Walmart U.S.

Bill Simon
Today’s focus

- Initiatives to drive traffic and comp sales
- Building the next generation of retail
Second quarter results

Delivering strong profit growth
- Operating income +5.2%
- Growing faster than sales

Disciplined expense management
- Expenses up +1.7%
- 7 bps of expense leverage

Challenging sales environment
- Net sales up ~$1.4B or +2.1%
- Continued to gain market share
- Comp -0.3%
**Focused on improving traffic and comp sales**

**Continue strong performance in**

- Apparel
- Home
- Fresh
- Wireless

**Address opportunities in**

- Dry grocery
- Snacks & bev.
- Consumables
- Entertainment
focused on improving traffic and comp sales

Continue strong performance in...

Neighborhood Markets

Walmart Express

Address opportunities in...

Discount stores

Bottom 10% supercenters

Q2 Comp: +3.0%; Total sales: ~+30%

Q2 comp: +14.5%

Q2 comp: -0.8%

Bottom 10% Q2 comp: -7.5%

Note: Q2 comp sales based on 4-5-4 period ended July 26, 2013
Merchandising initiatives to drive traffic and sales

- Aggressive mass merchandising
  *Improving traffic and sales in key categories*

- Going deeper on price

- Winning the holiday season
  *The biggest black Friday plan ever!*

- Aggressively sharing our message
Winning in key categories

**Produce & Meat**
- Improved quality & execution backed by marketing
- **Meat**
  - Market share gains across meat & produce

**Home & Apparel**
- Focused on basics complemented by brands

How we’ll grow market share in electronics

New items, new programs, and low prices

- Video games
- TV features
- Accessories
- Programs

- Tablets
- Wireless
- Movies

Video games

Pre-order

Tablets

Wireless

Accessories

Movies

Programs

Trade In & Get

$50 up to $300

credit toward your next purchase

when you trade in an eligible working smartphone
Driving value through mass merchandising

Multiple levers to deliver value
Going deeper on price

Investing strategically…

- Targeted pricing in food & consumables
- Elastic, traffic-driving categories
- Locally relevant assortment

…delivering results

Gaining market share across key investment categories

- Adult beverages
- Produce
- Paper goods

COGS savings to fuel price investment

**Sourcing initiatives**

- Global sourcing
- Upstreaming
- Domestic manufacturing
- Joint business planning

**Upstreaming**

- Merchandise
- Production input

**Domestic manufacturing**

- 100+ projects initiated

- “Made in the USA” products
Winning the holiday season

Low prices, broad assortment & number 1 share of voice!

Serving our customers in every occasion throughout the entire season!
Ready for a strong holiday…guaranteed

The right **assortment**…

![Chosen by Kids]

*We bought deep on the items customers want*

At the right **price**…

![Rollback]

*Low prices backed by our Ad Match*

And the right **time**!

![Christmas Ad Match]

*Providing customers flexibility and convenience*
Connecting with the customer in multiple ways

Product & Price Focus
Save money.

Brand Focus
Live better.

34M+ likes

Launched in August 2013
Shouting the holiday message!

#1 share of voice every single week of the season

~50% greater than nearest competitor

25 billion impressions
- TV
- Print
- Radio
- Search
- Social media

Key integrations

Source: Based on purchased A1849 impressions for September 30, 2013 through December 23, 2013; as of October 1, 2013 per MediaVest
Operational execution to drive results

Targeted plans for underperforming stores

Stores focused on driving sales
In-stock, customer experience & mass merchandising

Fueling the productivity loop

It starts with our associates
Providing real opportunities for growth
Targeted plans for underperforming stores

Discount stores

- ~30% stores approved for supercenter conversion
- ~30% stores evaluated for supercenter conversion
- Innovative solutions to win on assortment & price

Bottom 10% supercenters

- Store-specific improvement plans
- Increased senior leadership visits
- 30/60/90-day operational reviews
Driving sales and traffic through in-stock

*Identifying* specific opportunities

*Simplifying* processes for store associates

*Leveraging* logistics talent & experience

**In-stock** levels ~95% and improving*

*Note: In-stock levels are as of the 4-5-4 period ended July 26, 2013*
Improving customer experience

All metrics improving

FY 14 Q2 vs. Q1 improvement

Fast scores YTD

+1.7% increase since Feb
Generating excitement through presentation

- Powerful displays
- Merchandising softlines
- Fresh commitment
- Seasonal excitement
Continuing to deliver leverage

**Front-end**

*Increasing flexibility of check-out process & driving productivity*

*Scans per hour*

+2.4% vs. LY*  

**Back room**

*Partnering with logistics to evolve back room*

*Logistics experience*

*Store back rooms*

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* YTD based on 4-5-4 period through September 27, 2013
It starts with our associates

Real opportunity

- 16k veterans hired since May 27, 2013
- Hiring 55k seasonal associates
- Consistent schedules & hours
- 160k associates promoted annually
- 300k associates with 10+ years tenure

Engaged associates

- 100 bps* increase in field associate engagement
  - At national average
  - 10 percentage points increase over last 4 years

Source: Includes every associate working at a U.S. location; national engagement average per Hewitt Associates LLC as of September 30, 2013
Building the next generation of retail

- Providing access through a multi-format portfolio
- Expanding in core markets
- Piloting a unique market ecosystem
- Leading in convergence of physical & digital
Serving customers everywhere

Supercenters

Stock-up trip
- ~$585B market size
- Full food and general merchandise assortment

Neighborhood Markets

Basic food trip
- ~$260B market size
- Assortment focused on grocery

Express

Immediate access trip
- ~$155B market size
- Convenience, fresh and Rx

Source: IRI Consumer Panel data for 52 weeks ended July 14, 2013
Leveraging Supercenters for sustainable growth

Supercenter

- Flex prototype size for different needs
- Leveraging capital efficiencies
- 300+ new stores through FY17

3,228 units

Note: Unit counts as of August 31, 2013
Accelerating Neighborhood Market expansion

Neighborhood Market

• Hybrid format competing across channels
• Strong returns while reducing capital

306 units

400+ new stores with total annual sales reaching ~$12B by FY17
Refining Walmart Express

Walmart Express

- Assortment includes fresh & pharmacy
- **Double-digit comps** in first half of FY14
- Continue to refine supply chain
- Density test results positive

20 units

Note: Unit counts as of August 31, 2013
Numerous “fill-in” opportunities remain

Example market
For illustrative purposes only

Existing supercenters
Numerous “fill-in” opportunities remain

Example market
For illustrative purposes only

Grocery/mass competitors

Dollar competitors
Numerous “fill-in” opportunities remain

Example market
*For illustrative purposes only*

Opportunity for large/small format
Numerous “fill-in” opportunities remain

- Reinforce market position
- Complement existing supercenters
- Provide broad access
- Multiple e-commerce access points
Utilizing resources like only Walmart can

Testing market ecosystem

Tethering

Functions
Example: Back-office tasks
Supercenter
Sharing functions across a market to reduce cost base

Supply chain
Leverage supercenters to drive logistics savings

Assortment
Enabling access to unlimited SKUs through physical & digital

Physical presence
Ecommerce & mobile
Making supply chain more efficient
Digital/physical convergence will unlock value

Anywhere

Physical presence
Supercenters & small formats

Only Walmart

Convergence

Anytime

e / m-commerce

The **seamless unification** of digital and physical
Ecosystem would enhance financial priorities

Growth

Enabling sales **growth** through expanded assortment

Leverage

Tethering resources helps achieve **leverage**

Returns

Decreasing small format capital increases **returns**

**A winning strategy for the next generation of retail**

- Multi-format portfolio
- Tethered multi-format portfolio

<table>
<thead>
<tr>
<th>Yr 1</th>
<th>Yr 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capex per store</td>
<td>Returns</td>
</tr>
</tbody>
</table>

Expected future capital costs per store (small formats)
Our vision for the market ecosystem

Example market
For illustrative purposes only
Road map for testing ecosystem capabilities

Build a foundation for the ecosystem | Develop capabilities | Test & learn | Roll-out decision

Now
Positioned for sustainable growth
Forward-looking, efficient capital strategy

- Relatively flat capital
- Growing e-commerce capabilities
- Growing small stores more rapidly
- More new supercenters vs. relo/expansions

Funded by increasing capital efficiency
Aggressive actions to drive capital efficiency

Supercenter
Increase speed to market by ~100 days

Improving capital efficiency
NPV / CapEx
Q1 FY13 → Q3 FY14*
+15 points

Improving returns
Approved IRR
Q1 FY13 → Q3 FY14*
+95 bps

Neighborhood Market
Increase speed to market by ~50 days

Improving capital efficiency
NPV / CapEx
Q1 FY13 → Q3 FY14*
+15 points

Improving returns
Approved IRR
Q1 FY13 → Q3 FY14*
+110 bps

*Estimated improvements are for Q3 FY14 versus Q1 FY13; based on project stores approved in pipeline
Capital efficiency allows us to build more stores

Small formats

*Projected as of October 15, 2013
## Walmart U.S. FY14/FY15 capital update

($ in billions)

<table>
<thead>
<tr>
<th>CapEx detail</th>
<th>FY13 Actual</th>
<th>FY14 Guidance</th>
<th>FY14 Revised</th>
<th>FY15 Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>New stores</td>
<td>$4.0</td>
<td>$4.0 - $4.2</td>
<td>$4.2 - $4.4</td>
<td>$4.2 - $4.4</td>
</tr>
<tr>
<td>Remodels</td>
<td>$0.7</td>
<td>$0.6 - $0.7</td>
<td>$0.6 - $0.7</td>
<td>$0.5 - $0.6</td>
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<tr>
<td>Logistics</td>
<td>$0.6</td>
<td>$0.4 - $0.5</td>
<td>$0.4 - $0.5</td>
<td>$0.5 - $0.6</td>
</tr>
<tr>
<td>Other</td>
<td>$0.7</td>
<td>$0.5 - $0.6</td>
<td>$0.7 - $0.8</td>
<td>$0.5 - $0.5</td>
</tr>
<tr>
<td>walmart.com</td>
<td>$0.0</td>
<td>N/A</td>
<td>~$0.1</td>
<td>$0.1 - $0.2</td>
</tr>
<tr>
<td><strong>Total Walmart U.S.</strong></td>
<td><strong>$6.0</strong></td>
<td><strong>$5.5 - $6.0</strong></td>
<td><strong>$6.0 - $6.5</strong></td>
<td><strong>$5.8 - $6.3</strong></td>
</tr>
<tr>
<td><strong>Total Walmart U.S. unit growth</strong>*</td>
<td>215</td>
<td>220 - 240</td>
<td>~245</td>
<td>235 - 265</td>
</tr>
<tr>
<td><strong>Additional Walmart U.S. sq. ft.</strong></td>
<td>14M</td>
<td>15M - 17M</td>
<td>~18M</td>
<td>19M - 21M</td>
</tr>
</tbody>
</table>

*Includes supercenters, discount stores, small formats, relocations and expansions
Uniquely Walmart

Next generation of retail