to change the checkout process, as is happening in other retailers? And what are you planning to do to integrate social media and communicate with customers 24/7 that way?



**Neil Ashe** - *Wal-Mart Stores, Inc. - President and CEO of Global eCommerce*

I'd encourage all of you to download our new iOS applications that just launched in the last month, both for the iPhone and the iPad. I mean, it's fascinating to think about the fact that the iPad is only two years old at this point.

Some of the cool store features in those applications, which will give you a window into where we're going -- we've used geofencing to create an in-store mode. So when you're in the -- our view is that your smartphone is your personal GPS and your personal remote control. And so we want you to be able to use it as your GPS and your remote control in the store. So you'll see that going already. We've mapped every store in the United States, so you can find any product in the store as you're entering the store.

We're piloting mobile checkout for later in the year to try that. So not only is your associate going to have a handheld, but given that most of our customers already have their own handheld, we're going to take advantage of that. So we'll be testing that later this year.

We've launched a program called Endless Aisle, where you can scan a QR code. If you're in, say, a bike's department and you don't see the color or the size you want, you can get access to our full Web inventory and we'll get it to that store the next day.

And then finally, a program called Store Connect, which we are testing out in Albany, outside of San Francisco, where you can communicate directly with a store with your device. Over time, that will be with Twitter; today that's an individual webpage for every store. So we're really trying to give you the ability with that remote control to make a significantly better in-store shopping experience.

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

Okay. Next question, Peter.

**Peter Benedict** - *Robert W. Baird & Company, Inc. - Analyst*

Peter Benedict at Robert Baird. Mike, can you give us a sense of maybe a timeframe through which we can expect those -- that 10% savings on the new store CapEx to be achieved? And what are the big buckets? Like, how are you going to achieve that? Is it something that you can do as soon as this year? Or is it a longer-term plan? Thanks.

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

Yes, some of it could start quick, like some of the things I know Doug, like in International, signing is already being in process, where there's probably like a new Supercenter, \$100,000 savings in signing, that any opening going forward would have. But then some, because of construction cycles, will be next year or the following year. But probably a couple-of-years cycle.

I think it's a little bit different between the Walmart U.S., where Bill, you've already had some focus on, and Doug, some of the initiatives. So I might even ask Bill, you to comment on the focus on the US, and Doug, maybe on some of the international initiatives on CapEx particularly.

**Bill Simon** - *Wal-Mart Stores, Inc. - President and CEO of Walmart US*

Mike, I think you hit the nail on the head. We've started already with some of the nearer-in pieces like signage, things, interesting things like putting pigment in the concrete floor just for color. It's expensive and we don't need to do that. In fact, the stores are -- the floors are easier to clean with no pigment in them, so it's just bare polished concrete. Simple things like that we can do right away.

Some design elements of the construction savings because of the permitting process take several years, are kind of in the line of approvals that are down the road. So we've started to realize some of the savings already, and then we'll see those continue into the next several years.



**Doug McMillon** - Wal-Mart Stores, Inc. - President and CEO of Walmart International

And we've been looking across the markets for comparators, and we're finding some discrepancies that aren't explainable by duties or taxes. So whether it's steel or in-store fixtures, we're finding opportunities to challenge our purchase prices in some of the markets.

Most recently, an example, Peter, would be in refrigeration, where we came together to reduce the number of specs that we have for the equipment in the stores to keep cool food cool and frozen food frozen. And as we've consolidated those, we were able to go to bid and generate a lot of savings, working together with Rollin and the Global Sourcing team.

So it's everywhere. We're looking across the store trying to find examples like that that can be exploited, and doing a better job of sharing that information across all the markets. And as we -- with our pipeline, there will be a varying implementation timeline by market and by format. So it will be hard for you to put your finger on and say that was the date where it happened; it will be more gradual in nature.

**Rollin Ford** - Wal-Mart Stores, Inc. - EVP and CIO

Just on that example alone, I would tell you that we had over 75 different specs for these coolers. We brought them down and didn't take them to one, we just took them to five. And all of a sudden we just got tremendous savings from around the world on combining that effort through goods not for resale.

**Leslie Dach** - Wal-Mart Stores, Inc. - EVP of Corporate Affairs

If I could add another example, I think maybe not at the same scale, but the work we're doing on energy conservation, primarily through lighting, refrigeration, HVAC, those areas too, we're beginning to develop systems that we feel we can put into some of our new stores. And now we've done a much better job of tracking the savings and a better job of integrating the P&L, so we understand that sometimes the trade-off between maintenance and conservation, but are finding ways we believe that we can also yield efficiency in that regard.

**Doug McMillon** - Wal-Mart Stores, Inc. - President and CEO of Walmart International

We've shared with you before that LED was working in the parking lots, and we were scaling that LED lightning has started to work in the stores. And in markets like Mexico and Japan, in particular, where utility expenses have really been shooting up, we need technology like that to help us flatten those curves.

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

Next question, Bob.

**Bob Drbul** - Barclays Capital - Analyst

Bob Drbul, Barclays. Just following Pete's question on the cost and CapEx, I think, Charles -- are there numbers around -- as you return to positive comps and the strain on the third -- three quarters in a row of the positive comps, does the leverage point accelerate? Do you get more leverage on the two comp versus the one comp? Is there a framework that we can think about it from a numbers perspective?

**Charles Holley** - Wal-Mart Stores, Inc. - EVP and CFO

From a total company, I think that's pretty difficult because we're made up of so many types of operations. Maybe Bill and Roz and Doug could give a little bit of their thought, because I think the leverage does mean a little bit different for each of these segments.\

Bill, do you want to --?

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**Bill Simon** - Wal-Mart Stores, Inc. - President and CEO of Walmart US

You know, I think we've been asked this question a lot. We were able to leverage, as Mike said, on flat to negative comps. Certainly, leverage is easier on positive comps. The question is, as you deliver leverage, what do you do with the money you leverage?

In our particular case, we're reinvesting a significant portion of that back into lowering price to drive more volume, fueling that productivity loop, churning that loop, as Mike described to you. So we'll return some to the shareholders clearly, and we're going to invest some and give some back to our customers. So it's difficult for us to give you a formula.

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**Rosalind Brewer** - Wal-Mart Stores, Inc. - President and CEO of Sam's Club

I'll mention for the Sam's Club business, the leveraged piece of our business and our strategy we're just beginning. So to Mike's point earlier is that we're on the forefront of leveraging in our business. We've done what I think is an excellent job on the topline, and we're re evaluating some really good opportunities for leverage at this point. So you'll see the rate at Sam's improve.

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**Doug McMillon** - Wal-Mart Stores, Inc. - President and CEO of Walmart International

I can't give you a mathematical formula either. But our focus right now is on driving sales by becoming better merchants. And then we've got a lot of productivity enhancements going on from a process point of view that I can answer more questions about, if you're interested.

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

We'll go next to David and then we'll come down this way.

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**David Strasser** - Janney Montgomery Scott - Analyst

David Strasser with Janney Montgomery Scott. Bill, over the last couple of years, there's been some fits and starts in the US business. It feels like there's definitely some underlying strength here. There's a lot of optimism talking to all of -- everybody over the last day or two. What is it that gives you comfort that this time, as we start to see these benefits, that there is underpinnings and underlying strength to this comp trend, to this change in business, this positive trend in the business here, that can sustain itself for the foreseeable future?

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**Bill Simon** - Wal-Mart Stores, Inc. - President and CEO of Walmart US

Several things. The fits and starts I think partly were us and a lot of it's the external environment. There have been fits and starts in the overall US economy as we all know.

In this particular case, this time with us, I think the success that we've been having recently have been delivered by us doing what we do really well. So as we execute the business model that we talked to you about, manage expenses tightly, invest in price to our customers, deliver leverage, lower our prices, that's Walmart's business model. So the success that we're feeling today is driven by us sort of exercising the biggest muscle that we have, not from us having to transform into something else. We're just -- we're nailing what we do best and continuing to do that over and over and over again.

So, almost regardless of what happens in the external environment, I have a lot of confidence that our ability to execute our plan is what's driving the current success. So as long as we can continue to do that, we feel like that trends can continue.

**David Strasser** - *Janney Montgomery Scott - Analyst*

Can I just -- just to take it on the other -- today, after the meeting, there was a Q&A session, there's a lot of employees talking a lot about some gripes and stuff. It's a small number of people, but somebody said they had 17,000, I think it was, signatures. What is it -- I mean, how do you have confidence that you're on top of that, that you're winning that battle, that you're -- that there's not something there that you're missing as managers -- and it could be for anybody up there -- that as managers, that there's something that you're not missing at that level -- at the associate level? Or are you very confident that it is a relatively small number of people?

**Bill Simon** - *Wal-Mart Stores, Inc. - President and CEO of Walmart US*

Well, with those people today, a relatively small number of people, that issue with labor relative to organization and organized labor is a constant undertone in our business. It is something that we have a very close -- we keep a very close eye on. And we keep a very close eye on it by having dialogue with our associates all the time. We speak with them, we have a very open system with -- even it allows what you saw today, for us to hear, listening to your critics is a good thing, and understanding what they're saying, just to make sure, as you described, that we're not missing something. And we do that all the time.

We're in a state of change in our business as -- again, as we've been in for 50 years, as we continue to figure out ways to get better and to deliver leverage, and add new processes and new engineering systems to the business to deliver better in-stock. And we talked a lot about to a lot of you about some of these things, it requires change. At every phase and cycle of change, there's fast adapters to change and slow adapters to change. And our challenge is to balance the pace of that change with a concern for the associates and their ability to accumulate that change. And we're very, very conscious of that and following that very closely.

**Susan Chambers** - *Wal-Mart Stores, Inc. - EVP, Global People*

Another comment I'd add to that is for Walmart U.S., we, like a lot of companies, conduct associate opinion surveys or engagement surveys. And our scores this year continue to be higher than the retail average. In fact, in the past few years, they've been between high and best-of-class for retail, so that's great.

I think your point is a really good one. And the opportunity that we have is to constantly look for ways to make sure that the answers that we're getting that we're hearing and really understanding. And so I think there's always an opportunity to do a lot more listening. And so one of the things we want to continue to layer on top of this discipline that we have for engagement surveys, is to just conduct listening circles where we're spending a lot of time understanding what associates need.

But I think Bill is exactly right. We're in the midst of a lot of transition right now that I think will be very good for the customer and I think will actually make work easier for the associate. But to get it right in the transition we're going to have to do a lot of listening, to make sure that we've taken into consideration all of their concerns.

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

You'll all know Sam Walton really believed in change himself. And so we are implementing lots of changes -- I mean, all through the business -- the Walmart, Sam's, International business. And sometimes that does really have impact on associates. It can relate to changing schedules.

We're really trying to serve our associates and serve our customers, and finding the right way to do that and under this focus also on productivity. And I will tell you, it's kind of interesting. I'm not sure if all the other places you might go visit, I believe we do have a more transparent environment, that we can have this kind of open discussion that you see with our own associates kind of out for everyone. That's why I was pretty comfortable asking -- Valeda did not know that I was going to ask her what kind of job that I thought her store manager was doing, or how even she thought I was doing.



This kind of open -- and it's kind of back to the culture of Walmart -- we call open-door, we call it listening, and grassroots. A lot of the focus with our associates is on listening to associates. And we're pretty comfortable in that setting, listening to them in all of these formats.

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

Robby.

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**Robby Ohmes** - *BofA Merrill Lynch - Analyst*

Robby Ohmes, Bank of America Merrill Lynch. Doug, so Charles gave us the four keys, and obviously, one of them is international improved returns for this year, right? For this to be a great year. Can you just remind us what the single most important thing to improving returns this year will be in international that you're focused on?

And the second question is -- Bill looks like he's having a lot of success going back to EDLP, Broad Assortment. Is Broad Assortment and EDLP the right way to go, would you say, in all of the markets that Walmart operates in outside the US? And why?

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**Doug McMillon** - *Wal-Mart Stores, Inc. - President and CEO of Walmart International*

Absolutely. And happy to explain why. Relative to increasing returns in international, in the first quarter, we felt the weight of the acquisition costs. And we described that in the script. So that's one thing to keep an eye on.

The improving profitability, I think, is really encouraging, and the way to get that done is through improvement in productivity. We have a lot of upside in international, particularly in markets like Brazil and China that Charles mentioned, to improve how we manage the flow of inventory all the way through the system.

So think about it from the supplier forecast, the beginning of that movement of freight, all the way through to the cash registers. When it comes to setting a good modular, building a good assortment, executing it, managing on-shelf availability, staffing the store well at the checkouts, we have a lot of upside. We've been fairly random in how we've done it.

We've got, as you know, so many different formats and so many different markets. To some extent, they were left on their own to figure out what the best path was. But what's happened as of late -- and you've heard several of us talking about it -- and Rollin and I are working very closely on this -- is that we've taken an engineering team, working together with Bill and Roz, that's starting to look across all the markets and find the best ideas, and bring them in and then spread them.

And we're trying to do a good job in international, where we think we've got an idea, throwing it towards Bill and Roz, and saying, hey, if this will help you, use this. And I think that leverage going forward has a tremendous amount of benefit to the Company.

It's hard work and it takes a little time. There's change management involved; there's literal engineering work involved. Right now we're focused on Brazil in particular. We've been focused on Brazil for a while. And combining that effort around productivity with an EDLP implementation. So an extraordinary amount of change has been underway in Brazil from integration, Rollin, of past acquisitions, to the things that I just mentioned.

So let me summarize the leverage point. We need to get better in Brazil and China. I'm further ahead in Brazil than I am in China -- and I can elaborate some more on China if you want me to -- to try and create a situation where our profitability and returns are more balanced, and we're not so dependent upon the UK, Canada and Mexico, as we've been in the past. Those are our big markets; we want to keep them going. But we want to bring along those other markets from a productivity and return point of view, to make the portfolio look different.

As it relates to EDLP, huge believer; will bet my career on it anywhere. Couple of reasons. First of all, EDLP builds trust with the customer, which is the number one asset. But what a lot of people miss, the second reason is that EDLP takes a lot of cost out of the system. When you're high/low,



you have markdowns, you have payroll, you have damages, you have accidents that go along with those surges in freight. When you get that cost out of the system and you pass that on to the customer, you spin the productivity loop.

So I remember when we were growing in Michigan and California, associates telling me on the floor of a store, EDLP won't work here, people look at advertisements on Wednesday and Sunday, and that's how they decide to shop. Well, I've heard that about Brazil; I've heard that about other places, Japan -- it works. Because it builds trust; it takes cost out of the system; it helps you manage in-stock -- it just works.

As it relates to Broad Assortment, remember that we have so many different formats in International. We've got clubs, we've got cash and carries. As it relates to hypermarkets and Supercenters, it's absolutely the same equation. When Bill and I talk about EDLP, we are completely on the same page.

A question for International is, how fast can you implement it and where do you implement it? When we were together in Canada, we showed a chart that we feel like we've got some markets that are largely executing EDLP and delivering on it; some that are not. China was one of those and Brazil that's in transition.

At some point -- and it's probably going to be the first part of next year if we deliver on what we're talking about now -- we'll start moving China in that direction. But today we're not there and so the profitability is not there. It's really about moving to a Walmart way of doing business. And our own operating model that we've proven time and again works, we just haven't consistently executed it in International. And that's why we're not getting some of the returns that we need to get. It's a journey; we're trying to do it as fast as we can, but it is a journey.

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**Robby Ohmes - BofA Merrill Lynch - Analyst**

So just quickly, to clarify, so for this year to be a great year, it is, the International contribution to that is we should be looking mostly at Brazil?

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**Doug McMillon - Wal-Mart Stores, Inc. - President and CEO of Walmart International**

Well, we need to improve returns for the total division. Brazil is a big leverage point. If you look at where our investments are, we've got the big three markets I mentioned earlier; and then over the last few years, we've been investing more heavily in Brazil and China. So those are next on the list.

But Argentina, Chile, Central America, the other markets that we're in, also need to develop as it relates to productivity and driving returns. What we won't do is raise gross margins. We're going to have price leadership. So the question is, how fast can you implement the productivity improvements to get the flowthrough to work, so that the [gap] of profit increase is greater than that of the sales increase?

So hold us accountable on improving returns in total. Brazil is a model that you can follow to say, how will China progress? I think there's going to be a lot of similarity there. But it's going to take quarters, and in China's case, a few years, to get us to where we want it to be.

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

Robby, we'll go behind you if you -- we'll go to Greg.

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**Greg Melich - ISI Group - Analyst**

I had one for Bill -- Greg Melich with ISI -- one for Bill and then Rollin. Bill, if you think about the improvement in traffic, if you think last year was sort running negative two-ish or two-something, is now positive over one. That improvement -- well, put it in rank order. How much of it is the merchandising getting the SKUs back in the store? How much of it is that shift in reinvestment and price? Maybe how much of it is letting the consumer know through advertising? If you were to sort of rank-order those things in terms of getting traffic back.



**Bill Simon** - *Wal-Mart Stores, Inc. - President and CEO of Walmart US*

I would tell you that one and two are probably a tie, and three is a close follower. So we do -- we believed when we started down this journey that we would see ticket move before we would see traffic move. And I think when we were here last year, I was telling you that we started -- had started to see ticket move.

So as you go back and you deliver a consistent EDLP offering, and you get the breadth back to where the customer has trust in your price and trust in your assortment, the customers that are there see it and they buy those items. And then when we talk about traffic, we really mean transactions.

So, we didn't lose customers per se, we lost trips. And once we saw the tickets start to go up, we believed that we would get the frequency of trip back, which is what closely followed. And once we got the business where we were -- and I think I might have even told this group this -- made this point last year -- once we believed we got the business back to where we wanted it, we would start with a very crisp communication on price. And that's where we are today.

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**Greg Melich** - *ISI Group - Analyst*

Okay, great. And then, Rollin, under your responsibilities now, I imagine Global Sourcing is part of that. Could you give us an update there? I know it was a couple years ago, a big initiative partnership with Liam Fong -- I've noticed it seems like more of your sourcing now is not coming from China, maybe other parts of Asia. Could you just give us a big picture update on what you're really looking to get done there?

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**Rollin Ford** - *Wal-Mart Stores, Inc. - EVP and CIO*

Yes, first of all, we want to make sure that supply play stays pretty diversified. And we've got a big import business now. We're going to continue to grow our import business from that 5 to 15% annually, and we're going to continue to do direct sourcing. Our DSG partnership is important to us and will remain so. And we're also going to do a lot of direct sourcing for -- in our Global Sourcing group.

But if you've got -- if you think about the buckets of Global Sourcing, you've got certainly our Global Sourcing, you've got DSG, and then you've got our Global Food Source group. And then you've got goods not for resale. All of those we're trying to make sure that we've got a fence around it and doing that appropriately for the Company.

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

Greg, if you could pass it back behind you to Faye.

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**Faye Landes** - *Consumer Edge Research - Analyst*

Faye Landes, Consumer Edge Research. Just very quickly, this was alluded to, I guess, a little bit early -- in the main presentation -- but given that it's fair to assume that the CPA investigation is likely -- it will be protracted, as things tend to take a long time. This is, really, I guess, primarily for Mike and Doug or anyone else who wants to respond. What are you doing to make sure that your -- the people who work for you, especially the senior executives, have enough time to do their jobs, and that they can stay focused on the real job?

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

Well, this is the real job too. (multiple speakers)

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**Faye Landes** - Consumer Edge Research - Analyst

(multiple speakers) No, I'm saying this --

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

You know (multiple speakers) --

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**Faye Landes** - Consumer Edge Research - Analyst

I mean the real -- this real job, not sitting in conference rooms with lawyers. That's what I meant. (laughter)

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

Well, actually I might let Jeff go first, because the lawyers part and the -- and let's say this specific investigation that you mentioned, that's one thing. And then kind of managing the whole enterprise, which includes the way we manage in compliance and culture is really part of who we are.

But maybe first, Jeff, on the (multiple speakers) part --

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**Jeff Gearhart** - Wal-Mart Stores, Inc. - EVP, General Counsel and Corporate Secretary

Yes, let me (multiple speakers) -- let me --

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

-- to the legal part.

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**Jeff Gearhart** - Wal-Mart Stores, Inc. - EVP, General Counsel and Corporate Secretary

Thank you, Mike. Let me -- on the investigative part, you have to remember -- and we've said this before -- this investigation is being conducted under the auspices of our Audit Committee -- our independent Audit Committee. They've hired experts, legal lawyers, a number of law firms that are helping to pursue that investigation. The most important thing to us is that that be done in an objective and independent manner.

So there is a group of experts who are focused on that. Because we want to maintain the independence of the investigation, management is not participating in that. So it's an independent group that's doing it.

I will say that what management is participating in, including Doug and Mike and myself, is making sure that our compliance processes across the globe are world-class. And so there are a number of efforts that we've undertaken to do that. But as far as the investigation goes, that's really an independent group of individuals who -- of experts who are focused on that.

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

And I would add -- world-class compliance and culture and integrity are really all integrated with the management process itself. And so just like even Walmart U.S., Bill has a very integrated compliance organization that relates to food safety, environmental, a lot of areas that really get integrated from store manager up to myself.

And so this focus on culture and focus on doing business the right way is really something Walmart always does. It's always a part of our management process. Now I will tell you we are reinforcing -- as you can tell from our messages this morning -- that this is something we're not afraid to shy away from; we've never been. And -- but so that is -- again, that's why I say that part of compliance and integration is what we do anyway.

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**Faye Landes** - *Consumer Edge Research - Analyst*

Pardon my ignorance, is part of the independent investigation, though, and as per the disclosures -- disclosure in the earnings 8-K, don't you have to like -- don't they have to interview executives and stuff like that?

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**Jeff Gearhart** - *Wal-Mart Stores, Inc. - EVP, General Counsel and Corporate Secretary*

Well, I don't really want to get -- I don't think it's appropriate to get into the specifics of that investigation. And yes, over time, there will be inquiries that are made. But that's going to play out over a period of time. And I don't think that it's distracting any of our senior management from carrying out their normal day-to-day duties.

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**Doug McMillon** - *Wal-Mart Stores, Inc. - President and CEO of Walmart International*

Faye, I'll elaborate a little bit. You know how broad our jobs are. We're working on merchandising logistics, marketing, people, it's like this all the time. So we've -- as country presidents, for example, they have to manage a broad number of issues. Our country presidents were in town this week, we spent time talking about compliance.

We're focused on using this opportunity, not only on FCPA, but on everything -- from fire safety to food safety, hazardous materials handling, what's next, that kind of question -- to try and make sure that we've got the right talent in place, the right structure in place, the right independents, the right reporting structure. The GC's in the markets report straight up to corporate these days. Compliance teams are, for the most part, embedded underneath them -- making sure those things are strengthened, we've got the right talent, we've got the right focus.

But it was not the only subject we cover. We're also focused on developing merchants. We're focused on how to create global leverage. And so as leaders, we do juggle, but there are a lot of us, and we've got chief merchants in the market working on merchandising all the time. They do have a role in compliance, but it's not all of their job. So through leadership, we'll create the right balance and focus, and be able to do all of this. And when we're through, we'll have an even better company.

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

Terrific. Thanks. We'll go next to Wayne.

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**Wayne Hood** - *BMO Capital Markets - Analyst*

Wayne Hood, BMO Capital. A question for Bill and then Doug. Bill, as you begin to get the initial look at some of the Nielsen data, and you're able to determine how much business of your competitors are done at a certain percentage off, and you think about your price GAAP against that set that you're now able to look at, what is it telling you about your price GAAP and price impression? And I guess if you're looking at price impression year-over-year, how much has it gotten better?

And then, Doug, for you, I guess, when you look at one process that seems to be validated here in the US, that's the aisle locator system. In my guide, that seems to be far enough along that you could say it works. Why wouldn't you be able to roll that back into the global markets pretty aggressively to reduce costs and improve inventory turn? Is it because you can't map those stores the way you can in the US?

**Bill Simon** - Wal-Mart Stores, Inc. - President and CEO of Walmart US

Nielsen has been a great tool for us -- it's going to be a great tool for us. We look at price gap and we've talked about price gap before, but we're more focused on elasticity. And the data that gives us an opportunity to understand at varying price points in the market, what are the price elastic marks by item, by flavor, all the way through the business.

And we're -- where we're trying to invest our price isn't to create a bigger gap necessarily; it's to drive sales volume through elastic -- price elastic items. The gap may be 10%, and if there's still elasticity there, by going to 15%, we should lower the price. And the gap may be 5%, but if we lower the price and create a bigger gap, there's no volume because it's an inelastic item.

And so we're thinking more about it from an elasticity standpoint than we are from a -- drive the gap for gap's sake perspective. It's a little bit of a different approach, but we won't be beaten on price. I mean, that's clearly in our promise. But we're not just driving gap for gap's sake, and the data has been able to be very helpful in that respect.

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**Doug McMillon** - Wal-Mart Stores, Inc. - President and CEO of Walmart International

And Wayne, relative to leveraging in the mature markets we can -- I mean, in the less mature situations in Brazil and China are in that camp, we can't yet because of some of the fundamental building blocks not being there. In Brazil, for example, if we took it through stores today, I could show you EDLP implementation and a nice job of executing features, but the side counters are weak.

We're not setting modulars in a disciplined manner; that's improving and the team has been focused on it for some time now. In some cases, we didn't even have the same systems. You and I have talked about Brazil a few times. The integration work is helping; the buyers' jobs are getting simpler.

But being able to focus on making profit through selling merchandise instead of on the back end working with suppliers on allowances, and some of the cumbersome administrative things we've given them to do -- tax compliance, systems were not simple as they should of been, for example -- that's moving every month and it's getting better. But we'll need to get some of those basics done before we can start with more advanced things.

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**Rollin Ford** - Wal-Mart Stores, Inc. - EVP and CIO

You know, I would also add, Doug, this is not about rubberstamping. It's not about going to every market and rubberstamping. You've got to do the process maturity work. If you apply tools on a bad process, you're going to end up where you don't want to be. And so you've got to make sure that process discipline and rigor is there, that's unique sometimes to that particular market. And then look at your tool set, your systems capabilities and apply it appropriately.

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**Doug McMillon** - Wal-Mart Stores, Inc. - President and CEO of Walmart International

If we took the on-shelf availability approach we used in the UK and tried to put that in China right now, it would blow our minds. We couldn't handle it. So we've got to get the EDLP, we've got to do some things that will help us be able to execute well.

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

Next, Michael.

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**Doug McMillon** - Wal-Mart Stores, Inc. - President and CEO of Walmart International

That makes it sustainable, by the way, if you do it that way.

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**Michael Exstein** - Credit Suisse - Analyst

Michael Exstein with Credit Suisse. Doug, not to keep pestering you with questions, but this morning, you talked about being a global -- leader in global retail. But it seems to me global retail really doesn't exist any more in the classic sort of land-grab that was going on a decade ago with Ahold and Carrefour, Hashan and the rest of them. And if that is the case, how does that change your thinking of how you run the business going forward?

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**Doug McMillon** - Wal-Mart Stores, Inc. - President and CEO of Walmart International

Yes. I think of it in two pieces -- and others can help me here too, but -- the first piece is, what is the operating model? In our sense -- in our case in International, what we're talking about is we have a common purpose, a common organizational culture and six key operating principles. Two of those are EDLP and EDLC.

We want drive those consistently. And when we get those implemented well, then you can layer on top of that leverage, and find those places -- while not cookie-cutting -- find the things that are relevant, implement them, and do create back-end benefits from being part of Walmart.

So the front end, because the customers are different, communities are different, I think even, Neil, with eCommerce as it plays out, there will always be a front-end that's got uniqueness to it. But on the back-end stuff, I mean, the fact that Walmart is this old and we haven't really implemented shared services is an indication that we didn't really get the leverage out of the back-end.

So the way I look at it is we're doing this well already without implementing some of those changes. And the relationship we have with our country presidents right now is such that they're telling us -- they're helping -- they're part of this process. They're telling us this won't work, help me with this; there's a good sense of collaboration here that I think can help us keep from getting confused.

Centralization is not really the right word. It's more about leverage. And not just best practice sharing, but best practice implementation with resources to implement it. And that's what's different. And Mike's challenge on the productivity loop and leveraging SG&A forced us to work differently and to work together differently. And that's what we're doing around the world.

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**Michael Exstein** - Credit Suisse - Analyst

I guess I didn't ask the question properly. But if there were fewer people competing for new markets or acquisitions or something, how does that change your thinking?

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**Doug McMillon** - Wal-Mart Stores, Inc. - President and CEO of Walmart International

Oh. Well, when you think about returns, the organic growth program is going to have higher returns and acquisitions. So in existing markets, it might enable us to take longer to build out our organic growth program, we might be less acquisitive in an existing market.

Acquisitions probably still make sense to gain some sort of scale in new markets, but unless there's a strategic reason why, like picking up talent or covering a geography within a market -- you know, we might, for example, make a decision to let the organic program play out. We've certainly learned -- I've learned -- these folks may have figured out -- but I have seen in spades the last few years how important simplicity is.

Complexity is not our friend in this business and it comes naturally. So finding ways to flip that around and make things simpler and clearer increases our level of execution. And for us to be as good as we can be, we've got to keep making things simpler.

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

We had a Board of Directors meeting this week also, so the word simplicity we use quite a bit. And Michael, along the lines I think your question is to, I like to really stay focused and not get too distracted with too many balls in the air. The terminology I use with Doug sometimes is major in the majors.

If you really look at the markets that we're in, we are in a great set of markets. If you think about outside the United States, where we would not necessarily want to be, but where are really good opportunities, both emerging like Brazil, China, that we can build on. And we don't feel the urge to have to go plant flags and do a lot of land-grabbing. And yet we can have a great deal of international growth through both comp sales growth, which is first priority. And then in those markets, putting in additional square footage in the markets we're in. And really looking at even a greater return from the assets that we have and building on the base of business that we have today.

I think about it starting from the consumer again, and is there an opportunity to go into a market and meet the needs of consumers that are not being met, where Walmart shareholders can also get a benefit, where the -- and when Doug and I visited last year South Africa, and I remember I think it was in March of a year ago or February, and we went to Soweto. You could see there are just millions of consumers whose needs are not being met, that Walmart has formats and business models that would meet the needs of those consumers, but would also provide return to shareholders.

And that's what, of course, led to the developments in the acquisition there. But I think you will see even a greater focus on international investment that will meet needs of consumers and shareholders without trade-offs.

**Michael Exstein - Credit Suisse - Analyst**

Thank you. More or less acquisitive?

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

More or less? It'd be hard to say, because our acquisitions are, if you look at the 10-year history, are pretty lumpy. We'll have a couple years where we don't do much, and then a great opportunity comes along.

So we haven't really had necessarily a budget or a consistent pattern, so I don't know that I would say it would be -- it'd be hard to predict more or less. Some of that is going to be -- come from other opportunities. It may be that there's just greater opportunity in some cases where there's greater return for shareholders available than might have been five years ago, say.

**Michael Exstein - Credit Suisse - Analyst**

Great. Thanks.

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

Okay. We'll go to Maggie. And then the last question will be Budd.

**Maggie Gilliam - Gilliam & Co. - Analyst**

I also have a question for Doug. One of the things that bothers me a little bit on Brazil and China, in both countries, you've made acquisitions and they're both very large countries. And the story of the community clearly has a place in both countries. How are you implementing this with EDLP?

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And secondly, on a related subject, in South America, you've got stakes and -- pretty important stakes. Does it make sense for you to expand from some of your existing countries into some of the countries where you're not represented organically?

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**Doug McMillon** - Wal-Mart Stores, Inc. - President and CEO of Walmart International

Yes, we could. I think we can leverage some of the buying teams, home offices, et cetera, to cross some boundaries. I won't cite specific examples because I don't want to get anybody too excited. But there are opportunities to do that, I believe, in South America. And we have some depth there and some talented teams, and agree with the concept.

Relative to Store of Community, it's really important in every market. But as you know, China is so diverse from community to community and city to city. One of the things that's happened naturally over time -- partially because of the way the supply base works -- is that we've created buying offices all over the market.

And as we've done that in different geographies, we've been good at Store of Community, but we've missed the opportunity on leverage. So that's the balancing act. It may be that we want to have more store the community activity, more local purchasing and produce over time, but less than what we've had historically in consumables, because the supply chains have started to centralized for leverage. And we want to take full advantage of that.

So it's a bit of a fluid situation in China. And in Brazil, through the acquisitions, we basically ended up with three hubs, we have an opportunity there to do some further consolidation, I believe, Maggie, without losing our ability to execute Store the Community, we just have to do it at the right pace so we don't disappoint customers.

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

And our last question will be from Budd.

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**Budd Bugatch** - Raymond James & Associates - Analyst

Budd Bugatch with Raymond James. I'm going to step into the FCPA issue, if I can, on the last. I think the investment community's already voted that it's not really an issue from our standpoint, in terms of financial issues, but it's obviously a big one reputationally and a big one that you had to deal with from a standpoint of the media and all of that -- all of you naysayers. Which really, we think, are probably unfair because of a lot of good things that Walmart has been involved in over the last decade and continues to be involved in.

How do you use this opportunity? How do you think about it? I know Jeff has got to think about it from protecting the Company and that's what that outside investigation is. But Mike, you have to think about it from a standpoint of transparency, and how do you lift this up and then show the entire world how you handle this situation and crisis, which has come to the Company and not at your desire, but from just those events that have transpired?

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

One thing that's clear is that we will be a better company because of this. Sometimes when there's a situation, like this, you can treat it as a challenge or create an opportunity. And frankly, you can see we're already taking this as an opportunity to be a better company.

And so even the focus on doing business the right way, and the initiatives of outreach to communities is something we're just going to be -- you might say just doubling the efforts to be a better company in everything that we do. And frankly, I think it will just lead to long-term being a better company serving communities and serving customers. So yes, a short-term challenge; long-term, it creates us a greater opportunity to be even better.



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**Budd Bugatch** - Raymond James & Associates - Analyst

(inaudible - microphone inaccessible)?

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**Jeff Gearhart** - Wal-Mart Stores, Inc. - EVP, General Counsel and Corporate Secretary

Yes, I think it is something. Leslie, you might add your thoughts about communication also.

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**Leslie Dach** - Wal-Mart Stores, Inc. - EVP of Corporate Affairs

I'd say two things. As Jeff said on the investigation itself, it's premature for us to have anything to say until that completes. I think, though, at the same time, we're doing a lot of work to strengthen our compliance across the board around the world. As that progresses, I believe we'll have an opportunity to have people understand how seriously we've been taking that. And as Jeff mentioned, many of that -- much of that began substantially before some of the recent developments.

At the same time, I think what we've seen is that the work that we've done over the years in sustainability, women's economic empowerment, the fact that we have become better neighbors in the communities in which we're trying to operate, both here in the US and overseas, that those relationships that we've built are deep and real, and they're based on the work.

And so the other thing that we know that we need to continue to do, because of the expectations people have of the Company, and the fact that we do have probably more vocal and better organized critics than many of our competitors, that we have an additional obligation to continue that pace of leadership. So that's the other thing that we're committed to.

We think we've got a great record of doing that. It's also another recognition for all of us that that's the right thing to do, and we need to keep doing it at a rapid pace. So I think that's the other place we're committed to continue, so that people know the kind of company we are, see the good that we do in the community, are ready to welcome us in and to continue.

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

I like being at the place, by the way, that has the highest of expectations. And I think the world communities, governments, people have the highest expectations of the strongest businesses. I said this morning -- Walmart has been a very, very strong business for years, and we should create high expectations for ourselves because the outside world does, and I love being at a place like this.

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

With that, thank you all. First of all, for those of you who came in person, we appreciate, as I said, the investment that you've made in coming to our meeting. And it is a Friday afternoon and we hope that you have safe travels back. And for those of you listening on the webcast, this concludes our webcast for this afternoon. Thanks for your interest in Walmart.

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## JUNE 01, 2012 / 6:15PM, WMT - Management Update for the Investment Community and Q and A Session

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