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MANAGEMENT DISCUSSION SECTION

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Okay. Thank you very much, everyone. Thanks for your patience. Welcome to our retail media discussion with Walmart at the Piper Sandler Growth Frontiers Conference. My name is Peter Keith. I'm the senior research analyst covering consumer hardlines and broadlines. And I'm joined by my colleague and friend Tom Champion. He's a senior research analyst covering Internet companies in the technology space.

Quick introductions for who we have on stage. I think two of the most knowledgeable people around retail media are with me. So, we have Richard Lehrfeld, who is a Senior Vice President and GM of Walmart Connect, and we have Mike O'Donnell, who is VP and Chief Revenue Officer of VIZIO. So, thank you both for coming today.

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

Thanks for having us.

Michael O'Donnell

Chief Revenue & Strategic Growth Officer, VIZIO, Inc.

Thank you.

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

I don't know that I'm on either. Okay.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Now we're good. Okay. So, just as a quick introduction, many of you may know, but if you don't, Walmart did acquire VIZIO officially closed in December of 2024. So, this is very new. And I see potentially they've created one of the most powerful retail media networks in the world. And I think there's a lot of opportunity long-term. So, we're going to dig into that. So, why don't we just kick it off here and give the first question to Rich?

QUESTION AND ANSWER SECTION

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

Just help educate the audience, what do you see at a high level that retail media is today and exactly how it's evolving?

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

A

Yeah. Thank you for having us. Appreciate the time. So, I know some people don't know retail media. So, I'll just maybe if it's okay, I'll start with sort of what retail media is and I'll walk you through and I'll try to do as quick as possible so cut me off at any point. So, for those who don't know, retail media is really actionable, performance-based media that is infused with first-party data. So, strong first-party signals, customer information about our customers.

If you're okay, I'm going to kind of bring you back to bring you forward. I was a long time media buyer and I started in the days of traditional media. I was a buyer of TV and print and all the other areas. And back in the day, it was really a broad-based media. We would buy Seinfeld or Friends, and 30% of the country would see the ads. And we could see sales the next day, because it was just a very broad-based media. But the world has changed. We all know. The world of media is fragmented, down to interest levels, down to how we view whether that is TV or social or digital. It's a very complicated and difficult for a media buyer or for marketers to really win the space or get people to buy their products.

So, with that, it makes it less efficient to buy media, more expensive to buy media, very hard to find their customers. So, the key is, for a buyer, you need better targeting, you need more efficiency, you need more action to be able to sell the products and at scale. Well, Walmart, where our retail media allows you to have that, especially Walmart, which is we provide scale, we provide solutions, we provide signals. So, retail media has moved into this space where traditionally has an all – I can do the full funnel next probably should have done that one first. But actually let me go one page, okay.

So, when I talk full funnel, I say funnel, the traditional funnel in marketing, it starts with awareness. It's a broad-based media, consideration. And then a customer will buy something and then a loop happens, or maybe a loyalty loop around. Traditionally, advertising was where they said, when you're buying, it's the awareness set. Retail media traditionally has been in the conversion. So, you go on to a site, so walmart.com or the app and we show you search, you search for a laundry detergent, you get search. And we know that influencer sales, but you can also get display. You can do lots of things.

But where retail media is really starting to get to is a point where now you can reach customers. I'm going to go back, yeah. Thank you. In online, you can get them in-store or you can get them across the Internet. If you've been shopping on the Internet, you're searching for shoes. You sometimes you'll see shoes. Retail media can be first party infused information and they'll reach customers wherever they are. So, scale, solutions and signals are really important.

For Walmart, we have 150 million customers, so we have scale. Solutions, we have a broad array of solutions, as I just showed you right here. You can get them on the app. We can reach you in social media. We can get you in the stores. We can get you across the web, in our pick-up and delivery. You can reach with advertising messages. And these are very targeted messages. It's infused with first party data to do better targeting, allow the advertiser to do optimization. So, on a real-time basis, we can get signals and understand where sales are happening and then show that sales.

So, retail media and specifically Walmart allows for scale signals. So, the data on 150 million customers on a weekly basis and then solution. Solution to be able to onsite, offsite or in-store. So, it's a really powerful medium and retail media in Walmart allows you to be able to do that.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

Okay. Well, let's talk a little bit about VIZIO and the CTV opportunity. Obviously, big acquisition for you guys last year. Maybe just level set, Rich, why did you make this acquisition?

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

A

Well, I'll let Mike answer first, because he has probably a better history and can talk about – why don't you start, Mike, and then I'll be there.

Michael O'Donnell

Chief Revenue & Strategic Growth Officer, VIZIO, Inc.

A

Yeah, yeah. Well, kind of before I get into why did Walmart acquire us? I think it's important for this group maybe to give a little education around of what it is VIZIO has and what it is – or how we make money or how we're going to make money for Walmart. So, most of you likely know us as a TV maker. We've been that for the past 23 years, making high quality televisions at an affordable price. But as that business has declined both in price and margin, our core business is really around our operating system, right. And our operating system and – good job, Rich. You're able to flip to it.

Our operating system is a key part of the flywheel. And our flywheel in terms of how we make money is, we need to sell a lot of televisions. We need to get our customers to activate those televisions. We need to get them spending a lot of time searching and discovering and using the content on our platforms. And ultimately, that's going to drive ARPU and we drive ARPU in a couple of different ways.

We do it through subscriptions or bounties we get from subscription partners. We have on the platform that could be a Disney, Netflix, et cetera. We do that through our data licensing business, through our own first party viewing data that we have. And the largest way we do it is through advertising and we sell two different types of advertising to partners. And I'll kind of lean back here, you see Sonic 3. One is our display banners. That is our home screen. So, when you turn on the television, the first thing you see is this home screen, where today we use

that to partner with advertisers like a Disney or a MAX to be able to promote the TV shows they have, the movies they have or drive more subscriptions or engagement time within those apps.

We also have a video business, in which we have WatchFree+, which is an owned and operated app that we have on our platform. So, you buy VIZIO television, take it out of the box, connect to the Internet, and you automatically have 350 free channels and over 40,000 free ad-supported movies and TV shows. So, that is the genesis. That's the business model we have. So, why did Walmart acquire us? Walmart acquired us, because they saw a same challenge, right. They are a large distributor of televisions in the marketplace. Our top customer is our top customer and was our top customer at VIZIO. And they've seen the erosion of hardware prices and the margins there and saw that a big opportunity for the business was in the back end on the platform side.

And so, I think Rich actually just said it best in terms of the scale, solutions and signals. The opportunity that's in front of us is, when you think of that flywheel with scale, Walmart sells a lot of television, Sam's Club sells a lot of televisions. We're able to generate a lot more volume in terms of building up the distribution of the operating system, getting it in front of more and more customers.

In terms of solutions, we're able to connect the experience with the customers better. So when you think of Walmart and that experience of search and discovery, being able to connect a customer who's searching for a movie with their family, to be able to say, not only here's the movie you want to watch, but also here's a pizza and a soda that you can get in the next hour delivered directly from Walmart.

And from a signal perspective, I think it unlocks the capability between Walmart Connect and VIZIO for advertisers. How do we create a better advertising experience? If we can generate a lot more scale, if we can have a very engaging experience, that's a great opportunity for advertisers to be able to leverage the signals to create more personalized advertising and ultimately be able to measure it on the back end, right. And Rich showed the funnel, but being able to look top of the funnel, which VIZIO or video and TV really is, it's about brand awareness, it's about brand lift, it's about how do I drive reach, being able to connect that with those signals that we can gain from Walmart Connect to be able to say, not only did you see this ad or were you watching this content and saw this ad, but you also made a purchase in-store.

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

A

I'll just add, I talked about this funnel from a Walmart Connect or an advertising perspective and going back, but okay, that funnel awareness consideration and then purchase, we have a fast-growing advertising business and alternative revenue from Walmart, but really is about the customer. We announced last year about \$4.4 billion last quarter for Walmart Connect growing at 31%. That's not even including the VIZIO, globally at 47% including VIZIO; in the US, 60% with VIZIO. So it's a fast-growing business. But the revenue is important, but it's really about our customers. It starts with our customers.

And from a Walmart Connect perspective, everything we do is customer-centric. So we try to use information and data to be able to add more value to that customer experience. So, I'm Rich, and let's say it's water, we know, have that signal about you. How do you provide that water, but also give you assortment and diversity, because we know that's part of the shopping experience. But traditionally, we have played at that lower part of the funnel that demand side. You search, we know have that intent, we understand you as a customer, what you do, what you like.

But traditionally we've gone to that like mid-funnel-like maybe consideration as a world in the aperture is opening with us. And we've started this journey of going into connected TV and social and using information and data to

better engage with customers across the Internet. You might see like if you shopping for shoes, you might see that across. We can do that through our DSP and better targeting, but we know that's where the world is going.

Moving from linear to connected TV, moving to full funnel experiences, our suppliers and our sellers are coming to us and saying, it's great that you have the onsite stuff. It's great in performance, but we have so many other business challenges and marketing challenges and we need your help. How do we reach a broad-based customer? We have new products that no one knows about, and that's where the world is moving towards. And that's why the partnership is so important, because now we can collapse the funnel or the upper funnel to the lower funnel and deliver more experiences for our customers and more value to our customers, and then more value to suppliers and sellers who are looking to advertise in different ways.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

Great. So the data that Walmart has with your customers is remarkable. So, maybe just talk about how you guys can provide some of that first-party large-scale data to your marketing partners to allow for more targeted marketing to customers.

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

A

Yeah. So everything we try to do, make sure we don't lose trust of our customers. It's all safe the way we manage it. We don't turn it over. We manage it, and we make sure that advertisers come into our platforms in a secure way to be able to use it as targeting, whether that's onsite, whether that is in select in-store, right. If you're coming into the store, we have in-store mode to our digital experiences or off-site, and really it's about understanding what is the objective they're trying to have.

So if it's an upper funnel, like I have a broad-based message and I need to reach new customers, or all the way down to I just need to drive velocity or drive the shelf, and understanding what those needs are and then we can better target through understanding the customers and what they're trying to do in their journey. Whether that is a – I'm coming in for my daily grocery, I need to get in and out, how do we provide the things that we know they buy on a regular basis versus I'm in a shopping mode or I'm in a discovery mode that we can maybe open the aperture a little more and deliver products or services.

We represent – so traditionally we looked at our business from a supply/demand and performance perspective. From a supply perspective that's like all the stuff I showed you on the experiences that we can provide. From a demand perspective, we also have advertisers or suppliers and sellers of all sizes, the largest CPGs, all the way down to the smallest marketplace sellers. They might have different needs at the marketplace level. They might just need a transaction or they have a product. But think about advertising in a way where in the past, maybe in the stores where a marketplace seller couldn't launch – didn't have access to product digitally in the digital shelf, now they have that opportunity.

They can come on, they can get to the search in grid. If someone, let's say, it's a water, it's Rich's Water, they can now be delivered to that customer, because we know it's relevant. And what we find in the marketplace need that boost even more. What we found is like 6 times to 7 times the amount of propensity of sales happen for sellers that advertise with us versus not advertising with us. So, it really opens the aperture for everybody to compete at scale on the platform.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

Okay. And are there strategic advantages then with VIZIO, who brings its own set of video data with your own customer data?

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

A

Yeah.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

How do you integrate that?

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

A

It's a great question. We do it. We try to do it in the right way. Again, making sure that we protect our customers through this partnership and making sure now that we can take that information and data and better deliver messages that are more relevant to that consumer or that customer. So, it eliminates a lot of waste, it eliminates wrong messages. So, we want to deliver more value. Again, customers first deliver more value to that customer and make their experience better. Give them things either they love or they didn't even know they loved that they wanted to see, all the way down to now get them to consider. There's lots of experiences we can build now through the VIZIO at that level, and then all the way down.

What we can do now is see on a, on a daily basis when someone saw an ad, what happened in that conversion. One, that also helps us make the customer experience better, right, because we know it's going to be more relevant because we want to deliver that. But also for the advertiser or the supplier seller or now even non-endemics. Non-endemic for us being someone that doesn't sell on Walmart, insurance companies, car companies, giving them a better signal to be able to target. And then if they are endemic, what actually happen if they're non-endemic? We're using third-parties to tell them what happened.

Michael O'Donnell

Chief Revenue & Strategic Growth Officer, VIZIO, Inc.

A

I think that's an important point. I think in terms of being able to open up the customer base. And when you look at connected television, it has a broad swath of advertisers that are there. Rich referenced insurance, automotive, media and entertainment, I shared earlier. I'm getting used to the term endemic at Walmart, because endemic for us had always been media and entertainment, right. This was point of sale. This is the best way for media and entertainment companies to drive people into their app experiences.

But when you look at bringing them down the funnel or leveraging those signals, this gives the opportunity for somebody who is an automotive advertiser to maybe understand, look, yes, they're not going to buy a car at Walmart, but there's a lot of automotive-related products that are being sold at Walmart, right. How can I leverage those signals to be smarter about the advertising I'm making, the environment I'm making within a video or a brand awareness environment and how can I ultimately look at that to help drive sales on the back end.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

Okay. So, that was a lot of great detail on Walmart. And I think some of those questions around strategic rationale. And I'm wondering if you could just zoom out to 40,000 feet and just talk about the industry and what you've observed in retail media overall over the last one to two years? What are kind of the megatrends that you've observed?

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

A

Yeah. It's a great question. So, first off, retail media was non-existent 10 years ago, it started to build up. But the notion of a strong first party signal has always been powerful. It's has been hard to get to that, to link the actual sale, to a media channel. So, the TAM they say for retail media over the next couple years, \$100 billion. Digital media is hundreds of billions of dollars and then add in traditional media gets even larger. The notion of first party that infused is going to be infused into media. The retail media is going to be retail and retail media is going to be media. So, this notion of better signals are really important.

But there's a couple of trends that we're seeing and Mike and I – Mike can probably build, which is – because retail media and then traditional media kind of like are blending together. For us, we see in retail media – I'll let Mike do the broader one. For retail media, we've seen a couple of things. One is, full funnel, as I talked about. Things are moving from this performance base to upper funnel, because clients are advertisers are asking us to solve different questions and solutions and marketing problems. And as I said, scale, signals and solutions. This notion of scale advertisers, they can't go to 100 places, 1,000 of places, they do but trying to limit the amount of where the resources are to get to the largest group of customers, it's going to be really important. So, this notion of full funnel, they're going to probably focus on a couple of big players in the marketplace.

And then the second one is marketplace, which is this notion of 1P has been so strong from an advertising perspective. But 3P and the notion of tens of thousands, hundreds of thousands, millions of smaller sellers on platforms like Walmart are starting to explode. So, we have to build solutions that meet the needs of all of those clients or advertisers or sellers or suppliers. So, full funnel is happening, marketplace is really key.

Mike, I don't know, you want to kind of go to the key...

[indiscernible] (00:35:32)

Michael O'Donnell

Chief Revenue & Strategic Growth Officer, VIZIO, Inc.

A

Yeah. Well, connected TV in general, just at a 40,000-foot level, I mean, I think it's well known that connected TV is overtaking traditional linear television. I think the expectation is by 2027, more dollars will be spent in connected TV than in traditional television. And in traditional television, a majority of that is really still tied to sports, right. So, we're seeing this massive shift. And to what Rich was talking about, we were recently just at Cannes and when we talked to every major CMO and every executive at advertising agencies, the core themes or investments that they were looking to make are around retail media and connected TV, right. Those were the two biggest topic, well, and AI, of course.

The three biggest topics that were on their minds, how can they get better positioned within those different investment areas? And I think what that ultimately brings to, and I think Rich touched on it, when you have that full funnel solution through signals, solutions and scale, they're now thinking of us not necessarily just as a retailer, but they're thinking of Walmart as a media company.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

Interesting. As you know, you talked a little bit about smaller retailers and CTV and maybe CTV being a better fit for brand and for a larger businesses, how are you seeing the opportunity there and the ability to bring small businesses into CTV?

Michael O'Donnell

Chief Revenue & Strategic Growth Officer, VIZIO, Inc.

A

Well, I think being able to – I think Rich used the example, what was it, Rich's Water? Yeah, it's great. In terms of Rich's Water, when you have the ability to have these strong signals, right, it enables us to open up the environment to new types of advertisers, because they can get more personalized, more specific, and they can ultimately measure on the back end.

So, if you have Rich's Water competing with a much larger brand, they know that they can come to VIZIO, right, or they can come to our platform, our operating system, and they're going to be able to get more value out of the brand that they're putting in than necessarily they would by a broad-based reach buy that historically has been very expensive or you need to invest a lot of dollars against.

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

A

This is an interesting sort of phenomenon that's happening because of technology AI automation. So, our business, of course, we service the largest CPG and advertisers. We have teams set up for that, but this business is moving to a more automated, self-serve sort of system that agencies and buyers across all marketers are really utilizing on themselves. And traditionally, we have said, oh, well, the large advertisers you have spend \$100 million or whatever the number is.

But smaller sellers or advertisers, because of the precision and the elimination of waste, they can buy one ad. Like in our system, they can spend a couple hundred dollars if they want. Before, you don't have to be the biggest advertiser. And that just opens up the aperture for so many marketers, like Rich's Water or whoever, to advertise on performance-based media, retail media. But also as we start to integrate into an automated performance-based auction, now they can come in and just buy one ad, two ads, three ads and make it really precision in the market or the demo or the geography that you want. It changes the game. It opens up for everybody on a playing field that is so different than it was in the past.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

Maybe if I could bring that to life, I was thinking of maybe I'll be the Chief Marketing Officer of Rich's Water, and I'm selling to Walmart and I am engaged with the merchants. Give me the sales pitch. I'm doing a little bit of advertising somewhere else already. Why am I going to now move some of my ad dollars over to Walmart Connect?

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

A

Yeah. So, the first thing I would say, which is we keep – some people have asked us about trade, and first of all, the negotiation with the merchant on price or whatever you're doing like in-cap promotion or whatever, that's with the merchant. You do that and then separately, we will come in and have a demand sort of driving growth kind of

conversation. And so, the conversation with the merchant is the merchant, it's about, again, trying to get the best price for our customer and ultimately for us, it depends on what your business objective.

What I always say to clients is give me a brief. They're always like, well, we just want to do this business, like if you can give me just like two words, I don't need like a long brief, I just need like a couple of words. Do you have a new product? Are you launching that new product in a completely different way? Is it in a specific geography? Is it a limited time offer? Is it an existing product you're just trying to build some share? So, are you losing share? Are you going after? So there's so many permutations.

So the sale is, let me help you solve your business, business challenges and marketing challenges, and get to the right customers. And if we can get the right customers and add value to their experience, we'll move fine on the money, right. We'll get the advertising dollars. But let's solve the customer challenge first. That's the pitch. And I would say it's working, because it's about growth, and who doesn't want growth. We can give you the efficiency metrics and we can give you all that stuff, but really the message is how do we help you grow in new and different ways or creative ways? That's the pitch.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

Maybe for both of you on kind of a retail media side and CTV, what are the major pain points by customer type? What are maybe the technology features we need to look out for in the next year or two that can kind of stimulate the next leg of growth?

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

A

Are you saying customer being the advertiser or customer being the end customer?

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

The customer being the advertiser, yeah.

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

A

So, I think Mike kind of talked about this notion of – I'll give AI and I'll give it like scale. Like, I'll go back to the first one, which is they are dealing with so much complexity in the marketplace and finding customers is always challenging efficiently, as I kind of opened up. And that's going to be an ongoing problem to try to how do I reach customers in the right way. And then the integration of AI is going to make it easier and harder in other ways, because AI will infuse into every part of information and data that will make the signal even stronger and better at the same time. So that's really good ultimately for the customer. It's going to be closer to what they're looking for, but it will open up also new opportunities for advertisers to eliminate waste in many ways and then also reach the customer.

But I would just say the only thing I would add is that people ask me about AI and is it in search and what is it going to do. And I do think search will still be really viable. It will just be better, right. And people will pay for the right to add relevancy products to that search mechanism. But as we – really important with VIZIO is the viewing patterns are also be infused with knowing more about the customer and add more value into the experience of the content itself. So I don't...

Michael O'Donnell

Chief Revenue & Strategic Growth Officer, VIZIO, Inc.

A

Yeah. I mean, I think it's around – I think you touched on it. It's around search and discovery, right. How can we leverage AI to create a better experience on the platform? I touched on it earlier on the flywheel, but the more engagement that we have on the platform, the more engagement that we can drive into what's a good value for our customers is ultimately going to help advertisers on the back end.

So, I think being able to leverage AI through the search and discovery process to be able to source or be able to help customers find what they want to watch, what is the right movie for family night that I want to see, how easy is it for me to get there right within one click or two clicks? What's the right service for me to subscribe to, right? What's the right content that's available at all different price ranges across the platform. I think AI can continue to make that easier, more seamless and ultimately a better experience. That's more engagement is better for the advertiser.

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

A

And then just think about even make it shoppable where you have movie night with the family, what do you need? You need popcorn, you need and – one click and you can just get that all delivered to your house in half hour.

Michael O'Donnell

Chief Revenue & Strategic Growth Officer, VIZIO, Inc.

A

Yeah, we think about it as a connected commerce experience, right. How do we bring more of a connected commerce experience to the platform understanding. I think 80% – today, 80% of VIZIO customers are Walmart shoppers, right. We expect that or hope that continues to increase. That's the reason why Walmart is quite – one of the reasons Walmart acquired us, I didn't touch on that is to be able to get into more homes where there's Walmart shoppers are at, right. So, if we can understand those Walmart shoppers, those needs, they're in that lean back experience or different environment than maybe they are on walmart.com or on the app, we can showcase to them different things that or different products or opportunities that may fit what they want.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

That is interesting and 80% VIZIO is already Walmart. But so, there's already some good customer overlap. You guys are now 10 months into the acquisition. How is the integration going so far? Are there any key highlights you'd like to flag for us?

Michael O'Donnell

Chief Revenue & Strategic Growth Officer, VIZIO, Inc.

A

The integration is going great. I wanted to ask you – I think the integration was very seamless for us, because Walmart was already VIZIO's top customer, right. We've been working together for over 15 years on the hardware side and we had already had these great meetings ahead of time. Really, I didn't use this example earlier in the acquisition, but part of the acquisition was formed around this kind of aha moment we had in the Dallas meeting, right, where we got together different parts of the business to talk about different strategic opportunities that we could have to serve the Walmart customer better on our platform.

And in that, we were able to unlock a lot of different opportunities and ideas, right. There was one obviously how do we get more Walmart customers to have the operating system itself. How do we create that better customer experience that's more seamless? How do we integrate leveraging the signals we have? And then, combined with

that, how working together with Rich in the Walmart Connect team can we leverage those signals, create a better advertising experience. So, we kind of had the playbook already understood, just because we've worked so closely together for so long, but it's made for a very seamless integration.

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

A

I'll just add to, just from – we kind of talked about endemic, non-endemic for us as to remind you like endemic is people that sell on Walmart. Non-endemic are companies or brands like cars or insurance or financial services that don't really sell on Walmart. We traditionally have just been focused on the large CPGs or as I said, the marketplace sellers. We didn't reach out. The VIZIO team has somewhat reverse, right. So, they have their endemic, the entertainment platforms. We sell like IP, like entertainment products. But for like the movie space and streaming space, we traditionally haven't had advertisers of that level.

But our platform is so large, as I said, scale. It allows entertainment companies now to have access, to be able to market in different ways, not just like on the VIZIO platform, can bring it all the way through to the site to sell if it is a movie or it is streaming, but also the IP, the products that they have and make it fully seamless integration of promotion. And then, if they're also a car company insurance, we have rich data. We know we are one of the largest auto repair. So, we have a rich set of data to be able to engage with customers and know a lot about customers. They sell a lot to car companies and others.

So, we're looking at it in completely different ways now where we can fully integrate the platforms and the stacks to meet needs of the advertisers. Like I said, each one has a kind of a different challenge. A movie might say like opening weekend is like the most critical sort of thing. How can we build a promotion around that opening weekend in a completely different way? Or if you're a car company or and you're launching a new product or insurance or whatever, we can think holistically. We want to keep people on Walmart, but at the same time, we have lots of opportunities, whether that's in-store or post checkout to add features.

And even with our Walmart Connect, we have a lot of features that aren't specifically about the selling in the endemic sort of stuff. So, it's opening up completely new avenues for us. And for me, which is probably one of the more exciting things is, besides adding real value to our customers, it's looking at the business in a completely different way. Traditionally, I'm sure there's many people like oh, retail media. It's just retail, or they think of another company like Meta or whatever. It's like an advertising company or a social media platform. It's all of these things now coming together in a completely different way, which one I'm exciting as a marketer or as an ad sales, it opens up completely new opportunities for revenue, but allowing our customers to really engage in different ways, that's sort of exciting.

And then, I always love to solve business challenges. I'm a marketer at heart. So, when big CPGs or even the smaller companies come to us with these business challenges, I'm like, well, we can, we can solve that. Before I would be like, I don't know, maybe I have to partner with this. Now we can solve all these business problems. And to me as a marketer, that is so exciting.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

That's very interesting. And just the – one part of the integration that I thought was interesting, too, is the announcement a month or two ago that you were going to make VIZIO now an in-house brand. So, Tom and I worked on this. Walmart was biggest VIZIO customer, but it was not still less than 50% of sales. So, you're kind of leaving a greater than 50% of your sales to now focus specifically on Walmart with the end goal of getting VIZIO

TVs in as many living rooms as possible. So, just talk about the strategic rationale of bringing VIZIO to become an in-house brand now?

Michael O'Donnell

Chief Revenue & Strategic Growth Officer, VIZIO, Inc.

A

Yeah, I would say, there were some market dynamics to that, right, in the sense that once we became owned by Walmart, there were some retailers that not necessarily wanted to work with us or give money to Walmart as expected. But when you look at how do you best serve the customer, when you think of the Onn Brand and VIZIO, it's really about Walmart's always been about from a merchant perspective good, better, best, right. And how do you create great price points or great value. When you talk about how is the integration going, right, we share a very similar culture. That culture has always been about giving high quality, right, at an affordable price, right, that's a value, or EDLP in my new world.

So, when you look at that, the opportunity for us to become a private label enables us to look at that good, better, best model and be able to create a better experience across that ecosystem, whether that's opening price point, whether that's mid-range or whether that's the higher end latest, greatest technology out there in the marketplace. And I think when we look at you touched on some numbers, but Walmart sells a lot of televisions at the Sam's Club. I think between Onn and VIZIO combined, already we're about 50% of the televisions at Walmart. So, it enables us to give this same operating system experience, right, be able to leverage those same signals, to be able to give a great customer experience across both the Onn and VIZIO operating systems that are sold at Walmart.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

And I think just to clarify to the VIZIO operating system will move on to the Onn TV?

Michael O'Donnell

Chief Revenue & Strategic Growth Officer, VIZIO, Inc.

A

Yeah, we made that announcement that at the end of this year we'll start rolling out the VIZIO operating system on televisions.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

Okay.

Thomas Champion

Analyst, Piper Sandler & Co.

Q

Mike, I'm wondering, just as a, as a technology analyst and I'm very curious your perspective, what's kind of your latest thought on the CTV market and the broader sense? I'm wondering if you perceive like 2024 and that experience around the election is kind of like a seminal transition point for the industry.

Michael O'Donnell

Chief Revenue & Strategic Growth Officer, VIZIO, Inc.

A

I'm very bullish on the connected TV industry. No, we see that – I mean, if you look at all the trends, if you look at just our television, so we have, as you know from covering us for years, we have viewing data. We have a technology built into the television that enables us to see what's happening on those TVs. So, we understand

what people are watching, whether that's linear television, streaming, a sticker dongle plugged in or on a gaming console. We know what the viewing habits of the customer are.

And we have seen, as of recently, 66% of time spent when someone's on a television is spent streaming, right. Now, less than 30%, I think it's almost – I'll call it less than 30% of time is spent in linear television environment, right. So in terms of just time spent in terms of habits and shifts, the customers are moving to streaming – or I shouldn't say are moving, they have moved to streaming. We saw in this last political election more and more dollars being pumped into connected television. And that was for a couple of reasons, not specifically to talk about political, but as a overall of the market, you can leverage what the benefits of linear television are, sites on emotion, driving great brand awareness, great brand lift. But you can also layer on what's best about digital environment.

You can layer on the personalization, you can layer on different measurement opportunities, you can help plan those campaigns and optimize those campaigns better. So, I think I mentioned earlier, by 2027, we expect connected television investment to outpace linear TV. And as we continue to work more closely with Walmart Connect, as well as continue to build our base, continue to build out our owned and operated environments, we see big opportunity in both video and display.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

Okay, great. Well, maybe just to wrap it up, provide a lot of good content. So just to summarize for each of you, we'll start with Rich and we'll go to Mike. What are you most excited about looking forward now as a combined business to really drive the Connect and advertising growth at Walmart?

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

A

Yeah, if I'm repetitive, I apologize. To me, what I'm excited about is this notion of solving business challenges for our suppliers and sellers. It's adding more value to the customer experience. And when I look at retail media, it is growing. We said it's a \$100 million TAM over the next couple of years. It will be infused into all digital. So you talk about digital media, you're talking about hundreds of billions of dollars. I said, millions – billions, billions of dollars. And then when you add in all media, you're talking about a large. So the world is moving in this direction.

What clients are asking us is that full funnel. I'm excited about allowing suppliers and sellers of all sizes to be able to benefit from the notion of retail media, launching new brands. It is pretty exciting seeing all this growth happen at Walmart, moving from like six years ago, the stores to this digital business. And we're growing in that, again, because we're doing a lot of value for customers in that experience.

And then you layer on top of that this notion of retail media and adding value to the customer experience, providing more diversity of products and a more assortment for the customer and seeing all of that really benefit. And I would just say, if I would leave one thing, if I can leave you just like this notion of scale, signals, and solutions, when you start to – if you're going to do an analysis of retail media itself or media overall, it is going to be hard for supplier – or advertisers to go everywhere, because it's just going to be too fragmented. So scale is going to be really important for them to invest their dollars.

The signals are really important. What do you understand about the customer and can I do better engagement with that customer and more relevancy for that customer? And to me, the solutions, right, so the companies or platforms that have solutions that are interesting and engaging that can be very relevant and show the sale right, not just – or the sale, but also the incrementality. The platforms that can do all that are going to succeed. It's a

large marketplace, and Walmart is going to be one of those because we're trying to think about it the right way. Customer first and we'll make money. We're going to grow, but we focus with the customer.

So, I leave you with that, that scale, the signals and the solutions is really important as you do analysis of these.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Q

Okay, that's a great answer. Mike, what are you excited about?

Michael O'Donnell

Chief Revenue & Strategic Growth Officer, VIZIO, Inc.

A

That's tough to follow. I'm excited...

[indiscernible] (00:42:08)

Michael O'Donnell

Chief Revenue & Strategic Growth Officer, VIZIO, Inc.

A

Yeah. I'm excited because Rich is excited. No, I think Rich touched on it, right. It's the opportunity to serve the customer better. And when I say that it's multiple different customers. It's the Walmart customer. It's the viewers that we have on the operating system today. We can create a much better experience, right. I think from our business moving from VIZIO into a much larger organization, it gives us the opportunity to invest and drive more resources into creating that that better customer experience, helping customers find what they want to watch better, help helping advertisers on the back end, recognize who their customers are, how they can deliver them better advertising or more relevant advertising, and ultimately how they can measure on the back end. So, I think we have a huge opportunity to continue to serve our customers better. And I think the opportunity will continue to accelerate.

Peter Jacob Keith

Analyst, Piper Sandler & Co.

Great. Thank you, guys, for being here. This was awesome.

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

Thank you for having us.

Michael O'Donnell

Chief Revenue & Strategic Growth Officer, VIZIO, Inc.

Thank you very much.

Rich Lehrfeld

Senior Vice President & General Manager-Walmart Connect, Walmart Inc.

Yeah. Thanks, everyone.

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