

03-Sep-2025

Walmart, Inc. (WMT)

Goldman Sachs Global Retailing Conference

CORPORATE PARTICIPANTS

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Okay. Good morning still, everyone. Thank you for joining us for our session with Walmart. We're very happy to be hosting Doug McMillon, the Chief Executive Officer of Walmart. As most of you know, he was appointed to the role in 2014 and has been at Walmart for over 30 years. Doug, thank you so much for joining us today.

QUESTION AND ANSWER SECTION

Q

We're starting each session with just getting a state of the world with the consumer, the health of the consumer. How do you view the consumer today, and what do you expect for the consumer for the remainder of the year?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

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Yeah. I think the words that we used when we released earnings were generally consistent, and that's how we still feel about it. If you look at the middle to upper income levels, we're seeing strong demand. And if you look at middle to lower, there's been a little bit of stress. And we've seen behavioral change on items that have gone up in cost because of tariffs, where they're switching from one item to the other. Some of the behavioral stuff that you always see during times of pressure. But generally speaking, people have held up really well and we expect the same thing to happen for the balance of the year. And this quarter started off in the same strong fashion on the top line. So, we're continuing to see what happened in the second quarter spill into the third quarter.

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That's great. So, that includes back-to-school. Back-to-school is kind of end of Q2, maybe a little bit in the beginning of Q3. Any real insights or changes you're seeing there with...

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah, it was good.

Q

... [indiscernible] (00:01:27)?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

It was good. I'm talking about it in the past tense, but here, it just started this week.

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Q

Yeah, just this week, some people, tomorrow. Yeah.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

As I travel around the country, I've seen back-to-school happen and kind of transition onto Halloween in Indianapolis last week, in Texas before that, but here this week I was in stores yesterday and we're just going to back-to-school this week. But back-to-school does generally kind of indicate what we expect to see from the other holidays. And for us, it was really strong and that causes us to feel good about it. Sell-throughs were good. The value we created for customers was good. And e-commerce continues to grow as a percent of total as it relates to back-to-school, which is great to see.

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Q

That's great. [ph] Can you talk to (00:02:05) a little bit about just some of the dynamics with the consumer and what the consumer is dealing with? And obviously inflation is part of it and tariffs and the impact it can have on prices is another piece of it. Could you talk a little bit about the level of inflation you're seeing in your business today and what you expect for the second half?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Yeah. Here in the US, inflation is low-single-digits. That doesn't tell the whole story. If you look at what's happened in the food categories, particularly prepared foods, processed foods, dry grocery, stuff like that, we've seen prices go up for multiple years now. So, absolute pricing levels in food are higher than we want them to be and higher than what American families would want it to be.

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And then on the general merchandise side, we saw prices go up as supply chains got stretched after the pandemic. And then GM prices came down. What's happened more recently because of what's happening with tariffs is we've seen a steady march up, kind of a gradual increase as it relates to our cost levels in general merchandise, which has created the single-digit inflation that we find ourselves dealing with now.

Q

And how would you say the elasticity response has been? Has it been a little bit better than you thought, a little bit worse?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Better than I thought it. As I mentioned a minute ago, when items go up, we see units go down in some corresponding fashion as people switch to other items. Customers are really smart and rational and they move from one item to another or from one category to another as they see prices change.

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Q

And just speaking of pricing, the promotional environment appears to still be rational even as we navigate the tariff environment. How are you thinking about your relative price position today? Are you focused on price gaps? And what is the role of rollbacks and how we should think about you funding that versus others?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Yeah. Our purpose is to help people save money and live better. That's what motivates us. And so, we always want to keep prices low. We're always looking for an opportunity to get more efficient, take costs out, generate rollbacks for the customer. And things really haven't changed that much as it relates to price gaps. A few years ago, we made some investments and established a position and we continue to maintain that. It's different depending on competitor and category, but it's something we watch really closely. We'll make sure that that either improves or stays the same depending on the situation as we go through the environment that we're in right now.

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It's great to see in Walmart U.S. some rollbacks on the food side of the store. We've got a higher rollback count than we had last quarter, over 7,000. The rollback count is up about 30%. So, while some items are going up, other items are coming down. It's also great to have fuel prices be at a low level. We sell a lot of gasoline and being around \$2.30 a gallon is helpful. So, when you put it all together, I think we're able to find consumers who can still consume. And we want to make sure that that's the case going through the rest of the year too.

Q

If we can move on to just the overall business model, I mean, it's been very well conveyed and I think documented that you are building a business that is growing operating profit dollars after many years of investment. And we've seen that come through the last several years with the profitability profile improving. And a big piece of that has been, I think, e-commerce turning profitable, and that's just a very recent development. So, I wondered if you could talk a little bit more about that inflection, and what we can expect to see from e-commerce going forward.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Yeah. I mean, it's been great to see what our team has done over the years to change the business model. And it starts out with what does the customer want. Big picture, customers want low prices, a really broad assortment, a great experience buying it, and they want to do business with somebody they trust. And e-commerce changed the game, obviously, as it relates to retail. The assortment that you can get is incredible. And the delivery, accuracy, and speed, we're all learning how to improve as it relates to that. And so, it's really appealing.

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And in our case, it's a great advantage to be omni, to have stores, Sam's Clubs around the world and to have e-commerce capabilities at the same time. And when we started out on that journey many years ago, the motivation

was purely we got to be where the customer wants to be. And then as things unfolded and you see the opportunity with the P&L of marketplace, commissions and membership and advertising and data monetization and fulfillment services, you can start to see how the P&L could change shape.

And for some time now, we've been talking about in terms of two P&Ls just to try and create the clarity with – that we want, with the first P&L being the old-fashioned store P&L with a gross margin on products and expenses like wages and a net margin that looks like brick-and-mortar retail. And then a second P&L that's got e-commerce, including marketplace, commissions, advertising, membership, and all the other things I just mentioned in it.

And that P&L took a period of investment that I was really fortunate and blessed to have a board of directors and a Walton family that enabled us to think long term and to make investments in price, wages, e-commerce, and technology all at the same time, which brought the operating income percentage of the business down, but got us positioned for the long term and got us positioned for more growth.

And as the years have played out, that second P&L was strengthened. And we're scaling membership and we're scaling advertising with a lot of upside still to go, a lot of upside across the board in the newer businesses. And so, that operating income percentage in the second P&L will eventually be higher than the operating income and – percentage in the first P&L. And it'll lift the profitability of the company resulting in profit growing faster than sales and us navigating our way back to where operating income used to be at least in that range. And that's what we've been working on.

And for a while now, there's been consistency in our earnings. Last quarter had some stuff in it that's unusual that we can talk about and have talked about, but all the underlying metrics are still there, and the story is the same. We're building a business that has a different income statement, has an ability to invest in price, invest in wage, invest in technology, and still at the same time become more profitable. So, we're excited about delivering on that.

Q

And not to jump around too much, but automation, I think, has been a big area of investment as well.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Yeah.

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Q

Where would you say you are in that investment cycle? And what is that contributing to the profitability in the P&L?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Yeah. It's still early days as it relates to contributing to the P&L because until you really roll out the automated storage and retrieval systems that we're investing in, you don't get all the benefit. I was in stores these last three weeks and it's a mixed bag. Some are getting palletized freight as it relates to ambient merchandise and some aren't. And we're in this period of transition, where kind of roughly speaking across all the levels of investment that we're making, we're about a third of the way through as it relates to installation of those and the capital that goes

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along with it. But I'm really pleased with how that's going so far. There's an ambient component, a perishable component, an e-commerce FC component that are all hitting the metrics that we expected. They have great returns on them, and they will revolutionize the supply chain that we have.

And there's one last component that we've yet to completely figure out and scale, and that's the one that will be localized to store level that'll help us with case in each for e-commerce picking. And we're making progress on solving the problems that have to be solved for that to work, but I'm confident that we will. And in the end, you end up with a different supply chain. That is one that I and others have kind of dreamt about for years with the data that we have, the more intelligent software that we have, including the way AI is going to change things like demand forecasting, and these physical investments so that we know where things are and we're more productive in our handling of them, it results in a completely different supply chain that was originally built for discount stores and one window of time and then perishable food when we rolled out supercenters and then e-commerce FCs when we started in e-commerce. Those things have now been connected up in a way that inventory can be optimized across channels and across all the placement of those goods, which should unlock lots of goodness in terms of in-stock levels, the ability to grow our sales, but also the cost savings and productivity that fall out of it as we implement all of that.

So, in the United States it's a about a third of way through. We still have investments to make in Mexico, in Canada, which will obviously be smaller because of scale. So, we're kind of working our way through it is the way I would describe it and so far so good.

Q

You mentioned AI and we could probably spend the whole rest of the time talking about AI, but you've detailed several uses both consumer-facing with Sparky and then also on the backend with the automation of the DCs. Is there any way to boil down what AI can do for Walmart or where you see maybe you are with AI in the next 12 to 18 months?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Yeah, I'll try. But you're right, I can talk about it all day.

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Yes.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

I'm really excited about what AI is going to mean for our business. And inside the company, the way that we're thinking about it and talking to each other about it is, first and foremost, it's about growth. We have an opportunity to serve customers and members more effectively with artificial intelligence, and we can see a future that is agentic, that's going to help lift some of the things that customers don't enjoy about shopping off of their shoulders.

I get most excited about replenishment. There are items that customers buy repetitively throughout the years of their life. I mean, you guys probably have some of the same stuff in your refrigerator that you had 10 years ago or

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20 years ago. I still have eggs and Heinz ketchup and the same French's mustard. It may be in a different package, but it's the same stuff.

I don't really want to spend time thinking about all those things anymore. I'd like for somebody to just take care of them for us. And with unattended delivery combined with replenishment, there's cognitive load that can be lifted off the customer when they are thinking about replenishment.

But there are other opportunities, whether it's spearfishing for a specific item or an event you're planning for, or if you're just browsing for fun that we can also now make a multimedia experience that's personalized, that's AI native that looks quite different than the digital experience we're all living with today, which is a search bar and a laundry list of items.

So, we have a vision for that. We're building products towards that future. And it feels to me like that happens in months, not years. And there may be times when it feels like a step change because you get a really different visual experience. There may be other times where it feels incremental, but I think we're going to look back on this period of time and we're going to say, yeah, things really changed as it relates to e-commerce and it was powered by AI. So, growth is the number one priority.

The secondary priority is productivity or expense savings. And there are so many things happening across the company where people have been equipped with these tools and they are learning how to do things in a different way. And that's going to create an opportunity for us to plus up some people and have some other jobs that will be completely changed. In some cases, there'll be some jobs that don't exist anymore. In other cases, there'll be some new jobs that get created. And we are working to lead our way through that in a very transparent and tangible way.

We recently just made a leadership change and created a new direct report to my role with a gentleman named Daniel Danker, who's coming from Instacart and Uber, responsible for AI acceleration for product management, design, tech prioritization, and change management related to AI. So, you can just imagine if you look at it through the expense savings or productivity lens, you've got these teams doing different things, it might be marketing, it might be our contact centers or care centers for customers or members, and they get these new tools. Are they changing the way – their way of working? Are we eliminating head count where we should? Are we letting that flow-through occur? All of that takes change management. It takes time and attention and focus. And so, we've created some additional bandwidth and resource to try and accelerate the changes related to AI, again, starting with growth first and productivity second.

And I'll just wrap this up by saying it feels like, in the rearview mirror, we led ourselves through a digital transformation. And the one that we're staring at right now with AI is even more significant. The wave is bigger, the opportunities are larger. And we're going to go through a period of years here where we get the opportunity to transform again, and we're excited about it.

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Great. If we can maybe go back to the second P&L discussion. You have marketplace, there's advertising, there's quite a few drivers there. But I thought maybe we could start with marketplace. What differentiates – I think we are hearing a lot more about marketplace. It's popping up here and there. What differentiates your marketplace from competitors and how is Walmart positioned as a preferred partner?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

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Yeah. Shaping the marketplace is a tricky thing because you really want to have everything. I mean, conceptually at a high level, you want to be a place where people know they can find what they're looking for. And that means we've got to have all the right brands, as well as have all the right SKUs and right marketplace sellers, et cetera, to get there. But you want to make sure you don't have any fraudulent activity happening. You want to make sure product quality is what it needs to be. There's some other things that you want to edit out. So, there's some shaping going on to manage that while playing offense to expand it.

And the differentiation occurs in the way the whole system works. And in being able to place an order and get quick delivery on fresh produce and be able to get the entire store assortment, and increasingly being able to get an extended assortment that flows directly from an FC or flows through the stores to be in the same basket that gets delivered to your house, all of that is happening. So, I think it ends up being a differentiated total experience. And the marketplace just keeps expanding, which is really important not only for being in the consideration set when somebody wants to shop, but also the way it drives the other income components of the P&L.

Q

I would imagine the connection to the store assortment is probably a more difficult thing to achieve, but it sounds like you said it's happening now.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

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Yeah. We're learning how to move things in lots of different paths and doing increasingly quickly. One of the things that's been driving our business is convenience. These days, if you ask customers about Walmart, not only do they rate us highly on price, but they rate us highly on convenience, and that's different than it used to be. And our speed is picking up. So, our ability to get to somebody's house in less than 30 minutes here in the US or in India and China even faster, that is increasing as the months and quarters go by. And that's driving different behavior and helping us drive the top line.

Q

I mean, I think that came across on your second quarter call quite a bit about how much speed is really becoming more of the norm and just it continues to improve and it's something that your customers keep asking for.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

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Yeah.

Q

Is there a lot more investment that needs to be done to get that supply chain to be at the level that the consumers want?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

I think it's just somewhat consistent, like we don't see some mountain coming in front of us. I think what we've done with automated storage and retrieval systems and what we're learning to do at store level put us on a trajectory that's familiar to you.

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Q

All right. Moving on to advertising, we want to ask a little bit about Walmart Connect, which continues to have strong growth and I think accelerated in the second quarter. Could you talk about the opportunity both in the US and internationally?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Yeah. It's true these days more so than it was in our past that our strategy and the business models look the same across countries. So, sometimes you may hear us talking and – it – your context might be, well, they're talking about the United States. But frequently what I'm saying is also true for Mexico, Canada, almost everywhere. And so, that is important because, one, it helps get the team on the same page; two, it helps us build tech one time.

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So, as it relates to the advertising business, we do have an opportunity everywhere. The United States is the biggest market, but we've got an opportunity in all the countries that I just mentioned and a great opportunity in India in particular. And as I also mentioned earlier, the marketplace helps drive some of that. And now, we get to navigate the movement to agentic [ph] with that (00:18:17) being part of that process, which is an exciting thing to help figure out. And we expected that's just – the advertising number is just going to continue to grow with one of the advantages being that we are omnichannel and we can tell someone who's bought an ad, if it was effective later on in a brick-and-mortar environment. So, we've got all this store traffic. And it's one of the unique things about Walmart Connect is that you may run an ad, and in the past you could only see digital closure in the moment or digital closure that might come later. Now, we can frequently tell you, even if there's a different method of payment that's used, that someone did end up purchasing that item that did see the ad.

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And it's still primarily 1P, is that correct, that's driving the advertising business?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

It's both.

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Q

Okay.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

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Yeah, it's both. But we would like to see the shift over time move more towards marketplace sellers and away from first-party providers, first-party suppliers, because we want to make sure that our shelf prices are as low on first-party items as possible.

Q

Do you have any updates to share just on the impact that VIZIO is having when it comes to the advertising business?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

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Yeah. It's still early days. I think, this next year, you'll hear more about VIZIO and you'll see more progress than what we've seen in the past, but it is a great opportunity to expand our ad business. I'm excited about what commerce will look like on that surface at some point. And to have the operating system now that we can put on our own private brands and on VIZIO itself is a big advantage for us as it relates to data, and I'm really pumped about what the future can look like, but more to come on that.

Q

Okay. Moving on to membership. We continue to see strength in membership with Walmart+, income up double digits in the second quarter. What are some of the key benefits that the Walmart+ subscriber is seeing today, and where do you think that can go?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

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Yeah. I mean, the – clearly, the number one benefit is they can buy items from us and get them delivered really fast. I mean, it's going to be not only grocery delivery. And I think a lot of us, when they think about Walmart's e-commerce business, rightfully think about grocery. But for some time now, the general merchandise attachment rate and the amount of e-commerce done in GM both delivered from stores and from the e-commerce FCs as we've continued to expand capacity and invest in automation with them is unlocking that growth.

The other things that we do with Walmart+ matter. And we think about what cohorts we're attracting and how they're complementary to each other as we build that portfolio out. And that'll be true in the US as well as in other markets.

Q

If we can maybe move on to Sam's Club, it feels like you're seeing a little bit of an acceleration in what's happening at Sam's Club. If you went to the employee meeting, it was very clear there is a very strong culture and very excited...

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

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Yeah. They're a little bit obnoxious in a good way. [indiscernible] (00:20:58) meeting.

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You're very into it.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Yeah.

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Q

But it's really great to see because you can kind of see the culture that's building there. And you're seeing all-time highs in membership renewals at Sam's. And you've talked about over the next 8 to 10 years, Sam's doubling its membership and doubling its sales and profit.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Yeah.

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Q

Can you maybe talk about any maybe underlying shift that's happening there? Where is the momentum coming from?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Yeah. It's been great to see Sam's not only in the US but in China and Mexico do really well. You guys have probably all heard about the Sam's in China, but they do some incredible volume and they're very consistent. We have a big and growing business there.

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Here in the US, I think one of the things that Chris and the team have done is to embrace the total company in a way that's additive to the business, leveraging our supply chain for the total company, leveraging the technology of the total company, leveraging assets like our maintenance capabilities on the ground locally throughout the United States to help us – maintenance refrigeration equipment and stuff like that, just leaning into the assets of the company in a way that are productive, and taking all the knowledge that we have about e-commerce and applying it to Sam's.

So, we have a really nice brick-and-mortar opportunity with Sam's Club, and we're building some more new clubs now. And we just opened one in Tempe not long ago and we opened one in Grapevine before that. And there are more coming that are different than the clubs we've been operating with more new ideas baked into them. And so, there's a pipeline now [ph] that (00:22:24) operates some new clubs in addition to doing remodels and relocations.

Then you layer on ecommerce and the opportunity we have with curbside and delivery from Sam's. And it's a – just a great growth opportunity. So, if you looked at the components of growth for Sam's, you end up with a walk-in traffic, in-club business that grows, like, layer curbside on that at a higher growth rate and then delivery at a much higher growth rate and you end up with an opportunity to have a business that compounds nicely.

It's – personally, my wife and I shop at Walmart and Sam's all the time as you would know. And the opportunity to go to Sam's for e-commerce and get delivery in an hour is awesome. I'm addicted to the fresh squeezed orange juice and blueberries, and I need them every week, and I'm getting that, and rotisserie chicken so that Shelley didn't have to make dinner on Sunday night, and other things, and all in less than an hour. And so, any tax that was associated with a trip to Sam's is just gone. And that barrier for the clubs is even a bigger issue than it is for going to a supercenter. So, I think we're going to grow from an e-commerce point of view in a big way in Sam's Club.

Q

That's great to hear. Just moving over to international, we talked a little bit about the alternative revenue side of it. Walmex is at our conference as well, and there was a recent leadership change there. I wondered if you could maybe talk about some of the immediate priorities for the team and how they're managing [ph] still (00:23:53)?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

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Yeah. I was here and I was down there just three, four weeks ago and had the opportunity to go through the business and get an update and visit with everybody in the town hall. It's basically the same story for Mexico and Walmex as it is for United States. There are few unique things that Walmex is doing that are really cool, like the financial services business with Cashi and a business called BAIT, which is an MVNO for cellular, which is bringing more data to the company and creating even more of a flywheel with the customer.

Our business there operates under the Bodega brand, it's bigger than the Walmart brand in the country. That's a great opportunity for us for growth. So, you can expect Walmex to be able to do some of the things that I just mentioned for Sam's, being able to leverage our tech platforms, be able to leverage IP for the supply chain, including automated storage and retrieval systems. So, I think it's, again, a very consistent strategy from one country to the next.

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Thank you. We're asking five questions of every company that's on stage with us...

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

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Just to see if we give you different answers.

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Yes. Yes. We're checking, but it's supposed to be just kind of rapid fire. And we've kind of addressed some of this already. But starting with just your expectations for the consumer back half and into 2026, do you expect things to be the same, better or worse when thinking about your business so far this year?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

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I think for the balance of the year, we would say it's the same. I think next year, we'll see this cost pressure that's flowing through the system will play out over time. So far, it's been gradual and therefore the impact has been somewhat muted. So, it's not a situation where I can tell you when things are going to be different in impact if they are. I think consistency is the answer.

Q

Our second question is pricing. And, again, we talked about this a little bit, but the elasticity response to pricing actions, do you think that gets to be a little bit more as pricing kind of rolls through to the rest of your product the rest of the year?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Yeah. It depends on the tariff level, of course...

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Q

Right.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

...and what happens with countries like India. Hopefully, things get settled sooner rather than later and at lower rates than what's being discussed right now. That's what we hope for. We'd like for a quick resolution and overall lower rates. Customers are going to be rational and we have to be thoughtful about things like higher price points. If you pass on the entire impact of a tariff at a higher price point, it can put it out of range and you really see a unit decline. So, we do things like spread within categories and across categories within GM to help manage that trying to protect food prices and keep some separation there.

Q

One area that we haven't talked too much about is just inventory and your expectations for inventory growth in the second half. Just how are you managing that? Have you seen any kind of disruption in shipments due to anything that's going on in the global supply chain?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

No disruptions to speak of that are worth mentioning, but the team has done a great job with inventory so far. When we were kind of wrapping up the first quarter and thinking about the second quarter, if you'd told me how things were going to play out in the second quarter, I would have been really positively surprised. Our merchants have done such a great job managing items, managing the quantity decisions that they make. And so, we ended up at Walmart U.S., for example, the end of last quarter only up 2.2%. As we go through the third and fourth quarter, we'll stay current on our inventory, we'll take any markdowns we need to take, we'll make the best [ph] quantity (00:27:12) decisions we have while driving the sales increase that we've gotten in. So far, that's doing a great job being creative, making all kinds of different decisions underneath the surface to get a better outcome so

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that prices are lower than they would have been otherwise and inventory is well managed. That's so important in an environment like this, one that we keep inventory really well managed.

Q

Have you been surprised there hasn't been a little bit more disruption as a result of the uncertainty?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

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Yeah. Yeah. If you told me all the circumstances, I probably would have expected more. But it, as I mentioned earlier, has been more muted than what I would have expected. I don't know if that continues forever but between now and holiday, I feel pretty good that we know what we've got.

Q

Great. With regards to margins outside of tariffs, what are your expectations for freight, wages and materials into 2026 better, same or worse?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

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Worse on some of those categories. I think wage inflation is probably normalized to a degree, but some of the other categories, take the impact of steel tariffs, for example, those are real.

Q

And then our final question is on the competitive landscape and consolidation obviously taking market share. But we have seen, I think, an uptick in store closures and bankruptcies just I think as we get further away from the COVID demand period. Do you think market share consolidation will speed up, slow down, or be the same in 2026?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

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That's probably about the same. I mean, I've been doing this a long time now and I still think there are going to be new entrants, things that are going to surprise us, there are going to be people that take share that we might not have expected. Generally speaking, the really well-run retailers, I think, are going to continue to do well and get stronger. And then there'll be change amongst the other participants like there's always been. And that's one of things I love about this is it's so competitive and it's constantly changing and it's really great to be in a situation where I've got a really good team that's making good things happen. I'm grateful to them.

Unverified Participant

Great. Well, thank you for joining us today.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Thanks. Thanks for having me.

Unverified Participant

We appreciate all for your time. Thank you.

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