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<<[Sam's Club Introduction Video](#)>>

<<Greg Melich, Analyst, Evercore ISI>>

Well, good morning, everyone, to the 2nd day of our Consumer and Retail Conference here for Evercore. I'm Greg Melich. I'm the retail broadlines and hardlines analyst, and it's my pleasure to have with me this morning, Todd Sears, who is the Senior Vice President and Chief Financial Officer of Sam's Club, but spent over a decade at Walmart working a lot international. So I know you've been at Sam's Club for now maybe a little over a year.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Just over a year, yes.

<<Greg Melich, Analyst, Evercore ISI>>

So a lot of excitement and change going on there and acceleration of growth. So Todd, thanks for joining us and look forward to the discussion.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

My pleasure. I'm looking forward to it.

<<Greg Melich, Analyst, Evercore ISI>>

Great. So first, let's kick it off. Could you just give us a brief history and overview of Sam's Club. We saw from the video, but maybe position that now as to where you're seeing the consumer in general and your member.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yes. The video, I think, did a good job of providing a really big overview. One thing I would add, in the last five years, really at the start of the COVID pandemic, which was the shot of adrenaline of growth, we've grown about 50% and still with the same number of clubs. That is a tremendous amount of growth in retail over a five-year period. And it's that momentum that we have built we believe the future is still very bright to be able to continue to grow at that pace.

In terms of consumer, what we're seeing right now is the consumer is still being very conscious and very choiceful about what they're purchasing, but it's been consistent. And I'll use that word consistent because the last eight-plus quarters, the behavior has been pretty much the exact same. And it really goes back to 2022 when we saw double-digit inflation in food. And we – at that time, we saw members make choices to come out of general merchandise or nondiscretionary

categories into food. Even though food inflation has come down, food prices are still elevated. And so the members are still making those same choices. But in terms of the behavior, it's been the same. The one other piece that we've seen a trend, and this trend has only increased is they're also really prioritizing convenience. So anything we give them to make the experience in club better or the online experience better, they're leaning into. And so they're doing those two things.

<<Greg Melich, Analyst, Evercore ISI>>

And maybe to pivot that just more recently, can you talk about the comp trends you're seeing in the box and which categories are doing better in general merchandise and, how is that...

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yes. The most recent quarter, we had a 6.7% comp, which I feel is pretty healthy in retail. That was definitely led by fresh, which is produce, think meat, fruit, vegetables, those types of things and also health and wellness. Health and wellness has been growing double digits for quite some time now. However, general merchandise was also positive, which is pretty encouraging. In fact, it was the fourth quarter in a row that we saw positive general merchandise comps. And during that time, we even saw a little bit of deflation on what we sell. And so the unit growth to get a positive comp was even higher than the comp growth. And so it's a combination of those things, but really the last two or three years, for sure, fresh and health and wellness have double-digit plus growth pretty consistently.

<<Greg Melich, Analyst, Evercore ISI>>

And that's driving some pretty powerful, not just the last couple quarters, but I know over the last six years, I just looked at the table, if we ranked our 28 retailers, there's basically Amazon, Costco, and Sam's Club with the best six-year compounded growth. So it's showing up in both traffic and ticket.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yes.

<<Greg Melich, Analyst, Evercore ISI>>

And so, we can see that in numbers, not just near term, but even over the last few years. I guess to double click on that, how are you guys managing the tariff and cost input side of this equation to try and keep that shocking value equation for consumers?

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yeah, keeping prices low is not new for us, that's part of our DNA. In fact, our financial model is to keep prices so low that we just barely cover our costs. And we can do that because most of our profit comes from membership income, in fact, 80% to 90%. And so we've always strived to keep prices low. And the way you do that is supply chain management, manufacturing out costs,

looking at the best countries to source. And so everything we are doing right now to keep prices low are the same things we've always done. It's just a little bit different context, but the environment is very similar.

<<Greg Melich, Analyst, Evercore ISI>>

And on tariff specifically, how do you manage through what that could do?

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yeah. Well, we have the best merchants in the world for forecasting demand and making the purchases necessary. We're also being very strategic on particular items. And you've heard others in retail talk about pineapples and bananas, right? We also have not raised prices on pineapples and bananas, even though we have to import them. And one of the things that we've done is we've been able to reduce spoilage and waste, which allows us to offset any of those cost increases.

Another example that I'll share, and I think this gives good color and context is at Mother's Day, we kept prices of flowers the same. We did not increase them, but the best roses in the world come from Ecuador and Colombia. And so you have to import them. And we worked with our growers there, and collectively we decided, hey, we can reduce costs and cut out costs if we shift the packaging of these flowers to the U.S. And so because we did that that allowed us enough flexibility to not raise prices and we were rewarded with by far our highest flower sales weekend we've ever had. And some people would say, well, that's kind of a luxury item, that's not a necessity. But at least in my house, flowers on Mother's Day were an essential item. And I was grateful that we were able to keep the prices stable.

<<Greg Melich, Analyst, Evercore ISI>>

Well played, Todd.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yes.

<<Greg Melich, Analyst, Evercore ISI>>

I'm with you on that. So maybe to pivot there, I mean, Sam's has outlined a pretty ambitious growth plan and some acceleration.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yeah.

<<Greg Melich, Analyst, Evercore ISI>>

Could you talk about how you're going to – it was 40 years to double sales and membership and now trying to do it in half that time. What are the targets? How do you get there?

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

A couple months ago we came out publicly and said we have an ambition to double the business, double membership in the next eight to ten years.

<<Greg Melich, Analyst, Evercore ISI>>

Wow.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

And that's a big ambition. We know it's not easy, but Sam Walton, I think, his quote that is famous says, "High expectations are the key to everything." and that's the expectation we have for ourselves. And so that's what we're going after. Just a little bit of context, when we started this growth journey five years ago, yes, sales have grown 50% in that time. But one thing that's really interesting is our member base grew 33% during that same time. And that was, you know this, but for everyone's context, that was with the same number of clubs that we have today. So that's what, I would call, purely organic growth. Just adding members and that comes through with us delivering on our member value proposition. We will continue to grow organically throughout this time period. I think one of the big things we're doing to make sure we can continue to grow organically is we're remodeling all of our clubs. We want that consistent, elevated experience throughout, and that will help propel that. But with this growth, we also know now is the right time to start growing physically again, and extending our physical reach and we will be building new clubs. And with new clubs comes more members and comes growth, as you know, in retail.

But also, the third way we're going to grow is our digital reach continuing to get better and better. And by digital, I mean really our e-commerce offering, our omni-offering. And the beautiful thing about that is that makes it so you don't have to live near a physical club to enjoy the value of a membership. And so looking at all of those three components is how we have the confidence that we can actually go about this pretty bold ambition.

<<Greg Melich, Analyst, Evercore ISI>>

Maybe I'd love to unpack each of those three growth areas a little bit more. So remodeling the clubs. When the remodel happens, what are the biggest changes that as a member, I would see?

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yeah. So I talked about how fresh has really led the business. And fresh is so important in retail because it is a traffic driver. It's where the member assesses quality immediately and they can tell that difference. And so – in a lot of clubs, we've already remodeled our fresh area, but those we

have not, we needed to get it up to the same standard that we have in our best clubs around fresh. So that will be key.

The other component is over half of our sales, e-commerce sales are fulfilled from clubs. All of our clubs were built before any of that happens, right. And some of the – some elements of the club need to be retrofitted to enable our e-commerce growth, which is really when you think about it, that's omni by definition is we're using these physical clubs to really drive e-commerce. And so there's going to be a combination of those things. And of course, any time you do a remodel, there's just big maintenance items that need to be done. We'll take care of all of those at same time.

<<Greg Melich, Analyst, Evercore ISI>>

And I mean I saw it last week in the club that the fresh-cut sushi, I mean, how that that's in every club now?

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

We have sushi in 581 exactly of our 600 clubs and is a – and each one of those comes with a sushi's chef. And the goal is when we remodel that sushi's chef, this is a tongue twister, should be front and center, and it adds this theater, sushi is a – it is a big traffic driver. One of the reasons why people come all the time and the quality of it is excellent.

<<Greg Melich, Analyst, Evercore ISI>>

Yeah. No, for under \$10, there's a whole plate of sushi and a whole prepared meal. So I could see that continuing. Maybe other growth areas, remodel the clubs, but also growing physically, sort of take us through how many clubs, how quickly you can put them up?

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yeah. It was our investor conference we did in fiscal year 2024 where we announced we would open 30 clubs over the next five years. Now at that time, we had – we're just starting the pipeline. And as you know, in real estate, it takes a while to build up a pipeline and get going. And so – but right now, we are on track to open those 30 clubs by FY2029. We will open a club in a couple of months in Arizona that we're very excited about, another one later in the year, more the year after that, et cetera. But we also just announced a couple of months ago that we're not going to stop there. We see a lot of opportunity in the U.S. to continue to have a club presence. And as we build up this pipeline for the 30, we are also building the pipeline to reach a point where we will be able to open 15 clubs a year. On a foreseeable basis, it's going to take quite a while until we completely saturate those opportunities.

<<Greg Melich, Analyst, Evercore ISI>>

And I guess, when you're doing that and you're running the IRRs on each of those sites, how many members per club do you expect to hit those IRR targets?

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yes. As you know, we don't disclose member counts. That was a good try. But the way I view it, the context I'll give you is – if I look at our average member base per club today, any new club we approve and we allocate capital towards. I want to make sure that there is a good enough addressable market in that area where I can achieve that today's average and early on in the cycle of that new club. I think year three, year four, something along those lines. And that's important because there are so many different opportunities for us to invest. I'm not going to allow us to invest in a place where we can't have that membership base. Because it would just take away from a place where we could. And so as we go through capital allocation decisions and deciding where we want to go look for sites, that plays a big role.

One thing that is important about Sam's Club is our ROI is accretive to Walmart Inc. And so as we're investing in remodels, as we're investing in new clubs, my job is to make sure that it stays that way. And so I look for, okay, how do we continue to play our role to have an accretive ROI to Walmart?

<<Greg Melich, Analyst, Evercore ISI>>

I really want to go down that path. I will follow-up on that. So one thing that is Walmart has really taken off in tech, and gotten new businesses driving that momentum, we've seen a real margin inflection from the density of delivery and advertising, et cetera. So these are our numbers. We think that Walmart U.S. could be at a 6% margin in about five years with I think 15, 20 bps of tailwind. That said, Sam's, the nature of the model, high turn, lower margin.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yeah.

<<Greg Melich, Analyst, Evercore ISI>>

Does that mean that Walmart's enterprise margin? Should we, as analysts, be thinking the enterprise margin will always have to be 50 bps lower than because of Sam's? And I'm not saying you shouldn't grow the clubs I want you to, but will it always be lower. But how do you think about that?

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

I'll talk about the Sam's margin. Maybe I'll have Steph chime in on the enterprise piece. You mentioned the model that we run on the club side, and this was the original model Sam Walton talked about, which was high sales, low GP, equally low SG&A, low operating margin, but high ROI.

And we're true to that model today. As we do different things, as we build new clubs, as we get more members, we may see our operating margin tick up a little bit, but we are not intending to –

we're actually intending to preserve margin, not meaningfully expand it. And we think because of how many investment opportunities there are that that's the best thing to do for the long-term. Steph, do you want to chime in on the Walmart, Inc. side?

<<Greg Melich, Analyst, Evercore ISI>>

We have the mic.

<<Stephanie Wissink, Senior Vice President, Investor Relations>>

It's a good question. I think at the enterprise level, we step back and think about sales margins and returns. And across the portfolio of Walmart U.S., Sam's Club U.S. and International, you'll have different contributors to each of those buckets. And Sam's, we know is structurally a lower margin rate, but there are offsets within the portfolio in Walmart U.S. and International that can help lift that overall enterprise margin.

So we don't see any inhibitors to that to driving that kind of expansion that you talked about. Sam's can be a contributor to the rate of growth even though it has a structurally lower margin. And we wouldn't want to change that to Todd's point. We want to think about the portfolio overall when we think about driving overall enterprise margin expansion.

<<Greg Melich, Analyst, Evercore ISI>>

And just to be clear, while I ask you on that stuff. So you guys are still targeting a growth algo as opposed to some sort of margin target?

<<Stephanie Wissink, Senior Vice President, Investor Relations>>

Excellent, terrific.

<<Greg Melich, Analyst, Evercore ISI>>

Thank you. That feels good. We don't like the margin target. We like the growth. So Todd, pivoting back to the growth initiatives, I guess, digital reach. So I want to almost double-click or triple click on that because it's been such a transformation, not just at Walmart, but really at Sam's. So maybe take us through the momentum that you're seeing in digital engagement at Sam's Club and how you take it to the next level.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yes. So let me just set the context a little bit. We believe the future of club retail is omni. And so that's why we are investing heavily in omni. And by omni, you can't be an omni club unless you're a digital and digital in our context is multi-faceted. So let me address the in-club experience first, which is we know about Scan & Go. What you may not realize, I was kind of surprised by this is Scan & Go was launched in 2016. It's almost 10 years old. Next year will be the 10-year birthday of Scan & Go. And yet still in the most recent quarter, Scan & Go was 35%

of sales, and that was up 600 basis points year-over-year. That is tremendous growth in a technology now that's nine years old.

And then additionally with digital, I would view our Just Go exit arches is also being digital using technology to improve that in-club experience. As we look at omni, really what we're trying to say is we want our members to choose how, where and when they shop. And that includes in club.

But of course, to do that, you also have to have a big e-commerce presence. Today, our e-commerce business is 17% of sales, excluding fuel, and that was up 300 bps in a year. That's pretty good growth when you think about the total mix. And it grew 27% last quarter, and it's been growing in the 20%s for quite a few quarters in a row. With e-comm, we offer curbside pickup. We offer delivery, including fast delivery through Express and also shipping from fulfillment centers.

Curbside pickup and shipping have been growing pretty consistently for a number of years. However, delivery has been what's really taken off as of late. Just in the last quarter, delivery grew 160% and it wasn't a huge base, but it also wasn't a tiny base. And the amount of momentum we have in delivery just continues to get faster and faster and faster. And it's the members telling us they want things faster. They want it, how they want it. They want it on their doorstep. But we also have positive comps when we just look at in-club shopping also. And so when you have this total omni offering, again, it's allowing the members to choose how, where and when they want to shop, it all kind of works together.

<<Greg Melich, Analyst, Evercore ISI>>

So that 17% e-commerce, the bulk of it is still curbside?

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

The biggest piece is curbside but the fastest growing for sure is the delivery.

<<Greg Melich, Analyst, Evercore ISI>>

And the in between the third bucket would be going direct last mile...

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Just shipping straight from a fulfillment center.

<<Greg Melich, Analyst, Evercore ISI>>

From a fulfillment center. And on that delivery, I guess, pizzas or...

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yes. It's – this is kind of interesting. We've sold hot pizzas in our cafes for a long time, and they're large. Like you can get an entire large pizza for the cost of a slice down the street, right?

<<Greg Melich, Analyst, Evercore ISI>>

In New York, for sure, yes.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

And we had this idea like, hey, we're doing so much in delivery. Why don't we start delivering pizzas? Can we even do it? This is a funny story, but – we tested it just with some associates and the first pizza we delivered actually ended up being a rotisserie chicken. And so it showed up this associates house. And he took a picture of it and send it in like – this is a pretty good looking pizza. Thank goodness, it was an associate. That was part of our test. We quickly got that corrected. And now we're delivering actual pizzas, not just chickens.

We also deliver rotisserie chickens, by the way. But the pizza delivery has been incredible and has exceeded our expectations, meaning we quickly rolled it out to all 600 clubs. What's surprising is the average order value of a pizza order is 10x the price of the pizza. So people are adding other things to the basket. The other thing that is interesting is that a significant percentage of the total orders, members are choosing to pay for it for delivery through Express. They want the faster delivery. And so the value on the pizza is so big. They're willing to pay that extra money to have it delivered that much faster. And here's the most interesting thing to me as a CFO, is quite a few of the members who choose pizza delivery or delivery through Express is the first time they've done delivery or Express and so pizza is introducing members to these channels.

And we've learned on the Walmart side, when they get introduced to these channels, they don't go back. It's the same thing as Scan & Go. When someone uses Scan & Go, they don't go back. And so the trick is how do you get people into these channels and pizza is serving that role for us and has been very effective. It's only like two months old. But it's been very effective so far.

<<Greg Melich, Analyst, Evercore ISI>>

And you unlock the entire box of SKUs, which is something – and no offense to Domino's if they're here later today, I'm not sure, but they can't bring in the rest of the box with their – with the pizza. I guess going a little bit further now on that innovation and the technology is going to start, you mentioned Scan & Go, have been around for 10 years. What's been the inflection, if you look across all the different initiatives, what's – you talk about delivery, but what's the inflection of that really is driving that loyalty and traffic and membership increase?

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

I think we've really invested heavily and focused on improving convenience and improving experience. And every trend we see with consumers is they want that. Both our members but also just more broadly in whatever country Walmart operates in or even here just in the U.S. And so –

and we think we provide the most convenient and best experience in the channel. Members told us a long time ago, they hate waiting in line, like news flash, right? And that's why we introduced Scan & Go, COVID accelerated Scan & Go, because everyone is concerned about that human-to-human contact and then it's just continued since then. But then members kept telling us they didn't like to – they love skipping the line at checkout, but they didn't like to wait in line to get the receipts checked at the door.

<<Greg Melich, Analyst, Evercore ISI>>

Right.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

And the reason why we check receipts is because this is a club model, we want to keep prices so low. And so it's just making sure you know what's leaving the door from a shrink standpoint. But we said, hey, how do we use computer vision, which we already had in other parts of the club to take away that manual check? And so that's where we came up with the idea, developed and installed the Just Go exit tech, the computer vision exit tech in about a year's time, moved really, really fast.

A couple of interesting data points that I'll share on that Just Go exit tech. An associate at the door historically would have checked three to four items manually on average. The computer vision on average is able to check seven. So twice as many. And it's almost all of them, you think about average basket sizes and whatever else. But that's twice as many. Since we've done that, we have identified an increase in 17% – or 17% higher unpaid item detection through computer vision than we did with manual checks.

<<Greg Melich, Analyst, Evercore ISI>>

It help shrink.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

It help shrink. The great thing about that is the vast majority of cases is accidental. The members felt horrible about it. In fact, the way we treated them actually increased the loyalty because of how we treat them with kindness and all of that. But it's a win-win, win. It's a win for shrink. It's a win for the member, and it's actually a win for the associate.

The 75% of the members are now going through these exit arches without having to have their receipt manually check. There's a few things that are complicated, where we have to check it. Like any time anyone buys alcohol, of course, that's going to trigger a manual check and there are some other things that are complicated, but 75% is a lot. And what that does is for all members from the time they check out to the time they leave the door is faster. Because there's no line or the line is a lot shorter, and it's moving faster. And so listening to members has taught us where to invest, where to lean into tech and improve that experience.

<<Greg Melich, Analyst, Evercore ISI>>

And so I would frame it now, how many members are checking out with Scan & Go and what are we up to there now?

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

That's at 35%.

<<Greg Melich, Analyst, Evercore ISI>>

That's the 35%.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yeah.

<<Greg Melich, Analyst, Evercore ISI>>

And now that you have these – the exit systems, do you get rid of the cash registers or reduce the number of cash registers in the existing clubs. We saw in Grapevine that they're not even there.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

So yeah, you've been to our Grapevine club. And for context we're talking about Grapevine because it was a club that we had that got destroyed by a tornado and we ended up rebuilding it and reopening it last October. And when we reopened it, having done a lot of research with the community, we opened it with no cash registers.

And what was great is when we took out all the space for our cash registers that allowed us to put more general merchandise in it, which the members also like. And the good thing is the NPS on Scan & Go, specifically in the Grapevine club is at or higher than the chain average for Scan & Go. And so one of the reasons why that's the case is because we took all those associates who were manning cash registers that had a physical barrier of the belt in between them and the member, we removed that barrier and now they're engaging with the member. They're teaching them how to set up Scan & Go, how to use it. It's been a great experience.

On opening day, I was there and I – there was a couple probably in their 70s who couldn't figure out how to do it. And so I approached them and literally, the guy handed me his wallet, his credit card, his phone. I could have taken off and run away. But I typed in his credit card and the smile he got on his face when he scanned and was able to just slide his finger and check out, like it was priceless. That happens every single day in that club. I think because we took a group of investors through that club, we were probably – there's probably a misperception that we've already committed to taking all registers out of all clubs. We have not decided that yet. As we remodel clubs, just like we did in Grapevine, we will look at the member base. We will talk to them. We'll look at the environment, and we will make those decisions. Certainly, there will be

members in some areas and membership bases in some areas that will require some registers. I also think if we fast forward into the future, if you go far enough, there probably is no register. It's just a matter of timing and how you navigate through that.

<<Greg Melich, Analyst, Evercore ISI>>

Got it. And the scan, right. Once you have Scan & Go, and you have this, you just walk right out, got rid of all the pain points. I guess given your background, international. From that experience, what have you learned or what things have really jumped out to you that you're trying to apply where Sam's Club in the U.S. could learn from around the world.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yes. So I – we talked about – I've been in this role for just over a year. I came from our international segment. And I've worked a lot of my time at Walmart in International – we have – and we didn't mention this, we have Sam's Clubs in China, and we have Sam's Clubs in Mexico, but they report up to our international segment, not to the Sam's Club segment.

However, we work – we stay very close to those leadership teams. In fact, just last week, we had leaders from Sam's China and Sam's Mexico in our building. We're sharing best practices. We're learning. We're trying to solve problems together. We're constantly talking. We share similar brand standards. We share sourcing, we share similar strategies, and it's been very beneficial. I think we were just talking a little bit before this, Sam's China, we've learned a lot from particularly around the Omnichannel side. They have the e-commerce side of their business is about 50% right now is my understanding.

And that's really significant, and they've figured out, okay, how do you handle that much volume in your clubs? What do you do? How do you still maintain a positive experience in the club when you have all these things? And we're only at 17%. They're at 50%. We will probably eventually get there someday. And having an example where we can share ideas and think about, it just makes it a little bit easier. There's a little bit less R&D on our end because we can we can share with them.

<<Greg Melich, Analyst, Evercore ISI>>

Have those learnings. We said, even a lot of is a purchasing linked or are you able to leverage the scale of Sam's? Or is it still merchants in these markets?

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

No, there's merchant teams in each market, but we have a global sourcing team that helps facilitate. There's members mark in each of those markets. There are some sharing of products. But generally, we've also learned that local assortment is very effective.

<<Greg Melich, Analyst, Evercore ISI>>

Got it. If – could Sam's grow faster if it was separated from Walmart?

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

That's a really good question. Here's – one of the ways I look at it is, I believe one of our biggest differentiators and what strategically is because we are part of Walmart. And that has allowed us to grow at the pace that we are and innovate and move with speed that we do. And the reason for that is because we can leverage the whole of the enterprise quite a bit. A couple of examples that I'll give is about a year ago, we announced we were merging the Sam's Club supply chain with the Walmart U.S. supply chain. And the primary reason for that is it's really expensive to build a supply chain, a world-class supply chain and Walmart had that. Ours was pretty good. But we had already built it. I would say we, Walmart Inc. had already built it, and some of you have visited our fully automated fulfillment centers. They cost a lot of money.

And now we have Sam's Club inventory, and we're able to, as an enterprise, leverage that asset even more. The reason – one of the reasons why delivery is growing so fast is because we leveraged the Walmart Spark Driver network that they already built, they already set up. And so we didn't have to build all that infrastructure.

More recently, we've started leveraging the real estate function at Walmart, specifically on the facilities maintenance side. They have a lot of buildings across the U.S. We have 600. And so for them to be able to – they already have economies of scale and are able to more effectively and efficiently help maintain our facilities. And of course, we've talked, we haven't today, but we always talk about leveraging tech.

<<Greg Melich, Analyst, Evercore ISI>>

Right.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

In fact, right now, our e-comm app is undergoing a migration to the same platform that the Walmart app is using. We started rolling it out a couple of weeks ago. Quite a few members already have it. All of our members will have it in a couple of months. And the reason why that's important is because once we have the same platform, we can then leverage all the tools and capabilities that Walmart has already built within the Sam's app. Today, it's harder for me to do that. And I'll give you an example. While delivery grew 160%, if you place a delivery order and you said, I forgot that I wanted to buy ketchup.

<<Greg Melich, Analyst, Evercore ISI>>

Right.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

The only way you can do it is to place another delivery order or to cancel the order, go add every – all the same stuff to your basket and add ketchup this time. That's painful.

<<Greg Melich, Analyst, Evercore ISI>>

Yeah.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

No one wants to do that. On the Walmart side, we've already built the tool and the capability where until it leaves to deliver, you can just incrementally add or change your order. Once we'll be on this common platform and we start integrating those tools and those features, we'll be able to have all of those same things that the Walmart side has. The beauty of that is most of our members, they shop at Walmart too.

<<Greg Melich, Analyst, Evercore ISI>>

Right.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

And they are already used to being trained on that app. And so the way we can scale and move faster is a result of being part of Walmart. And I would be concerned. It would just be harder as a stand-alone company. The capital cost will be higher. The development lead time would be a little bit longer. And so I think we're in an optimal position. Steph, do you want to add anything to that from an enterprise lens?

<<Stephanie Wissink, Senior Vice President, Investor Relations>>

No, I think you've summed it up well.

<<Greg Melich, Analyst, Evercore ISI>>

So definitely want to stay part of Walmart. That said, there are parts of Walmart like Walmex that have benefited from having a publicly traded equity board in the country. Talked about Flipkart and PhonePe, I think in the past as areas around the world that you know intimately. I checked NASDAQ still has the ticker SAMS.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Still has it?

<<Greg Melich, Analyst, Evercore ISI>>

It still has it, you can get SAMS as long as you're NASDAQ. I think Sam Adams has – anyway. So you could still be part of Walmart, but would there be any benefit to actually being at least

separated in that regard so that people could buy in. Associates at Sam's Club could buy into Sam's equity. I'm just still thinking it's still ringing in my ear, the Sam's Club associates cheering last Friday endlessly Jimmy Fallon couldn't talk for two minutes. It was so loud. So I'm rambling a bit here. But I guess, how about from that side of it, not about leveraging the technology, but is there another angle on that. And feel free to...

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

I'm sure Steph will jump in on this too. One of the reasons why that would be appealing to me is for additional capital. But I don't need that because I've never been rejected for a capital request. And so, I don't have that incentive. Steph, do you have anything else to add?

<<Stephanie Wissink, Senior Vice President, Investor Relations>>

Only thing I'd add to that is this is something that we evaluate through our process on a continuous basis. So, it's not a new or novel concept. But I think to Todd's response, there's value in being part of the enterprise and the entity. But it's our duty to continue to evaluate all of the assets that we have, business assets and infrastructural assets to make sure we're optimizing value for the shareholder.

<<Greg Melich, Analyst, Evercore ISI>>

That's great. Thank you. I'll keep trying, but the – I guess, just tie it together, we talked a lot about growth and the reacceleration technology and how that AI comes up in just about every meeting. So maybe more specifically, how are you guys using artificial intelligence to help your member experience and partake in this growth? Is there any examples you can give?

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Yes. I mean the classic example, and this is a little bit older AI, but I'm reminded of back ages ago when the U.S. Postal Service started using machines to scan ZIP codes, they called that AI at the time, which is its interesting how things have evolved. We've talked historically about our autonomous floor scrubbers. And they don't have people on them. They go around, they clean our clubs. They clean the floors. And at one point, we got the idea, why don't we throw cameras on them? This is when we started getting into computer vision.

We put cameras on them and RFID readers, those scrubbers today take 23 million pictures a day across our clubs. We throw that into a machine and it's AI that's analyzing those pictures. And it's doing two things. One is it's identifying when inventory on the floor might be getting low. Our associates don't have to go around and look they're getting signals straight through their phones, through their apps, say, "Hey, your paper towels are running short time to put out another pallet. The pictures are also looking what we say up in the steel.

So, in the club, if you look up, that's where we store all of our inventory, there is no backroom. But there's not – like on the floor, we know where things are at, but up in the steel, we don't

basically would put the pallets wherever they fit. And so, the autonomous floor scrubbers, the pictures they're taking is also up in the steel, and they will identify where the inventory is.

Historically, an associate would have to walk around with the clipboard and be looking up, getting neck pains and identifying where the inventory was today, they know where it is because we're using these pictures, AI analyzing it and telling us where it's at. That's one example related to AI; we have a lot of things that we're working on. I'm not going to talk about them because everyone wants to know what we're doing, and we think we're on to a few things, we're being very front-footed though and I think what makes me most excited is things that we could only imagine in the past, AI will make a reality. It's just a matter of time in getting some of those things implemented and done. I'm very excited about AI will do to the entire club experience.

<<Greg Melich, Analyst, Evercore ISI>>

Well, that's, I think, a perfect way to end because we've got to still through for a few more hours. I really appreciate it, Todd. Thanks for the time, and we'll follow up over the course of the day.

<<Todd Sears, Senior Vice President and Chief Financial Officer, Sam's Club>>

Thank you.

<<Greg Melich, Analyst, Evercore ISI>>

Thanks.