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Walmart, Inc. (WMT)

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CORPORATE PARTICIPANTS

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

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MANAGEMENT DISCUSSION SECTION

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Hello. Good afternoon, everyone. Thank you for being here at the Morgan Stanley Retail and Consumer Conference on day one. My distinct pleasure. This is a pre-lunch keynote to welcome Walmart here represented by John David Rainey, EVP and CFO.

I'm going to read a disclosure, a quick intro, ask the first question, and sit down, and we'll get right at it. For important research disclosures, please see the Morgan Stanley research disclosure website at www.morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley sales representative.

I think the story speaks for itself. I don't want to say it's becoming a tech company when it gets added to Nasdaq, but the transformation has been marvelous. It was on this stage in this room, it was probably four years ago, five years ago, and it was Doug, and we talked about we can do both, driving sales and margin, and that promise has lived up. And now, for the next five years, the next promise is watching margins continue to expand.

QUESTION AND ANSWER SECTION

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

So, my first question, actually, you made an announcement this morning. I don't know if you've done every year, but I haven't fully read it. So I'll give you a chance to tell the market what that press release said, talking about the holiday, et cetera, and then, I'll take a seat.

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

All right. Well, good morning, everybody. It's great to be here. Thanks for hosting us, Simeon. Thanksgiving, as we talked about the last week, including Cyber Monday, and it was largely in line with our expectations. We were pleased with what we saw. There were a couple of shining points, I think, and one, like, when we look at items that we sell, one of the top selling items was AirPods, which maybe you don't typically think of as something that you buy at a Walmart and certainly, maybe is more attractive to the more affluent customer. And I think it's indicative of how Walmart is changing and how our customer base is changing. And we continue to grow and gain share with this upper income demographic.

The other thing, and I don't have the release in front of me, so I think we talked about this. If not, it's new news, but we increased our delivery by 57%, number of items that were delivered. And it really speaks to this convenience value proposition, how that's resonating with our customer base. But feeling good. I think everybody is continuing to keep a watchful eye on consumers. We certainly are as well. We see that wallets have been stretched and more money is being spent on necessities versus discretionary items. That's nothing new. But it still feels very consistent with what we've seen in the last couple of quarters.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

Yeah. End of one era, the beginning of a new one...

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

...management change. What's your impression of the imprint John will make on this business over the next decade?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. Indulge me on this for a second because it is a moment for us. Like, Doug is for many of us like me, it's the only person I've known at Walmart to lead it. And I think many would agree with what I'm about to say, but Doug is almost one of one. He is, I think, a titan in the industry and he's a very unique leader. And we're all very sad to see him go. At the same time, there's a level of excitement around John taking over. And I've been asked a lot of questions from investors recently, does this mean a pivot in strategy or is this going to be a bow wave of spending or anything like that?

What you need to know is the strategy that we've been executing on over the last several years, John has his fingerprints all over. Like, I don't know that there's another person at Walmart that gets more credit for the improvements we've made in eCommerce than John and his team. So I think this is very much a continuation of the strategy that we're on.

I'll say this, too. I've only been at Walmart for 3.5 years. You know that, Simeon, one of the things that strikes me about Walmart that is unique to any other company I've seen is the amount of alignment among not only the management team, but the board, among all executives. And for a company of our size, you would actually think it might be somewhat the opposite. You might [ph] regress (00:04:28) a little bit in that area. And it speaks to the type of leader that Doug is, but also John.

And a common thread between both of their leadership qualities is this idea of servant leadership. And I tend to think like that's a term that gets thrown around in management circles sometimes. And unfortunately, more often than not, sometimes is this aspirational ideal that's not backed up by action. But they are both the very definition of servant leaders. So I expect it to be very seamless and a very smooth transition.

Simeon Ari Gutman — Q
Analyst, Morgan Stanley & Co. LLC

The CEO of a company that rhymes with Amazon said that AI and agentic commerce will fundamentally reshape online shopping, much higher percentage of eCommerce, and then somehow agentic shopping in the future. What's your thoughts on that? Do you think we're on the cusp of another leap forward in eCommerce percentage?

John David Rainey — A
Chief Financial Officer & Executive Vice President, Walmart, Inc.

I certainly think we're on the cusp of a technological change that is going to add an additional way that customers can shop. I don't think it's going to obviate stores. I don't think it's going to replace people going to websites, but it gives another channel for customers and members to come shop that is perhaps more personalized, more contextual, more relevant to their experience. And so I think of this as [ph] an and (00:05:59) for us.

And we've been – I think you've seen by some of our announcements, we tried to be very front-footed on this and to be an innovator in the space with some of the partnerships that we've announced and some of the things that we've done even on our own platform with Sparky, which we'll probably talk about more, but I'm excited about it. I think it's an opportunity to improve the way that customers shop that is a little bit more solution oriented than what exists today.

Simeon Ari Gutman — Q
Analyst, Morgan Stanley & Co. LLC

If you think about all the investments that Walmart has made to position itself for whatever next phase comes, what are those foundational investments that position you well for whatever era follows?

John David Rainey — A
Chief Financial Officer & Executive Vice President, Walmart, Inc.

I'd be remiss if I did not mention supply chain in that. We've made a large investment in supply chain over the last several years, and no matter how the customer journey changes, no matter what happens with agentic commerce, you're still going to need to get the item that's been ordered from the facility to the customer's doorstep.

And so when I think about the investments we've made and the durability of those advantages, supply chain investment is one of the most durable investments that I make. Unless we can envision some kind of Star Trek beam me up technology, you're always going to need to have that physical infrastructure to do that.

We're roughly 50% of the way through our automation journey there. And this translates into benefits for investors by actually lowering our delivery costs. We've lowered our delivery cost by 50% over the last two years. It's a dramatic improvement. And as you know for well, Simeon, this year, we announced that our eCommerce business is profitable in large part because of some of those investments. That's the one that stands out to me.

But there are other areas of the technology infrastructure that I think are really important. We have traditionally operated and we still operate as a three segment company, the US, Sam's, and International. And historically, what we've done is taken a very sort of bespoke approach to invest in each of those segments. And so you might develop one technology in one segment and a different technology doing the same thing in the next segment.

We have taken a step back over the last couple of years to take more of a platform approach. And I love the way that Doug has described it historically. I think it may have been at your conference where he said our to-do list is the same in each of our segments now. And so we're approaching this in a unified way to address those problems. And so we'll continue to invest in our digital platform. But there's not going to be any like appreciable step up or change in strategy because of some of the things that we've talked about, be it management transition or AI.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

Agentic adoption, and I'll talk about retail media later on, more about customer adoption. You have a lot of data points. I heard some stats from Chile around how consumers are using it, but this is new technology, very hyped. Do you see what you need the building blocks that this is going to be sustainable and real, and we're going to be using Sparky to make a lot of decisions going forward?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

I do. And I mentioned earlier that this channel is a little bit more solution oriented. Let me give you an example of that. So, historically, like – let's say you go to a ChatGPT or one of the other AI platforms and you want to learn how to change a tire on a car. What we can do now is ChatGPT can give you the instructions, but then through Walmart, we can surface up an opportunity to buy a new tire. Moreover, you can come in to one of our 5,000 facilities in the US and we can put that tire on the car for you.

And so I think that creates new opportunities that again are more contextual to what the customer, the problem that they're trying to solve. And so it's not just going to a website and us trying to figure it out based upon the items that you're searching for. We actually have the intent and we understand that. And then, that allows us to better serve the customer, not only in that moment, but going forward from there.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

Doug was quoted provocatively that AI will change literally every job. Is that applicable inside of Walmart, and the speed at which that could be, I guess, accelerating, is that happening inside of Walmart?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

I think it's fair to say that in some way, AI will change every job. And this is – again, to take some other technology, I'm speaking to a group of finance people, like think about the advent of Excel, like, and the best performers were those that learned it the most and use that to perform their jobs. I think this is – that's an analog for where we are today. I think the AI is going to give people tools to improve their jobs. In some cases, I think it's fair to say jobs may go away. In other cases, new jobs will be developed.

I mean, if you think back about the advent of the Internet, the cybersecurity, while it's been around since the 1960s, was not an industry in the way that we know it today until the advent of the Internet. And so it created a whole new industry of jobs. And I would imagine there will be things like that that pop up from this. Whether the job creation and job deterioration is linear, like I think that remains to be seen.

I think we'd all agree, like the pace at which AI is changing our businesses today is probably faster than what we've seen historically. And so I think there's some question marks around that. But I do think that AI will impact almost every job that you can imagine.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

It was the same conference, I think, four years ago, where Doug spoke about improving 1P economics, the densification of Walmart's network, and the combination of alternative helping bend the profit curve. We got there. The incremental margins have accelerated. Where are we on the curve? Does that curve get sweeter and faster, meaning even more richly profitable from here?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Well, the curve is up into the right. Just this year, we've achieved a profit and we expect that to continue to improve. What's interesting about our business, and maybe I'll address this to like an SG&A, selling, general and administrative expenses way. Like you know, like any time we see a shift from a purchase in-store to online, that puts pressure on SG&A. And we've talked about that over a couple of years now as we continue to see this channel mix. But what's happened more recently is now that we're profitable in eCommerce, the rate of revenue increase in that part of the business is now exceeding the rate of SG&A growth.

And so, finally, we have leverage and that's the benefit of any digital platform is being able to scale it at a very low marginal cost. And so, for all this time, we've been trying to cover that fixed investment. Well, we're there now, right? And so I do think that we'll continue to see incremental margins in the area that we have seen. And there's a few things that, I think, influence that.

You mentioned the alternative businesses, and we'll cover that later. But that certainly influences the P&L when you have opportunities to do advertising, data ventures, fulfillment services, other parts of our business that didn't really exist, at least in the form that they are today until we have this digital channel.

The other thing is the densification of our network. As we continue to gain scale, to gain share, instead of going out and delivering to one house on the street, we're delivering to five houses on a street. So we're spreading those costs over more volume.

And then something that has surprised me at least a little bit is the number of customers that want to take advantage of paying something extra for expedited delivery. And what I mean by that is when you check out at Walmart, even if you're a Walmart+ customer and you have delivery for free, we'll give you the option of having that item delivered within one hour or within three hours. And so we have a third of our orders, someone is taking advantage of that opportunity.

And what's interesting and we saw this in the last month with the lapse in the SNAP benefits, there was actually a commensurate decrease in the expedited delivery, telling you that even the lowest income consumer is taking advantage of expedited delivery, which is really interesting. And that's what's different about Walmart today versus maybe a Walmart of five years ago, where we're not just on known for value or low prices, we're also known for convenience, and that appeals to all income cohorts.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

We're focused on total incremental margins. And you've kind of gotten us away from thinking about business profitability by silo, but I'm going to go ask it anyway. 1P economics, the perception is digitally native, large competitor doesn't make money selling product, they only make money on advertising. Is anything changing with how 1P economics as you gain share, as you gain scale that are changing favorably?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

I don't know that my opinion on that overall has changed from a couple of years ago. That's still a very challenging part of the business to make money in, but it's by delivering that service and providing that good to people that it enables things like membership, it enables advertising and things like that. So I tend to look at this as a suite of opportunities and look at them in total.

I think membership is still a really big opportunity for us. I know you've done a lot of work on this, Simeon, but the utility or the value that comes from that membership is only increasing as we're improving our ability to execute and to fulfill the customer members' needs and expectations.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

I want to talk about two alternative drivers, retail media will be after, so membership and marketplace. How are both iterating? Are you pleased or more than pleased with the progress in both areas?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

I'm pleased, but I always want more. Marketplace, if I were to pick any part of our business when we talked about all these ancillary businesses where we probably have invested more, it's marketplace, and this is something new to Walmart. We have roughly 0.5 billion items that we're providing on our marketplace right now, and it allows us to have a much broader assortment than what you think of as just 1P items. That goes hand-in-hand with bringing in a different customer set that maybe a more affluent customer base that's looking for things that you traditionally can't find within a Walmart store or Sam's Club. So I think that's a big opportunity for us and I think we still have a long ways to go.

When you look at the assortment that we have today compared to what other competitors have, we know that we want to continue to grow and expand, but we continue to be encouraged by the progress that we're making there and we shared some of that in the last earnings call. Membership is one. This might be a little bit of a provocative statement, but the way that I view membership, when you think about the value proposition for Walmart+, it should be the most essential membership in the United States.

When you consider that we have 90% of America within 10 miles of a Walmart store, we can deliver fresh, we can provide pharmacy, general merchandise, food, all in the same basket. And then, you layer on something like the credit card now that we have with Synchrony that gives you 5% cashback if you're a Walmart+ member, it's almost as if you're shopping with Walmart in the wrong way if you're not a member and you don't have the credit card.

And you know, we've been very cautious about maybe emphasizing membership too much, because I don't want people to fixate on the number of new subscribers or net new adds. I almost feel like this is, in some ways, an output, like when we get all the other things right, that membership becomes so compelling that you're going to see that increase. And again, like our vision is to make this the most essential membership of any membership in the United States.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

Some of the members are fueled from, let's say, one of the higher income credit card streams, and yet you don't have as dense of a footprint of stores in some of those more affluent markets, urban. Is there a plan to more closely penetrate those markets, even with like non-physical infrastructure?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

In a measured and responsible way. Historically, if you talk to people at Walmart, they'll tell you like if a store has an escalator in it, it's probably not a really good store. Like there's a certain format that works for Walmart that lends itself to more rural areas. And so we've struggled more in urban areas. But what we're seeing is certainly with a more affluent customer base that's coming to Walmart now, there's an opportunity to serve in maybe more of a dark store format where you don't have customers going into stores, but we can serve them through eCommerce. We're experimenting with that and the early returns are encouraging.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

So, retail media, it's been one of the brighter spots in the P&L and the combination of traditional Walmart now plugging in with VIZIO elevates that opportunity even more. But suddenly, this asset in the market could be a risk point in the new agentic world. So, first, can you talk about just underlying success? It doesn't feel like there's been any disruption and you probably can't see any for the next couple of years. And then, what kind of future models could entail in the future with an agent being part of the process?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Sure. Advertising has been one of the areas of our business that has changed the most, or better said, the impact or influence from that has changed our P&L the most. It's been really encouraging to see and what's been great as, as we've gained share, advertisers, they want to follow the eyeballs. And so we've done really well in advertising and I credit our team there.

As we think about agentic commerce and creating the new channel, the question that we get a lot is, okay, are advertising dollars going to shift there? Maybe, like we certainly recognize that that's a potential outcome, but at the same time, it will make ads likely more relevant when you have that context. And for us, like even if you think about the overall sort of ad spend at Walmart, maybe there's less ads overall, but because they're more relevant, you can actually charge more for them. So the ROAS [ph] definitely (00:21:27) might be higher for some of those ads. So when we look at this, our team hasn't changed their point of view on the benefit that advertising will provide to Walmart because of agentic commerce.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

And then putting that in the context of incremental margins, and you said the curve continues to get better, low-double digits is sort of the range that we've come up with on that. Is that a reasonable range? And are there any factors that sweeten it? Any parts of the discussion we had where there's some scaling factors or other alternative drivers that accelerate that?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Well, nothing like appreciable that I would point out. I think that's probably a good way to think about our business. As we continue to automate our supply chain and more specifically, not just the DCs and FCs, but some of the stores with the MFCs that we have at the end of the store, that gives us a little bit of an opportunity to continue to improve our cost of delivery on that. So, incrementally, that's a little bit of benefit. But overall, that's a good way to think about our business right now.

I will mention, too, on advertising, something that is a little bit more unique to us is the VIZIO acquisition and having that new channel to where not only are we selling the unit now, but now we own the customer relationship through streaming and software. And that allows us to – like if you think historically, we've done endemic advertising. So we're advertising for a product that we sell. What that streaming channel allows us to do now is do non-endemic advertising. So we may advertise for a pickup truck or some other item that we don't sell at Walmart. So I think there are puts and takes when you look at advertising, but we're pretty excited about this. I think there's still a lot of opportunity for us.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

Putting a bow on this, we can do both top line growth, market share, and driving incremental margins. Fiscal 2026 for Walmart, it's been a mixed overall superficial trend because underneath, we've had VIZIO spending and some general liability claims. Do you look at that as non-underlying and then, how much should the superficial growth of the business kind of get back to where it should be?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Our operating income guidance growth, I should say, for the year was 3.5% to 5.5%, and then that, we called out 150 basis points of headwind related to leap day and VIZIO. So, think of that on a normalized basis as 5% to 7%.

That's an increase from the prior two years of 4% to 6%. So it shows, I think, the underlying momentum in the business.

I do think some of the things that have impacted us this year are anomalous. And for those who are less familiar with Walmart, we've had about $1 billion of cost pressure this year related to increased self-insurance costs related to workers' comp and casualty claims. But if you were to take a step back and you think about the two years prior to this year, we grew operating income on average roughly 9%. And then you were to adjust for that claims expense this year, you're actually getting an average over the three years of about 8% growth, which I think – and keep in mind, like we're right out of the gates on this new strategy. But I think it's reflective of the type of opportunity that we have with Walmart.

And I think, in many ways, Simeon, we're just hitting stride on certain things. Like we talked about supply chain. Supply chain, we're roughly 50% of the way through the automation. But when you consider digital capabilities around the use of data and understanding the customer, like if this is 100-yard dash, I think we're barely out of the starting block. Like we're starting to learn a lot more, like what's the best next action for a customer to – once they've had a curbside pickup or their first expedited delivery, what do we need to do next to get them to become a Walmart+ customer? And so, I'm excited about like the opportunity here. I think we have a whole lot more runway.

Simeon Ari Gutman Q
Analyst, Morgan Stanley & Co. LLC

Is the consumer healthy and has the consumer seen the peak rate of inflation from tariffs collectively, not just as a Walmart shopper?

John David Rainey A
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah. Let me tell you what we see at Walmart, which is a pretty good indication versus just the overall economy. But I'd say the consumer is consistent. They're hanging in there. You certainly see that dollars are being stretched and there's less money to spend on discretionary items like general merchandise. And that's been pretty consistent even through the last week. But we've seen certain areas that have been pressured that have been more impacted by tariffs and had higher prices, you see less unit flow through.

Our expectation at Walmart is that probably peak impact from the tariff cost lands around the beginning of the first quarter. I think we begin to lap it and it gets a little bit easier there. But that said, we tend to focus on year-over-year numbers on inflation. If you go back five years, food prices are still 25% higher. General merchandise is a similar percentage, even through a deflationary period. So I think everybody's keeping an eye on the consumer and concerned about, okay, when does or does something happen that creates an event that really is the straw that breaks the camel's back here.

That said, I feel like at Walmart, we're better insulated for that environment than just about any company. We have a durability to our model that appeals to people during more expansionary periods, but also when times are tougher as well. If people are making their dollars stretch further, they're going to look for value, and Walmart is a place that you would come to do that.

Simeon Ari Gutman Q
Analyst, Morgan Stanley & Co. LLC

You said that the low-income consumer maybe saw a shade of change in the end of the prior quarter and there were a lot of things happening at the time...

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc. A

Yeah.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC Q

...government shutdown. [ph] I guess (00:27:36), feel free to comment on that.

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc. A

To be clear, this was even prior to the lapse in the SNAP benefits. And when we look, like I'll give you an example of one way we look at data, but we'll look at ZIP codes with all of our stores and you can identify the level of income, household income in each of those ZIP codes. And we'll look by category, general merchandise, food, consumables, how is the upper income, middle income, and lower income consumer spending? And there are, obviously, differences between each of those three income cohorts in any period, but that gap widened a little bit in the more recent period. And so something that we're keeping an eye on. It's not dissimilar to, I think, what some of the macro data suggests. I think in October, the level of wage growth, the disparity in wage growth between those income cohorts was as large as it's been in almost a decade. We see that in our customer base as well.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC Q

How are you evaluating demand as we go into 2026 and pricing? And in food in specifically, it looks like your cost curve or your inflation is actually trailing now national CPI. So it seems like we're watching some strategic change, a purposeful investment or lack of raising price on food side. Anything that we can glean to the rest of the merchandise?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc. A

If you go back to April, when a lot of the announcements around tariffs came out, I think we were very – we tried to be very clear with the investor community about our strategy from that point forward and we said that we want to play offense. We have seen over the last several years that as we've gained share, the retention of those share gains has been greater than at any time in history. And so that told us that we want to play offense in this environment. We want to be known for low prices, everyday low prices, and we want to be there to help the customer. And so we have been more aggressive this year around price levels to make sure that [ph] we continue to (00:29:35) minimize the impact of tariffs or just higher cost overall to consumers to let their dollars go further.

So our merchant team has been very targeted in areas of where do we absorb the cost of tariffs versus where we pass those along. And you can see in our numbers, like our like-for-like inflation for the past several quarters has been 1% to 2%. And so we'll continue to play offense here. I think it has been to our benefit and I think it's a good strategy for us. We're doing that while still achieving the financial results that we've outlined to the investor community.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

I want to pivot to Sam's. To me, it's the highlight of our conversation. It should be more captivating, not the end of it, because Sam's is, without comping a competitor, without any store growth for a couple of quarters and technologically, seems to be on the front edge of the curve. So can you talk about those two elements? Sam's is about to ramp up store growth now. The level of growth that comes and then, is there any accelerated contribution within the enterprise model that Sam's now should deliver?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah. I want to talk to about some of the learnings we've had with some of the new store growth. I think that's important just to be fully transparent with all of you. But I was – had a meeting earlier this morning with some investors and one of them was telling me that after our last meeting, he became a Sam's Club member and shopped there, I think, three times in the next 10 days to two weeks and talking about how much he loved it.

I think one of the things that is special about Sam's is the assortment. Like you go in there and it makes you want to buy things. Like I've never been to a store where like I'll have my grocery list and I go in and that grocery list is now doubled or tripled based upon the items that I'm seeing in there. So I think our team has done a really good job there.

The other thing that is unique about Sam's relative to what others are doing is the level of technology that we're putting in the hands of our members. So, to me, like the way to shop at Sam's is through our Scan & Go app. This is where for those of you who are less familiar, you scan the item as you go along. And then, when you check out, you go through these exit arches where we use camera, RFID technology, to basically see what's in your basket. The NPS on this experience is over 90. There are not a lot of experiences in any field that I can imagine that have an NPS that high. Customers love it.

I think, Chris, our leader of that segment, talked about on the last call that we're approaching 40% of Scan & Go penetration right now. And so this is also good from a cost perspective for us. And so really encouraged by that. We've rolled out some new stores or new clubs, I should say, recently, and we're quite encouraged overall by what we're seeing there.

We've taken a different approach to launching a club than we have traditionally where there's much more feet on the ground and awareness of the new club coming than what we've done historically. And so we see this acceleration in membership before the club even opens. So we'll open the fuel station earlier than that. We put out more marketing and awareness, and we're seeing a really good response and we're encouraged by that.

It's been a while since we've opened some clubs, and so we're still learning about the spend per member curve. That happens. There's a bit of maturity right there. And so that's a learning for us that we're tweaking as we go forward. But I think we feel very emboldened to continue with the strategy because of how this is resonating with our members.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Q

At the enterprise level, does Sam's acceleration and growth change the P&L or there's just too much growth coming from traditional US business?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

The Sam's model is a little bit different financially. What we try to do there is, basically, the operating income from Sam's is almost entirely from the membership fee. Anything above and beyond that, we're reinvesting back into the business, back into price. So I don't see that so much as an accelerant, like I do some of the other areas. That said, you know like the growth that we've had in delivery in this part of our business, like literally triple-digit growth period after period here with the expansion of some of the opportunities there. What that's doing is driving more membership. And so I think, from an absolute level, you'll see those dollars increase as we continue to just have a better value proposition for the members that we're serving.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC
Q

International, is there a narrative around alternative profits that could help accelerate that income stream? And then, I'll just ask this, which markets should we focus on or what markets in fiscal 2027 should be the ones to watch?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.
A

There is a narrative around alternative profit streams, I think particularly marketplace and advertising. In terms of which markets, it's like I love all my children the same. They're all unique and have special advantages to them. The ones that stand out, I think, for the investor community are probably the higher growth ones like China and India. China, our business there today is a good mix of 50% physical, 50% digital. And so, in a lot of ways, we learn from the China market in terms of things like dark stores that we then to apply to other segments. And so the China business has, for two years now, just really, really done a fantastic job.

India is different but similar. But India, I believe, now is the largest consumer market in the world. And we have two companies in PhonePe and Flipkart, a fintech company and a marketplace that have the largest market share in the largest market in the world. And they're both network businesses, meaning they've become sort of reinforcing with additional scale. And so they're really exciting. PhonePe has, this is public information, 300 million monthly active users. Like that's a crazy number when you think about a digital platform like that. And they've announced their intent to do an IPO in the coming year and so we're excited about that.

I think with Flipkart, it's a marketplace, has all the same opportunities that we talked about with our US business in terms of advertising, fulfillment services, all of those things. So really excited about that.

The US business is such a large business that it commands so much focus and attention, but we shouldn't lose sight of the opportunity internationally, particularly as we talk about our eCommerce journey and the profitability journey, because part of that journey is just going from loss making in some of these regions and entities to beginning to have a profit, and that bends that curve as well.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC
Q

Maybe closing on, I don't know if it's a fun note, unsung hero, not that there are – there could be in Walmart. Give you a few choices. Walmart Data Ventures, private label, automation, speed of delivery, Walmart Fulfillment Services or membership, which one of those comes to the highest of your list?

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Unsung hero, which I think a lot of those are underappreciated. Like I talked about membership already, so I won't repeat myself there, but I think that's a significant opportunity for us. Fulfillment services is another one. Like we aspire to have the best capabilities in the world in this area and it's almost as if, again, you're a seller at Walmart, if you're not using WFS, you're using this in the wrong way.

I want to add one more that you didn't mention, and that's financial services. We've not talked about this a lot, somewhat intentionally, over the last couple of years, because it's been more in this emerging state. But we're beginning to see an inflection in parts of our business, both in PhonePe that I talked about, as well as the US business.

In the last quarter, we had the largest ever net new adds for our membership program. Part of that is because we launched the Walmart co-branded credit card with Synchrony with our One JV. And again, the value proposition on that is tremendous. And I think that, that is an unsung hero that you'll begin to hear more about and also its impact to the infection in our P&L.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Phenomenal. On that note, we thank you for being here. Thank you for the insight. Have a great holiday and a great 2026.

John David Rainey
Chief Financial Officer & Executive Vice President, Walmart, Inc.

Same to you, Simeon. Thank you.

Simeon Ari Gutman
Analyst, Morgan Stanley & Co. LLC

Appreciate it. Thank you.