



**WAL-MART STORES, INC. (NYSE: WMT)  
Fourth Quarter Fiscal Year 2012 Earnings Call  
February 21, 2012  
Management Call as Recorded**

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This call will contain statements that Walmart believes are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, and that are intended to enjoy the protection of the safe harbor for forward-looking statements provided by that Act. These forward-looking statements generally are identified by the use of the words or phrases “anticipate,” “are expecting,” “are forecasting,” “assume,” “can expect,” “committed to reducing,” “continuing,” “expect,” “expects,” “forecast,” “goal,” “guidance,” “includes,” “may be impacted,” “may continue to fluctuate,” “may fluctuate,” “plan,” “plans,” “to growing,” “to open,” “will be,” “will be accomplished,” “will begin,” “will come,” “will continue,” “will deliver,” “will ensure,” “will grow,” “will improve,” “will include,” “will reduce,” “will remain,” and “will strengthen” or a variation of one of those words or phrases in those statements, or by the use of words and phrases of similar import. Similarly, descriptions of Walmart’s objectives, plans, goals, targets, or expectations are forward-looking statements. The forward-looking statements made in this call discuss, among other matters, management’s forecasts of: Walmart’s diluted earnings per share from continuing operations attributable to Walmart for the three months ending Apr. 30, 2012 and the year ending Jan. 31, 2013 (and the assumption underlying such forecasts that currency exchange

rates will remain at current levels); and the comparable store sales of Walmart's Walmart U.S. operating segment and the comparable club sales, without fuel, of Walmart's Sam's Club operating segment for the 13-week period from Jan. 28, 2012 through Apr. 27, 2012. The forward-looking statements include statements discussing management's expectations regarding: Walmart's effective tax rate for fiscal 2013, that Walmart's tax rate may fluctuate from quarter to quarter and the factors that may impact such tax rates; the growth in Walmart's net sales and square footage in fiscal 2013; Walmart's capital expenditures in fiscal 2013; Walmart making investments where Walmart can better serve its customers and provide returns to its shareholders; that the Walmart International operating segment will improve returns; Walmart continuing to lead on low prices; that margins will decline as investments in lower prices and other operating initiatives are put into place; Walmart delivering on the mission to help its customers save money; Walmart's goal for reduction of operating expenses as a percentage of sales over the next five years and making related investments in technology and improved productivity; Walmart continuing to invest in the right talent and capabilities relating to Global eCommerce; and Walmart continuing to develop and attract the best global talent. The forward-looking statements discuss management's plans and expectations that the Walmart U.S. operating segment: will invest more in lower prices; have its positive trends in performance continue in fiscal 2013; continue to build on its previous price investment; continue to improve on-shelf availability; be committed to grow through new supercenters and smaller formats; will have an inventory focus to have the right inventory position to drive sales; in fiscal 2013 will add new retail space within a certain range and new units within a range; will remain efficient in capital spending by lowering remodel and construction costs; and will continue to help customers adapt to certain trends. The forward-looking statements discuss management's plans and expectations as to the following matters regarding the Walmart International operating segment: that its "Powered by Walmart" initiatives will strengthen productivity and reduce expenses in the segment's markets and that such initiatives will help address inventory management concerns; the segment's plans to improve its returns; certain savings achieved by investments in technology and improved productivity helping to increase the segment's profitability; the segment's objective of driving aggressive growth while improving its return on investment; the segment's plans for the increase in square footage in its existing markets; the segment beginning to attract more customers in its Brazilian operations; the segment beginning to see certain programs of its ASDA operations

show up in other markets; and the growth of square footage in its Canadian operations and assumptions underlying that expectation. The forward-looking statements discuss management's plans and expectations as to the following matters regarding the Sam's Club operating segment: the segment's momentum from fiscal 2012 continuing in fiscal 2013; the segment's operations team ensuring that members will have a great experience in the Clubs by continuing to optimize staffing and ensuring that associates are well-trained; and the number of units, including new units, to be opened by the segment in fiscal 2013. The forward-looking statements also discuss the anticipation and expectations of Walmart and its management as to other future occurrences, trends, and results. All of these forward-looking statements are subject to risks, uncertainties and other factors, domestically and internationally, including: general economic conditions; economic conditions affecting specific markets in which we operate; competitive pressures; inflation and deflation; consumer confidence, disposable income, credit availability, spending patterns and debt levels; the seasonality of Walmart's business and seasonal buying patterns in the United States and other markets; geo-political conditions and events; weather conditions and events and their effects; catastrophic events and natural disasters and their effects on Walmart's business; public health emergencies; civil unrest and disturbances and terrorist attacks; commodity prices; the cost of goods Walmart sells; transportation costs; the cost of diesel fuel, gasoline, natural gas and electricity; the selling prices of gasoline; disruption of Walmart's supply chain, including transport of goods from foreign suppliers; information security costs; trade restrictions; changes in tariff and freight rates; labor costs; the availability of qualified labor pools in Walmart's markets; changes in employment laws and regulations; the cost of healthcare and other benefits; casualty and other insurance costs; accident-related costs; the cost of construction materials; the availability of acceptable building sites for new stores, clubs and facilities; zoning, land use and other regulatory restrictions; adoption of or changes in tax and other laws and regulations that affect Walmart's business, including changes in corporate tax rates; developments in, and the outcome of, legal and regulatory proceedings to which Walmart is a party or is subject; currency exchange rate fluctuations; changes in market interest rates; conditions and events affecting domestic and global financial and capital markets; the unanticipated need to change Walmart's objectives and plans; and other risks. Walmart discusses certain of these matters more fully in its filings with the SEC, including its most recent Annual Report on Form 10-K, and the information on this call should be

read in conjunction with that Annual Report on Form 10-K, and together with all of Walmart's other filings made with the SEC through the date of this call, including its Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. We urge you to consider all of these risks, uncertainties and other factors carefully in evaluating the forward-looking statements made in this call. Because of these factors, changes in facts, assumptions not being realized or other circumstances, Walmart's actual results may differ materially from anticipated results expressed or implied in these forward-looking statements. The forward-looking statements made in this call are made on and as of the date of this call, and Walmart undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

The comp store sales for our total U.S. operations and comp club sales for our Sam's Club's segment and certain other financial measures relating to our Sam's Club segment discussed on this call exclude the impact of fuel sales of, and other amounts for, our Sam's Club segment. Those measures, our return on investment, free cash flow, amounts stated on a constant currency basis, amounts adjusted to exclude the effect of acquisitions and amounts stated on a constant currency basis adjusted to exclude the effect of acquisitions as discussed in this call may be considered non-GAAP financial measures. Reconciliations of certain non-GAAP financial measures to the most directly comparable GAAP measures are available for review on the Investor Relations portion of our corporate website at [www.walmartstores.com/investors](http://www.walmartstores.com/investors) and in the information included in our Current Report on Form 8-K that we furnished to the SEC on Feb. 21, 2012.

## Introduction

### Carol Schumacher

Hello, this is Carol Schumacher, vice president of investor relations for Wal-Mart Stores, Inc. Thanks for joining us today for our earnings call to review the fourth quarter and the full year results of fiscal year 2012. All information for this quarter, including our unit counts, square footage, and financial metrics, is available on our website at [walmartstores.com/investors](http://walmartstores.com/investors). Our press release is available as well on the website. A full transcript of this call will be available on the website after 7 a.m. Central Time today; that's Feb. 21, 2012.

Here's the lineup for today's call.

- Mike Duke, president and CEO of Wal-Mart Stores, Inc., will open the call with his thoughts about the quarter and the year.
- Jeff Davis, SVP of finance and treasurer, will cover the consolidated financial details.

Then we'll go to the operating segments.

- First up, Bill Simon, president and CEO of Walmart U.S.
- Next, Doug McMillon, president and CEO of Walmart International.
- And then, we'll close the operating segment discussion with Rosalind Brewer, commonly known as Roz, our new president and CEO of Sam's Club.
- Charles Holley, our CFO, will wrap up with his thoughts, as well as EPS guidance for the first quarter and fiscal year 13.

A few reminders before we get into the details:

Walmart's consolidated financial statements are based on a fiscal year ending January 31 for our U.S. and Canadian operations, and December 31 for all other operations.

Walmart International unit counts, with the exception of Canada, are stated as of December 31. Massmart currently reports on a June 30 fiscal year end, but is consolidated into our results on a calendar year basis, with a one-month lag.

This year – fiscal 13 – is a leap year, and we will have an extra day in our company results for the first quarter and the full fiscal year. Leap year doesn't affect comp sales reporting. We will continue to report comp store sales on the 4-5-4 retail calendar, when we announce quarterly earnings. So next year at this time, when we report fourth quarter earnings in February, we'll report a fourth quarter comp on the 4-5-5 basis.

Details on comp sales in this call for the countries within Walmart International are on a calendar basis.

We look forward to seeing all of you at our annual International meeting for the investment community in Toronto in April, when we have an in-depth look at the Walmart Canada business.

Now, Mike, let's get started with our results. Mike...

**Mike Duke**  
**Wal-Mart Stores, Inc. President & CEO**

Thanks, Carol, and good morning everyone.

Today, every segment of our business is stronger than it was a year ago, and we're in a great position heading into this fiscal year. I'm pleased with Walmart's performance for the fourth quarter and the full year. Let me start with our most important results.

- We are reporting \$1.51 diluted earnings per share from continuing operations for the quarter, and \$4.54 for the full year. Both of these numbers include net benefits to EPS of \$0.07 and \$0.05, respectively. Jeff will cover the details behind our EPS shortly.
- Walmart U.S. reported positive comp sales of 1.5 percent for the fourth quarter. And, let me point out that this includes positive comp traffic.
- Sam's Club continued its sales momentum. Comps, without fuel, increased 5.4 percent for the quarter.

- International continues to be a strong growth engine for the company, delivering \$35.5 billion in sales for the quarter, and more than \$125 billion for the year.
- Net sales, including acquisitions, rose almost 6 percent for the year, to approximately \$444 billion.
- Our company leveraged expenses for both the quarter and the full year. Walmart has now leveraged operating expenses for two consecutive years.
- The company returned \$11.3 billion to shareholders through dividends and share repurchases this year.

These results demonstrate our commitment to delivering growth, leverage and returns for our shareholders. They also reinforce our belief that Walmart remains the best-positioned global retailer.

It was 50 years ago this year that Sam Walton started our company with a single store in Rogers, Arkansas and the promise to help customers save money so they can live better. He saw an opportunity to deliver on that promise, and today our associates serve more than 200 million customers every week around the world.

Our price leadership is making a difference across the United States, as many families are settling into a new normal. Our core customers remain cautious about their finances, and they turn to Walmart and our EDLP promise to help them manage through today's economic challenges.

The plan that Bill and his team put in place a year ago was the right plan. We churned the productivity loop, reduced expenses and invested the savings in lower prices. We listened to our customers. We added back assortment and increased in-stock. And, we brought back layaway.

Together, these efforts have resulted in quarter-by-quarter improvements in traffic and sales, and the U.S. business finished the year in a solid position. You can expect us to invest even more in lower prices, and we are confident that the positive trends will continue this year.

Walmart International delivered strong growth through comp store sales and a record number of new units, including the acquisition of Massmart and Netto. It's interesting to note that with more than \$125 billion in sales last year, Walmart International would clearly be among the top three largest retailers in the world.

Doug and his team are well positioned to serve the expanding needs of middle-income customers in high-growth markets. We are gaining share in almost every market, and I'm optimistic about growth in new regions, such as Africa. The leadership teams across International remain focused on improving profitability. You'll hear more from Doug about the "Powered by Walmart" initiatives, which will strengthen productivity and reduce expenses in our markets.

Sam's Club comp sales have been consistently strong throughout the year. Merchandise assortment has improved in quality and value, and operational efficiencies contributed to expense leverage and a stronger member experience. Sam's also is focused on further increasing membership this year.

I'd like to appreciate Brian Cornell for his contributions. Brian developed great leaders and is leaving Sam's Club a stronger business. Rosalind Brewer jumped right into her new role as the CEO. Roz is an outstanding strategic and operational leader, and I expect Sam's Club momentum to continue.

We've also added a very talented executive to lead Global eCommerce. Neil Ashe has a strong background in interactive content and has an understanding of converting online customers, which is critical to our e-commerce growth strategy. In the last quarter, we continued to roll out new multi-channel capabilities to offer the seamless experience between the store and our e-commerce platforms that customers increasingly want. We will continue to invest in the right talent and capabilities to seize the growth in Global e-Commerce.

The recent leadership transitions we've made show the depth of our management bench. I believe we have one of the strongest teams in business today, and we will continue to develop and attract the best global talent in every part of our business.



I'm excited about yesterday's announcement of our pending investment in e-commerce in China. We recognize that capital commitments, as well as investments in e-commerce, affected ROI and free cash flow for the year. But, we remain committed to our future growth and investments like these position us well going forward.

Looking back at Walmart's performance, it's worth noting that in one of the most challenging economies in decades, we emerged as one of the world's strongest companies. We have continued to grow sales and earnings, and, as I look forward to our 50<sup>th</sup> anniversary year, I see tremendous opportunities still ahead for our company and our shareholders. Let me tell you why I see so much upside.

Our core Walmart U.S. business is back on track.

In fact, every segment of our company is growing. Walmart's 10,000<sup>th</sup> unit – a Sam's Club -- opened in Mexico in November, and by year-end, our company had 10,130 units around the world and operated more than 1 billion square feet of retail space.

International is our growth engine and will improve returns.

Sam's Club has strong momentum.

We've made significant progress in building our e-commerce capabilities.

And, we're continuing to lead on the social issues that matter to our customers. We were pleased to see at this year's World Economic Forum in Davos that the issues we're focused on – sustainable growth, sustainable agriculture, and women's economic empowerment – are the same issues the world community is focused on.

I want to thank our leaders and our associates for moving the next generation Walmart forward this year for customers and shareholders.

We have high expectations for FY 13.

Now, I'll turn it over to Jeff for more financial details. Jeff ...

## **Jeff Davis**

### **Consolidated Financials**

Thank you, Mike. I'll begin by going through our fourth quarter P&L results and wrap up with a summary of the full year.

For the fourth quarter of fiscal 2012, Walmart reported diluted earnings per share from continuing operations of \$1.51, which compares to \$1.41 last year. EPS for the quarter included benefits of \$0.07 from items that we believe warrant further discussion.

First, we realized a pre-tax gain of \$94.8 million from the sale of real estate in Brazil, which was recorded in membership and other income. In addition, we recorded a pre-tax charge of \$26.6 million to close certain unprofitable Brazilian locations. The combination of these items resulted in a net, pre-tax benefit of \$68.2 million.

Second, income tax expense for the quarter was lower than anticipated, as a result of net tax benefits of approximately \$187 million.

The company's EPS guidance for the quarter of \$1.42 to \$1.48 did not include net benefits from these items. In comparison, last year's fourth quarter EPS of \$1.41 included approximately \$0.07 of net tax benefits.

Consolidated net sales increased 5.8 percent, or \$6.7 billion, to \$122.3 billion for the quarter. The increase included \$2.4 billion in net sales from the acquisitions of Netto and Massmart, which was partially offset by \$1.4 billion of negative impact of currency exchange translation. The currency translation also included approximately \$400 million related to acquisitions. Before acquisitions, and on a constant currency basis, consolidated net sales increased 4.5 percent over last year's fourth quarter to \$120.9 billion.

Total U.S. comp sales, without fuel, increased 2.1 percent for the 13-week period ended Jan. 27. Bill and Roz will provide more details on the positive comps from Walmart U.S. and Sam's Club.

Gross profit as a percentage of net sales was 24.3 percent, a 40 basis point reduction compared to last year. All three segments contributed to the margin decline, and later you'll hear more details from each segment.

Our company is very focused on expense leverage. For the quarter, expenses grew at a slower rate than sales, with all three operating segments achieving this goal. Operating expense as a percentage of sales declined approximately 30 basis points to 18.1 percent from 18.4 percent last year. Unallocated other increased 5.7 percent to \$534 million for the fourth quarter. The increase was driven primarily by our investment in Global eCommerce.

Fourth quarter consolidated operating income grew 5.0 percent to \$8.4 billion. Operating income included \$87 million from our acquisitions, but was adversely impacted by currency exchange translation of \$122 million, which included \$21 million negative currency translation impact related to acquisitions.

Net interest expense was essentially unchanged from last year. Higher debt balances with lower rates were primarily offset by revisions to various interest accruals related to U.S. and international tax matters.

Debt to total capitalization was 42.8 percent at the end of the quarter, compared to 42.1 percent last year.

The effective tax rate for the fourth quarter of fiscal 2012 was 30.9 percent, versus 30.7 percent in fiscal 2011. As discussed earlier, the fourth quarters of both fiscal years included favorable tax benefits.

As a reminder, our tax expense may fluctuate quarter to quarter, and can be impacted by a number of factors, which I will outline in a moment in our discussion of our annual effective tax rate.

This leads us to income from continuing operations attributable to Walmart of \$5.2 billion, compared to \$5.0 billion last year, or an increase of 3.4 percent.

Now, let's review highlights for the entire fiscal year.

Walmart reported diluted earnings per share from continuing operations of \$4.54, versus \$4.18 last year. Fiscal 12 included benefits of \$0.05 compared to \$0.11 last year. Recall that in the first quarter of this fiscal year, we had a \$0.01 benefit, followed by a charge of \$0.03 in the second quarter. Along with the \$0.07 benefit from this quarter, the net impact of the year is \$0.05. Last year's EPS of \$4.18 included \$0.11 of net tax benefits.

Walmart drove the productivity loop this year by leveraging expenses and investing in gross margin to grow sales and profits.

Net sales were \$443.9 billion for the year, an increase of \$24.9 billion, or 5.9 percent over last year. Acquisitions added \$4.7 billion to net sales for the full year. Currency translation added a benefit of \$3.5 billion, which included an approximately \$500 million negative impact from acquisitions. Net sales on a constant currency basis, excluding acquisitions, increased 3.9 percent.

U.S. comp sales, without fuel, for the 52-week period ended Jan. 27, increased 0.9 percent, as both Sam's and Walmart U.S. finished the year with positive comps.

Gross profit dollars grew 4.5 percent, which reflects our on-going investment in price and product mix shift from acquisitions. These actions primarily led to the decline in gross margin of approximately 30 basis points to 24.5 percent of sales.

The company reduced operating expenses as a percentage of net sales by approximately 20 basis points, from 19.4 percent last year to 19.2 percent this year. This is the second consecutive year that the company had leveraged operating expenses. Unallocated other increased 11.5 percent to \$1.9 billion for the full year, primarily from our investment in Global eCommerce.

Operating income benefitted \$99 million from our acquisitions. In addition, operating income benefitted \$80 million from currency exchange translations, which was net of a \$25 million negative currency translation related to acquisitions.

The effective tax rate for fiscal 2012 was 32.6 percent, versus 32.2 percent last year. This was below our latest guidance of 33.5 percent to 34.5 percent that we shared with you last quarter.

We expect our fiscal year 2013 tax rate to be between 32.5 percent and 33.5 percent. Our tax rate may continue to fluctuate from quarter to quarter and may be impacted by a number of factors, including changes in our assessment of certain tax contingencies, valuation allowances, changes in law, outcomes of administrative audits, the impact of discrete items, and the mix of earnings among our U.S. and international operations.

Income from continuing operations attributable to Walmart for the full year was \$15.8 billion, compared to \$15.4 billion last year, an increase of 2.7 percent.

During the fourth quarter, the company repurchased approximately 22.9 million shares representing \$1.3 billion, which brings the full year share repurchase to 115 million shares or \$6.3 billion. At Jan. 31, 2012, \$11.3 billion remained under the current \$15 billion share repurchase authorization.

Consolidated inventory grew 11.7 percent, driven primarily by Walmart U.S. and International. You'll hear more from the business segments regarding inventory growth. Payables grew slightly slower than inventory for the year. As a result, payables as a percentage of inventories decreased to approximately 90 percent, due to timing of payments and inventory mix.

Capital expenditures were approximately \$4.0 billion in the fourth quarter, bringing our full year capital spend to \$13.5 billion. This compares to \$12.7 billion last year and was right in the middle of our capital forecast of \$13 to \$14 billion. Recall that our forecast included post-acquisition capex for the acquisitions of Netto and Massmart. As we announced in October, our capex range forecast for fiscal 13 remains between \$13 and \$14 billion.

We continue to identify great opportunities to open new stores. During the year, we added 52.2 million square feet through 1,160 additional units, which include our two acquisitions.

Free cash flow was \$10.7 billion for fiscal 2012 and in line with last year's \$10.9 billion. This modest decline was primarily due to capital expenditures outpacing the growth in net cash from operating activities.

Return on investment for fiscal 2012 was 18.6 percent, compared to 19.2 percent for the previous year. The decrease was primarily due to business impacts such as investments in PP&E, Global eCommerce, and higher inventories, as well as price investment ahead of full realization of productivity improvements. Going forward, we expect productivity gains will more closely align with price investment or flow directly to operating profit. To a lesser degree, ROI was positively impacted by currency gains, but offset by acquisitions.

In closing, our financial position remains strong and is best illustrated by our AA credit rating which gives us access to historically low-cost debt for continued growth.

Now, let's turn it over to our operating segments. We'll start with Walmart U.S. Bill...

**Bill Simon**  
**Walmart U.S.**

Thank you, Jeff.

Last quarter, I kicked things off by getting right to the good news, and I'd like to do that again. Most of my comments will be about the fourth quarter, and then I'll summarize the full year results.

For the fourth quarter, Walmart U.S. achieved a 1.5 percent comp, our fourth consecutive quarter of comp improvement and our second consecutive positive quarterly comp.

As Mike mentioned earlier, we also achieved our first positive traffic quarter in quite awhile. January was our strongest performance in the quarter, with every business unit showing strong traffic improvements versus last year's fourth quarter. All three geographic units delivered positive comps for the quarter as well.

We had a great holiday season. We started off with layaway services in October, spurring traffic improvements in the fourth quarter. Black Friday sales were strong, and customers continued to respond favorably throughout Christmas and into the New Year. Our comprehensive marketing campaign helped tie it all together and drive traffic, as we secured a very large share of voice with strong creative and innovative social media initiatives.

Throughout the quarter, we implemented strategic initiatives to better serve our core customer. To put it simply, our business model is working, and we continue to drive progress on three major fronts.

First, our commitment to price leadership has never been stronger. As we outlined last quarter, we invested in price and reduced our gross margin by 13 basis points, or about \$100 million, in the fourth quarter alone. We'll continue building on this initial investment in fiscal 13.

Second, our focus on expanded assortment has resonated with customers. We've completed the **initial** phases of our SKU add-back program, returning more than 10,000 items to the shelves. Initially, add-backs drove higher tickets, as customers discovered their favorite items had returned to the shelf. In fiscal 13, we're further refining our macro space allocation for departments and categories, an effort we started last year. We're pleased with the early customer response to these changes.

Third, we'll continue to improve on-shelf availability. We now use a process involving third-party physical audits of our stores on a weekly basis. This allows us to see what customers see in their store. The program started in the first quarter, and we've made great progress throughout the year, improving more than 600 basis points, and are now tracking in the mid 90s on a percentage range.

Now, let's discuss the details of our fourth quarter performance. Net sales were \$72.8 billion, an increase of 2.4 percent over last year. Our 1.5 percent comp was driven equally by both positive traffic and ticket.

All of our business units delivered positive comps, with the exception of apparel, which was hampered by unseasonably warm weather.

Grocery, which includes food and consumables, continued its positive performance by delivering low single-digit positive comps.

Our food business had positive traffic and had a mid-single-digit comp. We saw strong sales throughout the holiday season, as we provided one-stop meal solutions for our customers. We were aggressive in serving customers across the entire entertaining season, from Thanksgiving through the Super Bowl. Our bake center and “meal trains” in action alley provided additional holding and selling power and communicated a strong price message to customers. Overall comps for consumables rose sequentially each month in the quarter, benefitting from improved on shelf availability and price investments. The investments we’ve made in improving our assortment have really delivered for our customers as seen by positive comps in every department.

Despite moderating inflation in certain categories, grocery prices continue to be an issue for many of our customers. For the fourth quarter, total grocery inflation was approximately 4.0 percent. However, trade down and other initiatives reduced the net inflation impact on our customers to between 100 and 200 basis points.

Our health & wellness business also performed well, delivering low single-digit positive comps. Our pharmacy prescriptions, over-the-counter, and optical businesses all had positive comps.

Hardlines continued its positive performance with low single-digit positive comps. Continued assortment initiatives, especially in sporting goods and stationery and crafts, drove sales throughout the quarter. Increased emphasis on tires drove strong sales versus last year. As other retailers have noted, unseasonably warm weather had a negative impact on cold weather-related merchandise categories.

Strong holiday performance, supported by layaway and the Walmart price match guarantee, helped improve the sales trend in our entertainment business by over 700 basis points versus last year’s fourth quarter. Black Friday drove strong sales of electronics early in the quarter, and we saw an overall increase in the number of TVs sold, helping to offset the continued price deflation across the industry. Our Straight Talk business continued to perform well, as customers responded to our expanded assortment of



smart phones. Our entertainment business, which includes electronics and toys, had a low single-digit positive comp.

Our toy business had high single-digit positive comps, benefiting from layaway during the holiday period. This performance represents approximately 900 basis points of improvement versus the fourth quarter last year. Customers utilized the service to reserve some of the season's hottest items and clearly appreciated the layaway opportunity in toys.

Our home business continued to improve over the last four quarters, and I'm happy to report a positive low single-digit comp for the fourth quarter. This represents the first positive quarterly comp in 2½ years. We've worked diligently to focus on the basics and improve assortment through add-backs and item merchandising. Home management and food preparation were stand-out categories in our home area, and outdoor living performed better than expected during the warmer weather.

Apparel had low single-digit negative comps. Sales rebounded at the end of the quarter, improving approximately 170 basis points versus last year's fourth quarter. As others in the industry have reported, the warmer than usual weather had a big impact on cold weather apparel sales. We saw continued strength in our basics categories, indicating that our strategic focus from fashion to "basics and essentials" is working.

Our online business continues to grow, driven by strong sales in tablets, computers and toys. We saw increased customer activity across our various multi-channel initiatives. Programs like Site-to-Store and Pickup Today, which together generated double-digit comps during the holidays, continue to provide customers with various shopping alternatives that are unique to our retail store footprint.

Now, let's look at the financial details for the quarter. As I mentioned earlier, net sales were up 2.4 percent to \$72.8 billion. We invested in price in the fourth quarter. Gross margin rate was down approximately 13 basis points from last year's fourth quarter, in line with our expectations. Gross profit dollars were up 1.9 percent to \$19.6 billion.

Through operational leverage and expense management, Walmart U.S. again leveraged expenses for the quarter. Operating expenses increased 2.1 percent on a sales increase of 2.4 percent in the fourth quarter.

Operating income grew 1.4 percent for the quarter to \$6.1 billion, due to our price investment strategy.

At the end of the fourth quarter, inventory was up 8.5 percent versus last year. The primary drivers of the increase were the continued broadening of our assortment, comparisons of weather disruptions to last year, food inflation, and new store growth. Most of our inventory growth is in the high-turning grocery business. With our assortment strategy in place, our inventory focus will be to ensure we have the right inventory position to drive sales.

Now, I'll summarize our financial results for the full year.

Fiscal year 12 sales were up 1.5 percent to \$264.2 billion. For the 52-week period, comp sales were positive 0.2 percent, which was a 180 basis point improvement over last year.

Gross profit dollars increased 1.4 percent to \$72.7 billion. Gross margin was down 2 basis points, reflecting some price investment. Full year expenses increased 1.0 percent on our 1.5 percent sales increase. Operating income grew faster than sales for the year, increasing 2.2 percent to \$20.4 billion.

Over the course of the year, we added 119 supercenters, including new stores, expansions, relocations and conversions, as well as 27 small formats. For the year, we added 9.6 million square feet of space for Walmart U.S.

Supercenters remain the best vehicle to capture market share, and we remain committed to growing through new supercenters, as well as smaller formats. The Neighborhood Market format continues to deliver above-industry results, with approximately a 5 percent comp during the fourth quarter and positive traffic throughout the year.

As I said in October, we plan to add between 14 and 15 million square feet of retail space in fiscal year 13. This will include adding between 210 and 235 total units, which include new stores, expansions, relocations and conversions. Within that total, 80 to 100 will be small formats, primarily Neighborhood Markets. We will remain efficient in our capital spending this year by lowering remodel and construction costs.

Expense reduction and improved productivity are even greater priorities for us this fiscal year. For us, leverage is not simply about cutting expenses year over year, but drawing from our long history of driving productivity. We've demonstrated this ability across many functional areas.

The steps our logistics team has taken have helped mitigate fuel price increases and improved supply chain efficiency. For example, we've increased associate productivity and asset utilization, which helped decrease our cost per case shipped every year for the last five years. During the same period, we've delivered 361 million more cases and drove 287 million fewer miles through more efficient loading and routing optimization.

In marketing, we reached even more consumers through more channels during the holidays, while lowering our overall advertising expense by more than 10 percent for the year. Achieving these results is not always easy. It requires discipline across the organization and a shared commitment among our associates to deliver EDLP for our customers.

Finally, we continue to utilize process engineering and innovation to help us meet our leverage goals. Our aisle locator system and the integration of the electronic product code technology helps better manage inventory accuracy and contributes to on-shelf availability. Our inventory management system and innovative "one-touch" freight program are having a positive impact on the business. Given our scale, when we can reduce steps and tasks, the savings add up quickly.

Fiscal year 13 is under way, and I'm pleased with our strategic plan and how customers are responding to increased assortment and lower prices. A challenging economy and rising gas prices will continue to drive customers to seek value. In the past, significant increases in gas prices over short periods of time have led to trip consolidation and higher ticket. We'll continue to help customers adapt to such trends.

Based on our view of the economy and our core customer, we're forecasting comp sales for the 13-week period from January 28, 2012 through April 27, 2012 to range from flat to positive 2.0 percent.

As I look back on fiscal year 12, we performed much better than a year ago, and I'm proud of our improvements. There's still a great deal to do, and I'm confident going into this year, because we have a strong leadership team driving the direction and implementation of our strategy. Our assortment is back. We're operating efficiently. Our comps are positive. We're investing in price and winning back customer traffic. We're committed to being even better in fiscal year 13.

Now, I'd like to turn it over to Doug for the International update.

**Doug McMillon**  
**Walmart International**

Thanks, Bill.

We have good results to report for the fourth quarter and the full year. Before I go over the numbers, it's important to spend a few minutes on how Walmart International is delivering against our key objective — to drive aggressive growth, while improving our return on investment.

For the past three fiscal years, constant currency sales excluding acquisitions grew faster than operating expenses. We've maintained an aggressive, disciplined plan for new stores, averaging an 8.0 percent increase in square footage each year, excluding acquisitions. In this fiscal year alone, we opened a record 612 new stores organically. Including acquisitions, we celebrated our company's 10,000<sup>th</sup> store — a Sam's Club in Mexico. In FY 13, we plan to increase square footage by 8.2 percent in existing markets, which would range from 26 to 28 million square feet.

Our new store development is focused on high-growth markets, such as Mexico, China, and Brazil. We continue to pursue the middle income customer in these markets. As more families enter the middle income bracket, they want more variety, but they remain sensitive to value. So we position our assortments, locations and format selections to capture this growth. Our mission of saving customers money so they can live better resonates with them.

EDLP is the right business model for our customers and for all of our markets, including high-growth, or emerging markets. We see our customers respond each time we strengthen EDLP, and we're in the midst of a multi-year plan to transition all of our markets to EDLP.

- In Japan for example, we had our third consecutive year of comp store sales growth as a result of EDLP.
- And in Brazil, we now have a meaningful price leadership position, and we're seeing customers respond. As we communicate our price leadership more effectively, we will begin to attract even more customers. We need customer perception to catch up with reality, and we're seeing some encouraging signs in that respect.

EDLC is the foundation of our low prices, and we continually reinvest a portion of these savings back into sales and drive volume — it's what we call the productivity loop. This year, we've raised the bar even further, launching a program to accelerate sharing of ideas across markets and reduce our costs. With global leverage, or what we're calling "Powered by Walmart," we can maximize our value by balancing global leverage. Our business is a local business and autonomy for market leaders is a priority. At the same time, we're learning to work together to improve results.

Operating for less is a key component of the productivity loop. Today, markets such as Mexico, China, and Brazil have begun to leverage productivity experience from markets like the U.S. and the U.K. Some of the areas we're focusing on include:

- In-store staffing optimization: Getting the right associate to the right place, at the right time is a key factor in service levels and in being the low-cost operator. We're spreading best-in-class operating procedures for areas such as our check outs.

- On-shelf availability: Our customers don't like an empty shelf, and neither do we. Sales and inventory levels improve when there is a fast link between sales and replenishment.
- Technology: We leveraged technology to accelerate and reduce the costs of system integrations. Our integration team delivered a systems best practice process that is being rolled out for future integrations.

Now, let's get to the results for the fourth quarter.

Walmart International's fourth quarter sales were \$35.5 billion, growing at 13.1 percent from last year's fourth quarter. Operating income was \$2.3 billion, growing 15.2 percent from last year.

This is the only quarter of this fiscal year, where currency exchange rate translation had a negative effect on our reported results. Fourth quarter sales included a non-cash reduction of \$1.4 billion for changes in currency translation, of which \$400 million is related to acquisitions. Operating income included a reduction of \$122 million from currency exchange translation.

Excluding acquisitions, fourth quarter constant currency sales were \$34.1 billion, growing 8.5 percent over last year. Constant currency operating income, excluding acquisitions, was \$2.3 billion, growing 15.9 percent. All markets grew constant currency sales in the fourth quarter, and all but China and India had positive operating income.

For the fourth quarter, there are certain items affecting comparability. Membership and other income includes a net pre-tax gain of \$68.2 million from the sale of real estate in Brazil, net of a charge to close unprofitable Brazilian stores. Without these items, constant currency operating income, excluding acquisitions, still grew faster than sales at 12.5 percent.

Fourth quarter gross profit margin was \$8.4 billion, and as a percentage of sales, declined 82 basis points. This includes a reduction of \$313 million for changes in currency translation. Excluding acquisitions, the constant currency gross margin as a percentage of sales declined 44 basis points on price leadership investments in the U.K., China, and Brazil.

Fourth quarter operating expenses were \$6.5 billion, which includes an increase of \$206 million, due to changes in currency exchange translation. Excluding acquisitions, Walmart International leveraged constant currency operating expenses, growing them slower than sales, at 4.8 percent, with expense leverage from the U.K., Japan, Chile and Walmex.

On a reported basis, Walmart International's inventory grew 24.6 percent in a year of record organic store growth and lower than expected comp store sales. On a constant currency basis, and excluding acquisitions, inventory grew faster than we wanted, at 18.6 percent. Inventory management remains an area needing improvement and we're expecting the "Powered by Walmart" initiatives to help address these concerns.

Let's turn to the results for the full year.

For the full year, Walmart International's reported net sales were \$125.9 billion in fiscal 2012, including a benefit of \$3.5 billion from changes in currency translation. Fiscal 2012 sales grew 15.2 percent over last year. Operating income was \$6.2 billion, growing 10.8 percent, and includes a benefit of \$80 million from changes in currency translation.

Full year constant currency sales, excluding acquisitions, were \$117.1 billion, or 7.2 percent growth over fiscal 2011, and constant currency operating income, excluding acquisitions, grew 7.2 percent to \$6.0 billion. All of our markets had constant currency sales growth for the full year, and all but India ended the year with positive operating income. Our franchise business in India includes a lot of new locations and is still developing.

Operating expenses were \$24.6 billion, which includes an increase of \$810 million due to changes in currency exchange translation. Excluding acquisitions, Walmart International leveraged constant currency operating expenses, growing them slower than sales, at 6.2 percent, with expense leverage from the U.K., Japan and Canada.

Excluding acquisitions and the items we identified throughout the year which affect comparability, constant currency operating income grew faster than sales for the full year by 7.9 percent.

Gross profit margin was \$29.5 billion, and as a percentage of sales, declined 46 basis points. This includes a benefit of \$852 million for changes in currency translation. Constant currency gross margin as a percentage of sales, excluding acquisitions, was flat to last year.

Now, let's get into the country discussion. We report our results on a calendar basis, and we use U.S. accounting principles, or U.S. GAAP. For local reporting purposes, many of our markets and their competitors have different accounting and comparable sales calculations.

Further, country management teams are held accountable for their results, excluding the impact of changes in currency rates — that is, on a constant currency basis. The following discussion of country results is on a constant currency basis and, unless otherwise stated, sales and comp sales are presented on a nominal basis using the calendar quarter end.

In the U.K., ASDA had a strong fourth quarter and a record Christmas, growing sales and increasing operating income faster than sales, excluding fuel. Net sales, without fuel, and excluding the Netto acquisitions, grew 2.0 percent for the quarter.

In the fourth quarter of this year, comparable sales, excluding acquisitions and fuel, increased 0.1 percent, with traffic increasing 0.6 percent and average ticket declining 0.5 percent. In addition, ASDA's online business continues to perform well, with quarterly sales growth of 19.9 percent from last year.

ASDA won more customers over the quarter with a simple pricing strategy, and the ASDA price guarantee reached a high of almost 1 million basket checks per week in December.

Fourth quarter expenses grew slower than sales, and when excluding Netto, ASDA's expenses declined from last year.

ASDA's "We Operate for Less" program has a history of successful savings and enabled ASDA to invest in a higher level of customer service during the holiday period. With "Powered by Walmart", we will begin to see ASDA's programs, such as in-store associate scheduling, lean logistics initiatives and fresh waste reduction, show up in other markets.



In April, ASDA acquired the Netto stores in the U.K. and the majority of those stores were converted to the ASDA brand. Sales at the converted Netto stores exceeded expectations during the year. ASDA ended the year with a total of 541 stores, including 32 Supercentres, 309 ASDA Superstores, 27 ASDA Living stores and 173 ASDA supermarkets.

Continuing its commitment to quality, ASDA's partnership with world-famous cookery school Leiths was important for holiday entertaining. Leiths endorsed Christmas items across ASDA's Extra Special premium private brand range, which resulted in record sales in the week before Christmas.

When it comes to customer trust, ASDA was the clear winner this holiday season. Recent independent research undertaken by *The Grocer* showed ASDA selected by shoppers as the U.K.'s most trusted supermarket.

Now for Canada... Walmart Canada continued to have solid sales growth, and operating income grew faster than sales for the quarter.

Net sales grew 4.1 percent in the fourth quarter compared to last year, driven by food, consumables, and health and wellness. Comparable sales in the fourth quarter increased 1.1 percent from last year. Canadians did not get the snow they expected this year, and there was similar softness in cold weather merchandise as in the United States. But Walmart Canada's average ticket still increased 2.3 percent, with traffic declining 1.2 percent.

Gross profit margin as a percentage of sales increased by 90 basis points, and expenses grew faster than sales due to greater investments in store construction.

During the past 12 months, we opened 40 supercentres, including store conversions, bringing our store count to 333 stores. Canada converted 7 discount stores to supercentres, added 4 new stores and expanded 3 stores in the fourth quarter.

Walmart Canada expects to achieve a record level of growth next year, adding 4.6 million square feet, or almost three times what was added this year. This includes the renovation of most of the former 39 Zellers store leases we recently acquired.

Let's move to the Americas. The following discussion includes the consolidated results of Mexico and Central America, and is on a U.S. GAAP basis. Walmex separately reports its earnings under Mexican GAAP, so some numbers are different from Walmex reported numbers.

Today, Walmex is hosting its annual analyst meeting where Scot and his team are discussing next year's capital and growth plans.

Walmex had strong consolidated sales, and operating income grew faster than sales from the fourth quarter of last year. Walmex's net sales for the fourth quarter were up 13.1 percent, and comparable sales for Mexico were up 7.1 percent. Average ticket in Mexico increased 5.2 percent, as customers welcomed El Buen Fin or *good weekend*, loosely translated, which is Mexico's first Black Friday event. Customer traffic increased 1.9 percent over the fourth quarter of last year.

Mexico's fourth quarter comp store sales for the self-service formats grew by 7.0 percent, while ANTAD's comp store sales report for the rest of the industry, excluding Walmex, grew at 5.2 percent.

In Central America, overall sales increased 6.5 percent, and comp sales were up 0.8 percent on a constant currency basis.

Fourth quarter consolidated gross profit margin as a percentage of sales was flat to last year. However, even with a significant number of new stores this year, Walmex leveraged operating expenses, growing operating expenses slower than sales.

Walmex finished the year with 431 more stores than at the end of the fourth quarter last year, including 73 new stores in Central America.

Moving on to Brazil... Brazil grew sales in the fourth quarter, and operating income grew faster than sales.

Brazil began the long EDLP journey earlier this year and ended the first quarter with price reductions on more than 10,000 items. In the months following this move, there were encouraging improvements in the top and bottom lines, with nominal comp sales growth and expense leverage in the second and third quarters of the fiscal year.

Brazil leveraged operating expenses for the nine-month period following the EDLP launch. There's a tremendous focus on improving Brazil's operating income, and I am pleased with the changes that our leaders are making.

Brazil's comparable sales declined 50 basis points in the fourth quarter of this year. Traffic was down 5.4 percent, and average ticket up 4.9 percent.

Fourth quarter gross profit margin as a percentage of sales was flat compared to last year. After excluding the effect of the real estate transaction items I mentioned earlier, operating income declined from last year.

In the past 12 months, we've opened 33 net new stores in Brazil, bringing our total store count to 512. This includes 16 new stores in the fourth quarter of this year.

Moving to Asia...Japan's net sales, comparable sales, and average ticket all grew in the fourth quarter in nominal terms, and operating income grew faster than sales.

For the past four consecutive quarters, Walmart Japan has outperformed the market. During the fourth quarter, net sales and comp sales grew approximately 3.7 percent in real terms. Fourth quarter traffic grew 1.7 percent and ticket grew 2.0 percent in real terms. According to statistics released by the Japanese Ministry of the Economy, Trade and Industry, or METI, overall supermarket comparable sales for the fourth quarter declined by 1.7 percent from last year.

Gross profit margin as a percentage of sales increased slightly by 45 basis points even with the recent investments in price leadership, and Walmart Japan's operating expenses declined from last year, primarily due to a continued focus on the reduction of electricity consumption.

I visited stores and attended our store manager meeting in Japan last week and I'm encouraged by the momentum in the business heading into this year.

Walmart China grew sales during the fourth quarter. However, the quarter ended with an operating loss, due to price investments to improve customer traffic, as well as opening costs for new store growth. Net sales for the fourth quarter grew 12.9 percent over the last year, and comparable store sales growth was 4.2 percent. Average ticket grew 11.8 percent in China, but traffic declined 7.6 percent.

Gross margin as a percentage of sales declined from last year on price investments in food and non-food merchandise, part of our strategy to improve customer traffic.

As part of our commitment to improve the results in China, we have added talented leaders with deep experience from various markets. Earlier this year we made key leadership appointments in China, and I am happy to announce that Greg Foran has joined us as CEO of Walmart China. Greg brings more than 30 years of retail and supermarket experience to China. Greg joined us from Woolworths Australia a few months ago, but I and others from Walmart have known and respected him for years. Greg is a talented leader and merchant.

We continue the process of obtaining the local registrations for the Trustmart stores, and this is the last principal condition to completing the second closing of our Trustmart purchase. In other Trustmart news, we continue the rebranding process, and now only have 29 stores to convert to the Walmart brand.

In the past 12 months, we opened 42 new stores, including 41 supercenters, and that brings our China store count to 370 stores.

I also attended our store manager meeting in China last week, and Greg Foran is off to a good start. Together with Scott Price, Sean Clarke and the rest of our leadership team, we're taking the necessary steps to take advantage of the opportunity presented in China.

On January 11, Massmart announced results for the six months ended December 2011. For that period, sales grew 15.3 percent over the same period last year. As a reminder, Massmart reports its earnings news every six months, rather than quarterly. We've made good progress in identifying opportunities to invest the 100 million Rand supplier development fund, and we're pleased with the integration progress at Massmart.

And finally, some year-end comments about Chile, Argentina and India:

- In Chile, we grew square footage by 6.0 percent from the prior year. Walmart Chile will release full year earnings to the public on March 29.
- Argentina continues to be a rapid growth market, with square footage growing 17.1 percent from last year. Full year constant currency sales had strong growth, at 44.9 percent, and operating income grew 17.1 percent.
- In India, we now have 15 cash and carry units, 10 of which were added this year and sales continue to grow. We also continue to support, through the Bharti franchise relationship, a number of retail stores in India.

In closing, Walmart International had a good year this year. We finished the year with momentum and our commitment to increasing returns for our shareholders remains. We're in a great set of markets, and we have established the foundation to drive growth this year.

And now, I'll congratulate Roz on her promotion and turn it over to her for the news on Sam's Club. Roz ...

**SAM'S CLUB**  
**ROSALIND BREWER**

Thanks, Doug.

It is an honor and a privilege to take on the leadership role for the Sam's Club business, and I am so impressed by this team. We just finished a great overall fourth quarter, and it completes an outstanding fiscal year for Sam's Club. Our entire organization is highly motivated to continue this great momentum. Member experience survey results are at an all-time high. Our merchandising team is doing a fantastic job of finding items that members want, at a great value, and the club operators are doing a great job of getting those items in front of the Sam's Club members.

First, I'll review our Q4 results, and then provide analysis on the full year.

Including fuel, fourth quarter net sales were \$14.0 billion, a 6.8 percent increase over last year. Gross profit increased by 4.4 percent, SG&A expense as a percentage of sales decreased by 26 basis points, and operating income increased 7.6 percent to \$524 million for the quarter.

Our fuel business has been strong all year, including the fourth quarter. Fuel profit was relatively flat in Q4, but overall volume was very good. Fuel prices in this year's fourth quarter were approximately 13.0 percent higher than a year ago, and gallons sold were up 8.0 percent. As we have said before, we look to fuel to set the first price impression for Sam's Club. It is clearly a traffic driver for existing and potential members.

Volatility in fuel prices can have a notable impact on our financial results. The remainder of our discussion today, therefore, is focused on our core business and **excludes fuel** for comparative purposes, unless otherwise noted.

We were very pleased with Sam's top line performance this quarter. Net sales for the fourth quarter were \$12.6 billion, up 5.4 percent from last year. For the 13-week period, comp sales increased by 5.4 percent. Combined with a 2.7 percent comp sales increase for the same period last year, this is an 8.1 percent 13-week comp on a two-year stacked basis. All

three geographic operating divisions did well in the quarter, with the West division turning in our strongest comp performance. Comp traffic and ticket increased for the 13-week period by 3.0 and 2.4 percent, respectively.

We completed a very successful holiday season, with strong sales during Thanksgiving week and throughout December. And in January, we drove even further momentum. Our members continue to respond to our key merchandising initiatives.

Sales by category varied, with high-single-digit comps in food and beverage categories and mid-single-digit comps in health & wellness categories, both key categories in our portfolio strategy. Home and apparel comp sales grew mid-single digits. Investments in seasonal promotions and price deflation led to a comp sales decline in electronics.

Overall, SKU inflation across the club impacted the quarter comp by 250 to 300 basis points. Inflation continues to impact meat and selected grocery categories, and as I mentioned, deflation continues to impact electronics prices. We are very pleased to see continued unit growth in electronics year over year.

In fresh categories, ongoing improvements in quality, and the extension of our new proprietary brand initiative, were very successful, with produce and bakery being real stand-outs, delivering double-digit growth.

In grocery and beverage areas, driving price leadership on national brands was key to high single-digit comp growth.

In our health and wellness business, we continue to drive awareness of our great service and low prices through a variety of communications, including the launch of our new Healthy Living Made Simple magazine. Prescription counts are growing faster than the market, and we had high single-digit comp performance in pharmacy and related areas. We introduced a new pricing structure in optical, with discounts for Plus Members, and that program drove both strong comps and membership upgrades. In baby, price leadership and other initiatives drove high single-digit comp growth.

In home and apparel, we are featuring favorite national brands such as Keurig coffee-makers, which led to double-digit growth in our kitchen electrics categories. Brands also helped drive stronger sales in basic and children's apparel. Overall apparel comps were in the low single-digits.

The improved quality and fashion of our seasonal décor and foods categories drove solid performance during the holiday, though toys was challenged due to the heavy discounting in the market place. We were very pleased with our profitability in these categories.

In electronics, we held market share in a very challenging price environment, while managing margins effectively. We were very pleased with our unit growth in electronics this holiday season. Our sales in wireless and tablets were particularly strong, with the Apple brand a favorite.

In short, our merchandising strategies are working very well, and are driving strong momentum already in this new fiscal year.

Membership and other income was up 9.1 percent when compared to the fourth quarter last year. We realized a financial benefit related to a profit sharing arrangement with our credit card provider, and we grew membership income. This increase was offset by a decline in rental income. As we have mentioned previously, prior to this fiscal year, we rented space to a third party for a portion of our wireless business and received rental income. We currently run this business with Sam's Club associates, and the sales and expenses of the wireless business are included directly in our operating results.

Membership income for the fourth quarter increased 2.5 percent versus the fourth quarter last year. Remember, for reporting purposes, membership income is recognized over the membership period, rather than when it is collected. Driven by increases in both Plus upgrades and new members joining at the Plus level, our penetration of Plus members continued to grow during the fourth quarter. We saw improvement in new primary business member sign-ups, while business add-on membership remained soft.



During the fourth quarter, we launched our Sam's Club iPad app and released a significant update to our smart phone app. During the holiday season, we were pleased with the level of sales through these mobile technologies. The weeks of Thanksgiving and Christmas were the strongest weeks. Our members love the convenience and efficiency generated by these services, and the majority of sales through mobile devices are from members shopping items in their local Club by leveraging our Click 'N' Pull program.

Mobile support was prominent throughout all of our marketing programs. This included members being able to view items early through their mobile device during our day after Thanksgiving event. During our Holiday Taste of Sam's Club event, members could scan QR Codes on the Taste & Tips stations to vote for their favorite sampled items, and get recipes related to those products. We are excited about these technologies and the opportunities that they provide for our members.

Net sales were strong for the fourth quarter. We managed gross margin rate well in a very competitive and inflationary pricing environment. Our gross margin rate decreased by 11 basis points, compared to the fourth quarter last year, while gross profit dollars increased 4.6 percent.

Total SG&A expense increased by 4.1 percent for the fourth quarter. As a percentage of sales, this is an improvement of 15 basis points when compared to the fourth quarter last year. We continue to drive operational efficiencies and in the fourth quarter this year, our labor expense grew slower than the rate of sales. Sales per labor hour increased 1.1 percent. Our strong performance in labor expense management was partially offset by higher advertising costs versus the fourth quarter of last year.

Looking at the bottom line, our fourth quarter operating income increased to \$524 million, an 8.3 percent increase over fourth quarter last year.

At the end of the fourth quarter, inventory, including fuel inventory, was up 2 percent compared to last year. Overall, we're pleased with the inventory levels in our clubs and our distribution centers.

Now, let me summarize our key financial highlights for fiscal year 2012.

With fuel, full year net sales were \$53.8 billion, up 8.8 percent over last year. Gross profit increased by 5.1 percent. SG&A expense as a percentage of net sales decreased by 55 basis points and operating income increased 9.0 percent to \$1.9 billion for the year.

Looking at the results, without fuel, for the year, net sales were \$47.6 billion, a 5.4 percent increase over last year. For the 52-week period, comp sales increased 5.1 percent. Comp traffic and ticket increased by 2.6 and 2.5 percent, respectively. Comp traffic and ticket increased for both Advantage and Business members. We continued to see members visiting our clubs more frequently throughout the year.

For the full year, membership income increased by 1.4 percent, and we experienced growth in Plus membership upgrades, overall renewal rates and primary member sign ups.

Gross profit increased by 4.7 percent, an 8.0 basis point reduction as a percentage of sales. Full fiscal year SG&A expense grew by 3.3 percent. This is an improvement of 24 basis points as a percentage of sales, when compared to last year. The impact of the additional interchange fees last year was 11 basis points as a percentage of sales. Operating income increased to \$1.8 billion, a 7.9 percent increase over last year.

I'm looking forward to leading the Sam's team into the next fiscal year. The team already has a great strategy defined for the year. And, it won't surprise anyone that the member is at the center of our strategy. We're dedicated to providing the best choices for our member in terms of price and quality with an emphasis on fresh and refrigerated foods and health and wellness categories. Our operations team will ensure our members have a great experience in the Clubs by continuing to optimize our staffing and by ensuring associates are well-trained.

We're also focused on leveraging technology and mobile platforms to communicate with our members and provide access to the great value Sam's Club offers, no matter how they choose to shop with us. Our partnership with the Insights team is allowing us to further define and target our merchandise offerings.

Our primary growth will come from comp sales. We expect comp club sales, without fuel, for the 13-week period from Jan. 28, 2012 through April 27, 2012 to increase 3.0 to 5.0 percent. Last year, Sam's comp club sales, excluding fuel, increased 4.2 percent for the comparable 13-week period.

Our plans also call for continued growth through new, relocated or expanded clubs. We are on schedule to open 10 to 15 units this year, with up to 9 of those being new units, which is a significant increase over the 3 new units we opened in the past fiscal year. We have a great opportunity to engage new members in key markets. I'm really looking forward to seeing how much more the Sam's Club team accomplishes this year.

Now, I'll turn the program over to Charles for our wrap-up and guidance. Charles...

## **Charles Holley Guidance**

Thanks, Roz.

We are pleased with our full year performance and especially our results for the fourth quarter. We were disciplined and focused on improving our business, and I'm happy to say that we made good progress this year, especially in the back half of the year.

We have leveraged expenses for two consecutive years and improved all areas of our business. Last year at this time, Walmart U.S. was in the early stages of reintroducing action alley, adding merchandise assortment and strengthening our focus on EDLP.

In a challenging economy and a highly promotional competitive environment, our U.S. businesses won in the fourth quarter and in the year. Sam's Club continued its strong sales momentum. And, we believe that both Walmart and Sam's are extremely well positioned in the retail market.

International remains our strong growth engine. Between acquisitions and new store growth, we added record square footage and units this year. Sales were strong, and we are gaining market share. We continue to be focused on the improving profitability and returns of our International operations.

We have a strong and consistent underlying business that positions us well for this year. Today, we are reiterating some of our fiscal 2013 goals that we shared in October.

Net sales will grow between 5 and 7 percent, representing an additional \$22 to \$31 billion in sales. We expect to grow square footage by 4 to 5 percent this year, or 45 to 49 million square feet. Recall that we are adding units and square footage, with an eye toward continued capital efficiency and reduced costs for construction and remodels. We will continue to make investments where we see we can better serve our customers and provide for returns to our shareholders.

You've heard about leverage throughout this call; it is our standard. There is no doubt that we are reducing expenses and investing in lower prices for Walmart customers. You can expect margins to decline, as we put these initiatives into place. EDLP matters to our customers and we will deliver on that mission to help them save money. We are also committed to reducing operating expenses as a percentage of sales by more than 100 basis points over the next five years. We have started on this effort and you heard some of those results already. Our operating segments and our Home Office support areas are working even harder on this goal this year.

This will be accomplished by investing in technology and improving productivity in our stores. Walmart is a very efficient company, but it's always looking for new ways to standardize best practices in stores, optimize the supply chain, leverage new technology, and improve associate productivity. We are constantly increasing best practices by sharing across borders, across functions and across people. More importantly, we are fast adopters of best practices to drive leverage.

Some of these savings will also help increase International profitability, and as Doug noted, we plan to improve returns of our International segment.

Of course, we will remain committed to our shareholders. Walmart returned \$1.2 billion and \$5.0 billion to shareholders through dividends for the quarter and fiscal year, respectively. Combining share repurchases and dividends, Walmart returned \$2.5 billion to shareholders in the quarter and \$11.3 billion for the fiscal year.

Mike summed it up well: Walmart is the **best** positioned retailer in the world. Every retailer tries to adapt to customer changes and to economic fluctuations. But the Walmart model allows our company to serve customers in ways other competitors cannot in the long run.

Looking ahead, we are cautiously optimistic that employment reports will continue to improve. However, we know that gas prices have begun to creep up again. Regardless of how the economy turns this year, Walmart will continue to lead on low prices, which we know our customers depend on to live better.

Therefore, taking into consideration the current global operating environment, we expect first quarter fiscal 2013 diluted earnings per share from continuing operations to be between \$1.01 and \$1.06. This compares to earnings of \$0.98 per share in the first quarter of last year, which included a \$0.01 net benefit from multiple items.

For the full year, we are expecting earnings per share between \$4.72 and \$4.92. This compares to the earnings per share of \$4.54, which we reported today and included \$0.05 of net benefits from certain items. All earnings per share guidance assumes that currency rates remain at today's levels.

As Walmart enters our 50<sup>th</sup> year of operations, we plan on continuing the success of the previous 49 years. The company has grown from one store in Rogers, Arkansas to the great company it is today – almost \$444 billion in sales, more than 10,000 retail units around the world and more than 2 million associates serving 200 million customers every week.

We are proud of our culture, the work we have done over five decades, and the future that we have ahead of us. Walmart is a company consistently delivering an increase in sales, increase in EPS, and strong free cash flow. We remain committed to continuing this trend for our shareholders. Thank you for your support of our great company. Have a great day.

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