

Walmart

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Zhihan Ma: All right. Good morning, everyone. Welcome to Bernstein's Strategic Decisions conference. My name is Zhihan Ma, I'm Bernstein, [outlines and hardlines] retail senior analyst. And today I'm very pleased to be joined by Kath McLay, who's Walmart International's President and CEO.

Just some brief introduction. Kath has held a number of senior roles at Walmart over the past 10 years, from finance to supply chain and from leading Sam's Club to most recently, Walmart International. And Kath, a warm welcome. Thank you so, much for joining us.

Kathryn McLay: Thank you. It's nice to be here with you all.

Zhihan Ma: Thank you. And also just to provide some context on the Walmart international segment, it is Walmart's second biggest segment behind Walmart U.S., generates about over \$120 billion of net sales, with \$5.5 billion of EBID. Easily bigger than some of the publicly traded companies out there. It is also a very diverse international portfolio spending across, I think, 18 markets out there. So, quite a complex business to be honest.

And, Kath, with that in mind, since you took over the very complex portfolio two years ago, you have been on the road a lot. What have you learned? What have you observed?

Zhihan Ma: Yeah, I think I would start with it is -- you know, I think when I started in the role, I thought it was complex and I where I have landed now is it's not so, much complex, it's just vibrant. Because yes, it is 18 markets, but there is such a commonality through it all. I mean you can you can fall into the trap of looking at international and think it's a portfolio of businesses, and truly it's not because what I have learned through getting out to visit each of them is that we have a common ambition. We want to be the leading Omni channel retailer in every market that we're in. And our purpose, which is to help people save money and live better, is very richly represented in each of those markets and our values and our way of operating and EDLP, EDLC, everyday low prices, everyday low costs, absolutely foundational in each of those markets. And so, what you end up is having a lot more commonality than divergences. But each of those countries have their own local expression of what Walmart is or Sam's Club is.

So, I think what I have -- what has hit me most is that, yes, there is in first glance complexity, but when you truly look at it, there's so, much commonality and vibrancy in international, it's kind of captivating.

Zhihan Ma: That's a great intro. And Kath, what is your long term goal with the international business, right? Is it about entering new markets, growing in existing ones, growing profitability or a combination of these?

Kathryn McLay: Yeah, I think the -- over time we have done a great job in curating the markets that we're in. So, we are truly in high growth markets at the moment. So, we -- I think if you look at the composition of the of the countries, India, Mexico and China are the three high growth markets that we're really excited about. And then we have markets where we see future growth like Africa and we have other markets that we're in because of the commonality; so, Canada and even down to Chile and there's a lot of opportunity to unlock the Omni channel retail opportunities in those markets.

So, very happy with the portfolio of countries that we've curated for the now, but always scanning to see with an eye to the future. You know, we have traditionally, in the past looked at entrance into markets based on either doing kind of a business, you know, joint venture or finding a partner and entering via bricks and mortar, I think the world has changed and there's much more of an opportunity to enter from a marketplace perspective these days. So, we are always open and scanning, but very happy with the curated number of markets that we're in right now.

Zhihan Ma: Great. And looking backwards, actually, Walmart did divest from a number of countries in the past including the UK and Japan back in 2021. That was, of course, before you took over the whole business. Do you expect any other major portfolio changes or optimization from here?

Kathryn McLay: When you look at those markets that we divest from, I think each of them have been an amazing learning opportunity. And each of them has added something to our way of operating business. So, Asda taught U.S. a lot about pickup and delivery. I think even like when we went into Germany, we learned a lot about not going in with too much of a U.S.-centric model. So, if you look at now, Sam's Club China, which is hugely successful, they have taken the Sam's Club model, but the merchandise is truly tailored to the Chinese consumer. And so, we've really learned over the years as we've had markets that we've ended up divesting from, each of them have taught us something and it's the richness of those learnings that have makes the current portfolio so strong.

If you look at how we're positioned within the enterprise, International is accretive to growth on the top and the bottom line and is truly a growth driver for the enterprise. So, we have right group right now and we are positioned to be, you know, the growth engine both on top and bottom line and that's a really nice place to be.

Zhihan Ma: That's great to hear. And, Kath, you kind of alluded to potentially being open to new markets, are there any new markets that you're looking to enter and also what can you learn from the past experiences?

Kathryn McLay: Yeah, I think we're always open and looking, but we don't have anything on the slate. I would love to say Australia, but that's more out of personal interest cause I have family there than actually out of business interest. So, we're always open to looking, but there's nothing that we're particularly like wanting to talk about now.

Zhihan Ma: That makes sense. And from a profitability perspective, is there an ambition for the international business to close the margin gap with the U.S. business and what does it take to get there?

Kathryn McLay: Yeah. so, we've talked about like our ambitions in international, we see the pathway within the planning horizon to get to being a \$200 billion GMV segment, and I think that's by 2028. We've also talked about, you know, doubling our profit. We've talked about increasing the ECOM penetration, so some really big lofty kind of goals that are well within our grasp.

And on top of that we also see ourselves as being accretive to both top and bottom line. And as we do all of that, we're improving our margins and our return on investment. So, all of those kind of things come together to be like the goal and ambition and the role that we play within Walmart Enterprises.

Zhihan Ma: Great. Thank you and a slight digression because I know, Kath, you led Walmart's supply chain function a couple of years ago so I can't really pass on the opportunity to ask you about supply chain in this really uncertain tariff environment. How is Walmart adapting the global sourcing and supply chain in today's context?

Kathryn McLay: So, I have the wonderful benefit of also running global sourcing in this role. And so, in that capacity we're looking at providing all of the sourcing for Walmart U.S., and Sam's U.S. as well as for international. And we have been working over the last five years at building out resiliency in our supply chain.

I was in Asia a few weeks ago and we were talking with suppliers there and one of them thanked us for the role that we played because five years ago we started talking to them about diversifying their manufacturing base. So, that particular supplier has manufacturing, you know, in a number of different countries including Vietnam and Cambodia and China. And now they have pivoted their business so the China businesses manufacture for our China retail. And Vietnam and Cambodia are manufacturing for the U.S.. And so, we have been working on this strategy over the number of years to be able to look at how we build resilient supply chains.

You know, I always want to anchor back on the fact that two-thirds of our products are actually manufactured in the U.S., and the rest we sourced from over 70 countries. And I think that puts us in a really good position to be able to have many kind of multiple levers that we look at as we're looking at sourcing those kind of items. And so, resiliency in the supply chain, but also surety to ensure if there is disruption in any part of the supply chain, we have kind of secondary sources of supply.

Zhihan Ma: That's great. I promise I'll circle back to supply chain afterwards. But now let's return to the international business and I want to focus on e-commerce specifically. It is, I think, close to 25% of international net sales, over 50% of China sales for Walmart and is

already profitable. Can you shed some light on how e-commerce turned into profitability faster in some of the international markets; China notably compared to the U.S.?

Kathryn McLay:

Yeah so, let me just break that down a little bit. What we have announced is that it is profitable for the company. International isn't profitable yet, but we are profitable in particular markets and in particular channels. And so, it just depends how you cut and dice it across the organization. I think China is a wonderful proof point. So, in China, 50% of our sales is online versus offline. And if you look at that, go back seven years, I think only 4% of our business was online. So, there's a huge like change in the shift of the business and we are profitable in both channels in China.

I think what we have done is build out a model there that is highly effective, that works in urban high density areas and has set ourselves up to be able to deliver in less than an hour. That from a customer value proposition, is really resonating with the member and also from an economics perspective, is really helping from a profitability perspective. And I think we look at that particular equation of profitability and have been looking at, OK, how do we now bring that to another market like India? India there's this huge growth in quick commerce and we've been sharing learnings from China across to our India team as they've been building out what they call their minutes business to address the ability to be able to deliver in less than 15 minutes.

Zhihan Ma:

That's very, very interesting. Lot to dive into and unpack there. Kath, you mentioned a couple of numbers just now in terms of your ambition for international GMV and profitability. Can you talk about the e-commerce side specifically? Right, can you shed some light on the profitability angle of International e-commerce? How do you expect it to grow from here, from a GMV and profitability perspective?

Kathryn McLay:

Yeah. So, if I try and like take that the next click down. So, if we look at e-commerce profitability, as I said, we're profitable in some markets and we're profitable in some channels. So, you know, we're constantly looking at that scale of speed versus convenience as well as kind of the maturity of the e-commerce businesses. So, you know, let's take Flipkart for example. We entered the market in, I think, 2018. And that business is on its path to profitability.

The original premise for Flipkart was how do we bring branded items to Tier 2, 3 cities? If you go up in a Tier 2 or Tier 3 city in India, you -- it wasn't so easy to get access to products like Levi's. And so, what they saw as a market opportunity to be able to help bring great items to those centers, where in the past, people would have had to travel into a Tier 1 city. And so, that was the original premise. And if you look at the categories that -- the original categories that Flipkart had, it was like mobile phones, electronics, getting into apparel and those businesses have become -- have found their way to profitability. But as we're doing that, we've also been looking at how do we expand both the assortment and the offering.

India is a market, 1.4 billion people. I think the addressable-like opportunity is like \$1 trillion and e-commerce is only about 9% penetrated. And so, we see huge opportunity in that market, and we have been growing the Flipkart business.

Over the last number of years, quick commerce emerged as a massive kind of trend in

India. And quick commerce is delivery within 15 minutes. And so, as we've been on our path to profitability with what I would call the core business, we've now started like investing into emerging areas. We have 250 fulfillment centers that are minute fulfillment centers that deliver within minutes. So, go back a year, we used to deliver at best within a day -- it was a one to two-day promise. Now we have a 15-minute promise, and sometimes we can deliver in as short as three minutes.

Like those capabilities are insane for me, they're kind of mind blowing. But what -- as we've been on that path to profitability, you now invest into a new emerging area. Quick commerce is about 20% of the e-commerce market now in India, and it's about -- it's got a 50% growth trajectory. So, that's a part of like e-commerce that we want to be playing in.

So, it's not like a linear path to profitability, but we have so many proof points across international where we have been able to get to profitability, not just in the market, but within the channel that we're really bullish about like this trajectory that we're on.

We also have other markets like Canada, which has a very similar footprint to the U.S., and we have been working in international and moving to global platforms. How do we bring the best of tech that we have across the enterprise to the benefit of each of the markets. And probably some of the best-in-class tech that we have is in the U.S. So, we have been taking capabilities like the Walmart Commerce platform or even Connect, which is digital advertising, or WFS, Walmart Fulfillment Services, that have very established capabilities in the U.S., and we're bringing them to Canada. And all of those capabilities will help them on their path to profitability.

So, lots of work underway. Very excited about like the growth trajectory that we're on. Very excited about the upside that we see in e-commerce. And yes, we feel like we're just getting started.

Zhihan Ma: That's impressive under three minutes in some of --

Kathryn McLay: Yes. And let's maybe not share that because I want to talk about that at shareholders [next week] that -- like when you hear that fact, it does blow your mind the absolute kind of upside and opportunity that's there. Like I don't think -- I don't know what you can do in three minutes, like that's not a large amount of time. And for the order to be able to be created, dropped, picked and delivered within that period of time is kind of mind blowing.

Zhihan Ma: Wow. Okay. So again, a lot to unpack there. I want to circle back to India in a second, but maybe let's start with China in terms of the individual markets. I have had a chance to visit some of the Sam's Club in China myself, and for those of you who haven't seen it in person, it is truly the Number 1 club on the ground. Pretty much all my family, friends, has a Sam's Club membership in China. Now, why do you think that's the case? Why is it doing so much better than competition and also the traditional Walmart Supercenter format on the ground?

Kathryn McLay: Well, I'd start with the fact that we have been in that market for 29 years. And over those years, we've been refining the Sam's Club model to make sure that it is relevant and that

it really resonates with the consumer. And I think the coupling of really high-quality assortment at disruptive prices, that's the magic of Sam's Club, along with the convenience of one-hour delivery has really positioned it as both kind of an aspirational brand, but also a brand that's very much within reach.

And so, the team have done an extraordinary job of being able to couple together the ability to have an experience when you shop in the club. So, for people who actually want to go to a retail outlet and shop in person, the experience is delightful. I mean there's a lot of sampling, there's a lot of demos, it's interactive, and so you have that part of the experience. And then right alongside it, you have the benefit of the one-hour delivery.

And the way they have done it is that you actually have at the center of the club and around it, you will have about 8 to 10 clouds, and a cloud is a dark fulfillment center that is tethered to that particular club. And those clouds allow us high efficient and obviously, a quick delivery out to the customer base. And so, it's almost like you have an invisible-like delivery network kind of tethered to that one location. But I think at the end of the day, the magic all comes back to having great items. And our merchants have created some extraordinary items that our members love.

I had the opportunity to go and visit with a couple of customers and members in their house last year in -- I think I was in Shenzhen, and it was wonderful to kind of hear why - - what was their personal experience of Sam's Club and why did they shop there? And I think it anchored on the two things of; one, we really like the items, like at the moment, they have this wasabi-covered macadamia nut which I am so addicted to. I've got people coming over, shareholders next week, and I ask them to bring me some packets of it. They've just got really great items.

But on top of that, this member was sharing with me that in so many retailers that she's shopped in the past, you have to be like the bargain hunter for your household, you have to get coupons, you have to sign up for membership, you have to look online for deals, you have to clip different tickets to take with you and then you front up to the counter and you hand over all your different ways to be able to get a bargain and a discount. And at Sam's Club, you don't have to do any of that because it is very much anchored on EDLP.

And the sense of trust that I don't have to do all of that work because you're going to do the work for me and I can just trust that if I turn up and buy the goods that they're going to be priced at the most disruptive prices that I can get. So, trust is a really, really important question for us in China with the consumer.

Zhihan Ma: No, absolutely. And you also mentioned that e-commerce is already profitable in China. That's for a business where 80% of orders are delivered under one hour, not three minutes, but an hour; still very quick. How is that possible? Is it enabled by the cloud business? And which part of that can be potentially applicable in the U.S. context?

Kathryn McLay: Yes. So, it's definitely enabled by the cloud. So, as I said, those 8 to 10 clouds all around that one facility, our mechanism to be able to deliver quickly, but also cost efficiently. We're very, very disciplined about the execution of those clouds, too. So, we have a model around how many square foot to allocate to them. They only have 1,000 SKUs in them. So, whereas we would have 3,000 SKUs in a Sam's Club, there's only 1,000 that

are available online. We are constantly refining what are the right 1,000 based on what customers are looking to purchase. But the location, the square footage, the number of associates, the number of SKUs enable us to be able to do that kind of profitably.

And so, I think the discipline and understanding how to build out that equation and in regard to light the applicability, like, yes, absolutely, there is applicability to the U.S., but I would just -- I would make two points on that. First of all, it works in those markets because they are high dense urban areas. And I don't know that we have the exact same like level of density of population that would enable you to deliver within that speed.

However, I mean when you look at Walmart U.S., the growth that they're seeing in Walmart Express where the customer is nominating that they want that within -- I think it's one to three-hour promise and they're willing to pay for it, I think that has shown that customers are willing to pay for -- to get access to products quickly. But the other way that we've looked at as well is what are the other markets throughout international that we can learn from this from?

So, when we saw the rise in quick commerce, our CEO of Flipkart asked me, where can I learn across Walmart Enterprise about speed? And I pointed him to China. So, he sent a team over to the cloud, and they understood and learned from that. And then they took it back to India, and they said, okay, 1,000 items in under an hour, we want to do 6,000 items in under 15 minutes. And then they iterated on that, and now they've worked out how to do that and what is their equation around square footage, proximity, number of orders, number of associates, speed and they will keep refining on that model and then that they will like then pass those learnings back to China but also to other markets. Mexico is also actively working in this like group of trying to work through how do we get quick delivery.

And then we layer on top of that the work that the U.S. is doing on drones and that is super exciting. And they've now rolled from having some locally in Arkansas to actually rolling out drones in Dallas -- in the Dallas market as well too. So, all of this points us to customers are looking for speed. But there is a speed cost like scale that we're already -- that we are very conscious of and working out kind of where is the tolerance of the consumer. And how do we build profitable businesses going forward? And each of these markets give us an amazing window to learn about how to do this and refine it and take those learnings to other markets.

Zhihan Ma: Great. That's a great segue. I want to move on to India, which you kind of alluded to, but it is kind of a different business compared to China, right? China, you went from brick-and-mortar to an omnichannel business versus India. It's more of a pure-play e-commerce, right, with Flipkart being the leading marketplace seller and PhonePe being a leading payment provider. So, how is that supply chain build-out and the business model is different when you approach India where you don't have as much physical build-out?

Kathryn McLay: Yes. So, if you step back and look at those two markets, China is a 1P, 50% online/offline business. Flipkart is a purely 3P online business only. And in China, we don't have digital advertising, so that's one revenue stream that's not there, and we still got to profitability. In India, we do have digital advertising. That's a part of their kind of profitability profile. And so that, as I talked about before, that market is constantly

evolving, and we are constantly evolving our offering to stay in front of the customers' demand in front of the customers' needs. It did start off traditionally in mobiles and kind of then moved into apparel.

One of the hidden gems, I think, in the Flipkart business is Myntra and Myntra is its own app and brand that is around beauty and apparel and accessories. But they have so much capability built into that offering around customizing and being hyper-personalized. And they are probably one of the leaders across international and using Generative AI to really delight the customer.

And I had the opportunity to interview the CEO of Myntra last year, and I was talking to her about how this actually manifests for the customer. And she was sharing with me that the customer can go on to Myntra and actually just put in a query like, okay, I'm going to a wedding in Kerala and the average age of people will be about 20, and it's during summer, and I think that there is going to be like, I don't know, it will be an overly formal wedding. And it will give a person like four different kind of looks of outfits that they can create. And then they can ask it to also provide all the accessories that go with it and what color pallet would I want from makeup.

And so Myntra has this hyper-personalized but suggested kind of ordering, but all of that is tailored to that one particular person and understanding their transaction history. So, they are really beginning to showcase in many ways how to build that hyper personalization into the offering for the customer.

Zhihan Ma: Super interesting. Looking forward to see how that transpires in the U.S. one day. On Flipkart, specifically, I think at least the marketplace side is not yet profitable. How do you expect that profitability to evolve in the next couple of years?

Kathryn McLay: Yes. Over time, we working on like the core business, we're working on the Myntra business, we're working on quick commerce and then looking at how throughout all of that, we continue to grow our digital advertising. It's on the right trajectory. We're excited about their growth. We are not so focused on profitability that we would trade off market share and growth for the future. So, you take the balance of all of that, and we will get there at the right time.

Zhihan Ma: That makes sense. Moving on to Walmex. And Mexico, specifically, you mentioned is one of the higher growth markets in the international portfolio. Now performance has been a bit more challenging over there. I think it's a combination of macro and also competition. Can you talk about what the team is doing on the ground to improve the trend? And what is your assessment of the situation there? How much of the issue has been driven by macro versus what's within the company's control?

Kathryn McLay: Yes. The Walmex business is super fascinating. So, you have China, which is 1P, 50% offline/online. You have Flipkart, which is 3P marketplace. And then you have Walmex which is the leading omnichannel retailer in Mexico. But if you look at it, what they have tried to do is really address digital inclusion. So, one of the things that we found early on was that while we have over 4,000 stores, not everybody could access an omni relationship with us because one of the biggest barriers was that they didn't actually have the ability -- they didn't have digital connectivity.

And so, what the team then did was look at, okay, so how do we solve that problem? And how do we use kind of our positioning in the market to be able to solve it in a cost-effective way for our customers. And so, then that was the emergence of the [bites] business, which now has 18 million customers and offers digital connectivity at a 70% discount to the market. And the whole purpose of that, besides being its own kind of profit stream is that it enables our customers to engage with us digitally and allows us to end up having a far richer, stickier relationship with them into the future because they can buy with us offline and online.

And a lot of what the Walmex team have done has looked at how do you continue to build out that whole ecosystem so that we're inviting people in? Even if you just look at our Financial Services business in Walmex, it is predominantly focused on how do I give people the ability to be able to engage with us in an omni way? Some of like large purchases are difficult for the lower-end consumer to be able to afford. And so, we provide them with Buy Now, Pay Later. We provide them with the ability to be able to actually have a digital wallet or get access to credit.

And so, all of those are about financial inclusion and digital inclusion to enable us to continue to grow the customer base, but also to have really rich relationships with them. Over the last year, we have been really focused on how do we make sure that we set ourselves up to have that one-on-one personalized relationship with our customer base. And so, they launched Beneficios, which is a kind of loyalty program, and we now have 65 million customers that have signed up to that, which enables us to know them on a one-to-one basis.

In a market like Mexico, where a number of transactions are cash that is really, really important. And so the team there have been investing in how do I build out the ecosystem or the omni relationship that we have with our customers to enable us to continue to sustainably grow and be the leading omnichannel retailer in Mexico. And yes, over the last kind of year, there has been a softening in Mexico and there is also some really fierce competition in Mexico. And I think, one, we look at competition as a good thing. It makes us sharper. It keeps us kind of dissatisfied and it means that we're always hyper focused on who is our customer and are we driving relevancy with them.

And I think also in the softening in the economic -- in the economy, there are households that are struggling. And I do think that's where the Bodega as a format is really relevant. And we've just -- we've started to see some real traction with Bodega, with customers from a foot traffic and from a basket perspective. So, we are well positioned in that country, and I think there will be times where the economy will be expanding and there'll be times when it's contracting, and I think Walmart is positioned to be able to grow in both of those.

I would say, on top of that, like we still see opportunity. We look very critically at our businesses. We've looked very critically at how we've performed over the last 12 months, and we think there's still upside and there's more that we can do.

Zhihan Ma:

That's great. And a similar question for Walmex. What can Mexico and Walmex learn from the other international markets?

Kathryn McLay: Definitely, the quick commerce. That is one part that they are learning fast and visiting the China business, visiting the India business and looking at what is the local expression of what that looks like in Walmex. So, that's definitely one thing. I mean we are also just sharing like live streaming is such a fascinating concept that we first learned about in China. India has been a fast follower. And I think Mexico is interested to see is this something that is relevant that we want to like explore for Walmex as well, too.

Just like -- I feel like I'm overemphasizing this, but like there is such a learning window with international because you have the opportunity to be in these different markets where -- and they are -- they do like evolve at a different pace. And the fierceness of competition in some of those markets, means that we will kind of -- it feels like sometimes like you see the future of what's happening in retail and then you can bring that back to another market.

Zhihan Ma: That's so interesting as I personally tried live streaming. It is still pretty foreign concept here, but we'll see how that goes. Now in the last couple of minutes, Kath, I want to go back to supply chain, right? We talked a lot about international portfolio and how that ties into Walmart's global sourcing. Going back to your original role in supply chain a number of years ago, I mean how quickly can production be moved from one country to another? I guess both in the past and how has that evolved recently in this context?

Kathryn McLay: Yes. I think looking at moving production is probably a question for suppliers as opposed to retailers. I would say we have been very thoughtful across categories. And we have been focused on looking at this surety of supply to make sure that we don't have over focus in one market versus another. And we have also noticed like we look at manufacturing trends across the world.

One of the things that we saw a couple of years back was that there was a real acceleration in the capability around food manufacturing and automated food manufacturing in Europe, which was giving really high-quality results, and we started partnering with a number of companies who were interested in building their own manufacturing here in the U.S.

And so, our role in that is more to tee up the opportunity to ensure that they understand like what would be our kind of growth aspirations and to encourage them to be able to build manufacturing here because that enables us a much shorter lead time and access to like great quality quickly.

And so I think we're always looking across the world at where can we source products from, where there is a quality differential and a cost differential and how do we build out resiliency in that supply chain so that we don't have a risk around disruption from supply.

Zhihan Ma: Yes. And I realize my next question may be also for suppliers. But curious to get your perspective on the concept of onshoring, right? How feasible is it to onshore production, especially in the discretionary categories, apparel, home, toys, electronics to the U.S.? Is there even enough capacity in this country? And what's going to change in the next couple of years?

- Kathryn McLay: Yes. I would say, like that's probably a question for someone else other than me. I think we're constantly looking at how do we make sure that from a Walmart perspective, we have that resiliency in the surety of supply. Something else I was going to say about that.
- Zhihan Ma: In terms of capacity in the U.S. and potential to move production in this country?
- Kathryn McLay: Yeah, I can't remember what my thought was. But I think the long and the short of it is, we have been constantly -- we're constantly looking to make sure that we have that surety of supply for our customers into the future.
- Zhihan Ma: No, absolutely. And from an international perspective, how does your international presence help your global sourcing? And you kind of alluded to this upfront, but if you can give us a couple of more examples in terms of in this context, your presence globally, how has that helped you?
- Kathryn McLay: One of the things that we really enjoy being able to do is hold growth summit in each of the countries that we're in. There's a very natural progression for what can start off as a small artisan seller to join us as a seller on our local marketplace. So, we're in Chile, and I got to meet with some local very small businesses who were starting off as sellers on our marketplace in Chile. And then what that gives them the opportunity to start to build out their capability to then become a seller on our marketplace globally. And it also, as they build out their manufacturing runs and build out their capabilities, we can then onboard them as a sourcing partner to our bricks and mortar, both within that country, and then also if it's a really good item, across other markets as well, too.
- So, we see each of these markets as like a pipeline to be able to find new and exciting and innovative items that enable us to be able to feed them into kind of our sourcing and seller profile. So, those growth summits have been a great way to discover new upcoming organizations and give them the kind of training wheels to become a sourcing partner of the future.
- Zhihan Ma: Interesting. And a philosophical question for you, Kath. As I think the largest or one of the largest retailers in the world for Walmart, what are the pros and cons of having that size while trying to be nimble and moving global sourcing and supply chains around?
- Kathryn McLay: Yeah, I think one of the benefits of the size is that there is always a solution somewhere within Walmart. I sometimes think size comes down to your like your frame of mind. When -- I used to work for a retailer in Australia, and we -- it was Woolworths. We were one of the largest retailers in Australia, and we used to bemoan, we're so big, it's so hard to get things done because we're so big. We're about a \$60 billion business. And then I came to Walmart and Walmart is like significantly bigger. And then I ended up in Sam's, and Sam's was about a \$60 billion business, and we used to say, we're so small. It's so easy to be nimble and agile because we're so small. And I was like, it's so interesting to me, two \$60 billion businesses and one is bemoaning the fact that it's too big and the other ones like celebrating the fact that it's small and nimble.
- And so, you really learn the lesson that actually, it's your frame of mind that enables you to be able to get things done. And so, I'd worry little about scale and think more about opportunity. And I do think we have this great opportunity in each of the markets to be --

to use our scale wisely to be able to get the best cost advantages that we possibly can, but also to be thoughtful around how we can be nimble in that market and continue to iterate and make sure that we are leading in front of where the customer really wants us to evolve, whether it's quick commerce, whether it's finding great items, whether it's having the best value proposition that we possibly can.

Zhihan Ma: Great. Thank you so much, Kath. I know you're going to be meeting with a lot of investors throughout today. Any closing thoughts you want to share with the group?

Kathryn McLay: I would say, I've been 18 months in international. It is such an exciting part of the Walmart division. I used to see it like as complex and exotic. And now I see it as vibrant and there is so much richness in the international portfolio, and it is such a growth engine for the organization. So, I hope like -- I hope just our conversation today has intrigued you a little bit about the upside of international. We have been accretive to both top and bottom line for Walmart, and we intend to remain in that position. And so, I hope it's in some way piqued your interest a little.

Zhihan Ma: Great. Thank you so much, Kath. I look forward to a productive day of conversations that's to come. Thank you very much, everyone, for joining us. Thank you.