



**WAL-MART STORES, INC. (NYSE: WMT)  
Fourth Quarter Fiscal Year 2013 Earnings Call  
February 21, 2013  
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 committed,” “assumes,” “assuming,” “continuing,” “expect,” “expects,” “focus,” “forecast,” “forecasting,” “goal,” “goals,” “growth,” “guidance,” “have plans,” “may be impacted,” “may continue to fluctuate,” “may fluctuate,” “plan,” “plans,” “to open,” “will be,” “will begin,” “will benefit,” “will continue,” “will do,” “will excel,” “will expand,” “will...evaluate,” “will have,” “will help,” “will...impact,” “will improve,” “will innovate,” “will keep,” “will release,” “will take,” “will unite and expand,” “will win,” and 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 in this call include statements relating to management’s forecasts and expectations for Walmart’s diluted earnings per share from continuing operations attributable to Walmart for the quarter ending April 30, 2013 and the year ending January 31, 2014 (and statements of certain assumptions

underlying such forecasts), for increased costs for Walmart's e-commerce operations in fiscal 2014, for the comparable store sales of the Walmart U.S. operating segment and the comparable club sales, excluding fuel, of the Sam's Club operating segment for the 13-week period ending April 26, 2013 (and statements of certain assumptions underlying such forecasts), for the range for Walmart's effective tax rate for fiscal 2014 and the possibility of quarterly fluctuations in such rate, for Walmart's capital expenditures for fiscal 2014 and for Walmart's anticipated sales growth for fiscal 2014. Those statements also include statements relating to management's expectations: that the Walmart U.S. operating segment's trend of positive comp performance and growth in market share in a number of categories will continue in fiscal 2014; that strong merchandising, efficient operations and thoughtful use of capital will keep the Walmart U.S. operating segment strong into the future; that the Walmart International operating segment will have improved returns as a result of investments to deliver greater profitability; for the expansion of Walmart's Everyday Low Prices, or EDLP, into all markets and for such process to start in China in fiscal 2014; for continued improvement in the Walmart International operating segment's remodel capital expenditure productivity; for Walmart's commitment to future growth through capital and strategic investments; that more diligent evaluation of capital expenditure decisions to build more for less will be made; for the amount and percentage of additional square footage that will be added in fiscal 2014 and the capital outlay related to such additional square footage; for Walmart having a world class compliance organization; for Walmart's objective of reducing operating expenses as a percentage of sales by at least 100 basis points over a five year period beginning with fiscal 2013; for continued focus on finding more efficiencies and productivity in Walmart's asset base; for continued focus on great returns to shareholders; and for the costs that Walmart will incur in the first quarter of fiscal 2014 in response to FCPA and compliance matters. Those forward-looking statements also include statements of management's expectations and plans for the Walmart U.S. operating segment, including for: continued gains in efficiencies in the supply chain and consistent strategic price investments in the coming quarters; expansion of the Scan and Go pilot; anticipated benefit to the operating segment of tax refunds in the first quarter of fiscal 2014; the addition of certain amounts of additional square footage of retail space and certain numbers and types of units in fiscal 2014; continuing to expand the supercenter format to drive share and to expand the supercenter fleet in fiscal 2014 by adding approximately the

same number of units that were added in fiscal 2013; adding a certain number of additional small stores in fiscal 2014; continuing expansion of marketing programs, including the market basket challenge, to communicate price leadership; buying, along with the Sam's Club operating segment, an additional \$50 billion of U.S. products over the next 10 years; and hiring 100,000 honorably discharged veterans over the next five years. Such forward-looking statements include management's expectations and plans for the Walmart International operating segment including: the operating segment will take the necessary actions where it has the opportunities to adjust to certain trends, including reviewing space allocation to meet the needs of the convenience shopper and leveraging its multi-channel capabilities such as Click & Connect in the U.K.; that the combination of EDLP and strong private brands will help the operating segment grow its market share in the U.K.; that Asda will expand its delivery capability of George.com in Europe in fiscal 2014 and be fully operational to 24 countries by the end of the third quarter of fiscal 2014; that Brazil will complete the conversion of all of its wholesale formats to EDLP by the end of fiscal 2014; that the operating segment will continue to drive the productivity loop by enhancing the operating segment's leverage to improve profitability and ultimately drive better returns; for expansion of Asda's We Operate for Less model to other markets to further drive Everyday Low Costs, or EDLC, and stay on track of migrating all markets to EDLP; and for the operating segment to continue to integrate programs like the direct from farm programs in its markets. Such forward-looking statements include management's expectations and plans for the Sam's Club operating segment, including: that the operating segment's price investment initiative will benefit the operating segment in the long-term, but negatively impact its short-term results; that the operating segment's primary growth in fiscal 2014 is to come from comp sales; for growth from new club openings as well as relocated and expanded clubs; for the number of new units of the operating segment that will be opened in fiscal 2014; for the operating segment's focus in fiscal 2014 on merchandising improvements in price, newness, quality and excitement; and for the continued growth in operating efficiencies in the clubs. Such forward-looking statements also include management's expectations that: Walmart will excel in the fundamentals of e-commerce, will innovate in areas like big data, social and mobile, will win in e-commerce in key markets, especially the U.S., the U.K., Brazil and China, will unite and expand its e-commerce platform to do what no one else can do and will deliver to customers what no one else can deliver; and Walmart will continue to invest in the growth of

its e-commerce operations and that its investments will continue to drive the development of its global technology platform, will continue to penetrate its key markets and will continue the development of Walmart's next generation fulfillment network that incorporates stores, distribution centers and online fulfillment centers to be the fastest and most efficient at getting customers the products they want when and where they want the products. The forward-looking statements also discuss other goals and objectives of Walmart and 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 timing of receipt of tax refund checks by consumers; 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 health care 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; the availability of attractive investment opportunities in the Global eCommerce sector; 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 and the costs associated therewith; 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. Factors that may affect Walmart's effective tax rate are discussed later in this call. 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 comparable store sales for our total U.S. operations and comparable club sales for our Sam's Club's operating segment and certain other financial measures relating to our Sam's Club operating segment discussed on this call exclude the impact of fuel sales of our Sam's Club operating segment. Those measures, as well as our return on investment, free cash flow, and amounts stated on a constant currency basis 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.stock.walmart.com](http://www.stock.walmart.com) and in the information included in our Current Report on Form 8-K that we furnished to the SEC on February 21, 2013.

## **Carol Schumacher Introduction**

Hi, 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 full year of fiscal 2013.

Our press release is available on the website; that's [stock.walmart.com](http://stock.walmart.com), and a full transcript of this call has already been posted there. Please also note that we have a second press release out this morning announcing our annual dividend for fiscal 2014, and the dividend news is referred to during today's call. Here's today's agenda.

- Mike Duke, president and CEO of Wal-Mart Stores, Inc., will open the call with his thoughts about the year and our priorities for FY14.
- Jeff Davis, EVP of finance and treasurer, will cover the consolidated financial details.
- Then, we'll cover the operating segments.
  - Bill Simon, president and CEO of Walmart U.S., followed by
  - Doug McMillon, president and CEO of Walmart International, and then
  - Rosalind Brewer, president and CEO of Sam's Club.
- Charles Holley, Walmart's CFO, will provide our outlook for fiscal 2014 and discuss our financial priorities of growth, leverage and returns. He'll also be joined in the booth by Neil Ashe, our president and CEO of Global eCommerce.

A number of you have asked about the potential impact of a 53-week year on our business. Let me remind you that unlike some other retailers whose fiscal year end is tied to the retail calendar, Walmart's fiscal year always ends on January 31. All financial information for Walmart U.S. and Sam's Club – except comp sales – are on the fiscal calendar.

To align with the company's internal operating systems, today's discussion on U.S. comps will be on a 4-5-4 basis, so we did not recognize a 53-week retail calendar during fiscal 2013. Our U.S. comp period ended on Friday, January 25, 2013. However, during fiscal 2014, we will report comp store sales on a 53-week basis, with 4-5-5 reporting in Q4. We ask that you please adjust your Walmart models accordingly.

The year we're reporting on today included leap day. Our financial results then, except for comp sales, cover 366 days.

A couple of reminders on Walmart terms: In discussing our operating results, the term "currency exchange rates" are those that we use to convert the operating results for all countries where the functional currency is not the U.S. dollar. We calculate the effect of changes in currency exchange rates as the difference between current period activity translated using the current period's currency exchange rates, and the comparable prior year period's currency exchange rates. Throughout our discussion, we refer to the results of this calculation as the impact of currency exchange rate fluctuations. Now, when we refer to "constant currency operating results," this means operating results without the impact of the currency exchange rate fluctuations and without the impact of acquisitions – until those acquisitions are included in both comparable periods. The disclosure of constant currency amounts or results permits investors to understand better our underlying performance without the effects of currency exchange rate fluctuations or acquisitions.

The term "gross profit" refers to actual dollars. Gross profit as a percentage of net sales, or "gross profit rate," refers to the percentage obtained by dividing gross profit by sales dollars. All comparisons are calculated as the change between the current quarter or year end and the prior year quarter or year end – unless stated otherwise.

In all references to "earnings per share" or "EPS" conversationally, we mean diluted earnings per share from continuing operations.

So, now, let's get to our results. Mike Duke will kick off our discussion. Mike...

**Mike Duke**  
**Wal-Mart Stores, Inc. President & CEO**  
**Financial Highlights & FY 14 Strategy**

Thanks, Carol, and greetings to everyone in this new fiscal year for our company.

Walmart topped off a really good year with a solid fourth quarter, and I'm proud of what we accomplished as a team. Every day, our associates around the world deliver on our mission to help customers save money so that they can live better. Walmart shareholders were rewarded with the best overall return in stock performance and dividends that they have received in our last 10 fiscal years.

Now, let me share with you some of our most important financial highlights for fiscal 2013.

- We delivered a 10.6 percent increase in earnings per share to \$5.02 for the full year, including \$1.67 for the fourth quarter. Jeff will cover the details behind our EPS shortly.
- I'm pleased with today's announcement that Walmart increased its annual dividend by \$0.29 to \$1.88 per share for fiscal 2014, an 18 percent increase over last year.
- Our company added \$22 billion in net sales this year to reach more than \$466 billion, an increase of 5 percent over last year.
- Walmart U.S. had a strong year, adding \$4.7 billion in comp store sales, and growing market share.
- Sam's Club continued to drive member value with price investment as comp sales, without fuel, increased 3.6 percent for the full year.
- International continues to be a growth engine for our company, delivering more than \$135 billion in net sales for the year, including nearly \$38 billion in the fourth quarter.
- Walmart leveraged operating expenses again this year. That's three consecutive years now that we reduced operating expenses as a percentage of sales.



- Walmart grew free cash flow by 18.1 percent to \$12.7 billion. This enabled us to return \$13 billion to shareholders through dividends and share repurchases this year. We also generated a return on investment of 18.2 percent.

Our financial priorities remain growth, leverage and returns, and those themes are reflected in what you will hear from us today. Let me share with you the key areas that our management team is focused on that are critical to Walmart's long-term success. They are:

- Delivering a strong Walmart U.S. business
- Improving returns for International
- Driving greater efficiency through disciplined capital allocation
- Meeting our five-year leverage goal
- Investing in Global eCommerce, and
- Continuing to strengthen our company's compliance organization.

Let me provide a little more context on these six points.

First, Walmart U.S. is as strong as it has ever been, and we continue to build on that position. We have positive comp performance and grew market share in a number of categories, and I fully expect that trend to continue in this new year. The focus of Bill and his team on cost containment has never been stronger, as Walmart U.S. leveraged operating expenses by 27 basis points this year. We pass the majority of these cost savings to customers every day. Our EDLP promise – along with the broad assortment – is the key to driving sales. Strong merchandising, efficient operations and thoughtful use of capital will keep Walmart U.S. strong into the future.

Next, we will improve returns in Walmart International by investing to deliver greater profitability. We're driving the productivity loop and leveraging expenses. You'll hear more from Doug that we were not satisfied with the fourth quarter, but our annual results were better. There are many actions we're putting in place to set the stage for the future, including the transition to EDLP in all markets. We're making progress in

Brazil, albeit slow, and expect to start the transition for our China customers this year. We slowed new store growth in the emerging markets by being more strategic and deliberate in our development process, and we're enhancing our new store opening processes. But we still have work to do. We will continue to improve our capital expenditure productivity, because International remains a key engine to our long-term growth.

Third, capital discipline. Our cash flow is strong, and we are committed to future growth through capital and strategic investments. We will be smart in our execution. As we build and remodel, we will more diligently evaluate our capital expenditure decisions to build more for less. In fact, this year our company expects to add between 36 and 40 million square feet compared to the 34.6 million square feet that we added last year. But, we will do this with a capital outlay that is less than or equal to last year.

Fourth, meeting our leverage goals. Our leverage teams are working across our businesses to drive incremental benefits for the company. We're investing in price to drive greater sales volume that comes from building customer loyalty. We continue to expand initiatives such as workforce planning, on-shelf availability and sourcing to accelerate the productivity loop. We're also reducing costs, improving productivity and delivering smarter, more efficient operations.

Fifth, e-commerce. I'm excited about our investments in e-commerce to help us grow with our customers and expand the Walmart shopping experience. We had some great success this year, delivering a more robust search engine for walmart.com that increased conversions and helped drive market share with innovation for pricing. Moving forward, we're on schedule with the development of our new global platform to accelerate expansion of e-commerce operations in 10 countries. We're well positioned in the four markets that offer us the greatest future revenue growth – the U.S., the U.K., Brazil and China. With our increased investment in Yihaodian, we are already seeing the potential for a stronger e-commerce position in China.

The final key area is ethics and compliance. This is non-negotiable. My requirement is full compliance with all laws and regulations in the markets where we operate. "Doing the right thing" has been a fundamental principle since Sam Walton started our company, and it will continue to

guide us for generations to come. We made significant improvements to our compliance programs around the world in fiscal 2013 and took a number of specific actions with respect to the processes, procedures and people. We've spent thousands of hours and millions of dollars with compliance experts on anti-corruption support and training. We will have a world-class compliance organization.

We're taking new steps to lead on the social issues that matter to our customers. Last month, we were privileged to announce our commitment to providing 100,000 jobs for recent honorably discharged U.S. military personnel. In addition, between Walmart U.S. and Sam's Club, we will buy an additional \$50 billion in U.S. products over the next 10 years.

As I wrap up, I'd like to recognize the fantastic group of 2.2 million associates serving our customers and delivering on our mission. When I'm in our stores and clubs, I really enjoy hearing from our associates on things that we're doing well and improvements that we can make to strengthen our customer's experience. They inspire me with their passion to help our customers save money so they can live better. I'm especially proud of our 170,000 U.S. associates who were promoted this year from hourly to management positions. In addition, I'm grateful for our senior leadership team. The quality of their leadership guides the growth and operational efficiency of our entire company. From management to hourly associates, we will continue to develop and attract the very best talent in every aspect of our business.

We have high expectations for fiscal 2014, and I'm optimistic as I look ahead. Walmart is operating in markets that offer continued opportunity for growth, both in our stores and online. With our core Walmart U.S. business operating so well, our investments in e-commerce, and our international markets focused on growth and improving returns, we are truly the best positioned global retailer.

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 our full year.

For the fourth quarter of fiscal 2013, Walmart reported diluted earnings per share from continuing operations of \$1.67 versus \$1.51 for the fourth quarter of last year. Our fiscal 2013 fourth quarter effective tax rate was 27.7 percent, which was lower than our expectations and compares to 30.9 percent last year.

Our fourth quarter effective tax rate benefited from a number of discrete tax items, including the positive impact from fiscal 2013 legislative changes, most notably the American Taxpayer Relief Act of 2012. It is important to note that our tax rate may fluctuate from quarter to quarter and may be impacted by a number of factors.

Consolidated net sales increased 3.9 percent, or \$4.8 billion, to \$127.1 billion. The increase included \$200 million in net sales from our 51 percent stake in Yihaodian, and \$147 million from currency exchange rate fluctuations. Therefore, on a constant currency basis, consolidated net sales would have increased 3.7 percent over last year's fourth quarter to \$126.8 billion.

With respect to comp sales ... Total U.S. comp sales, without fuel, increased 1.2 percent for the 13-week period ended Jan. 25. Bill and Roz will provide more details for Walmart U.S. and Sam's Club.

Consolidated membership and other income declined 7.8 percent. Though membership income increased approximately 3.6 percent, it was primarily offset by other income from our International segment, and you will hear more from Doug on the details.

Our gross profit rate for the fourth quarter was 24.4 percent, an increase of 9 basis points compared to last year. This increase was primarily driven by our International segment, where we experienced stronger margin performance in several of our major markets.

For the quarter, operating expenses as a percentage of sales were 18.3 percent, an increase of 11 basis points. The increase is due primarily to higher spending within other unallocated.

Recall that other unallocated has three components: core corporate, Global eCommerce and global leverage services. In addition to investments in e-commerce and leverage services in the quarter, other unallocated included \$58 million related to FCPA matters.

Although we were unable to offset the 11 basis point increase in operating expenses, operating income grew 2.4 percent to \$8.6 billion. On a constant currency basis, operating income would have increased 1.4 percent to \$8.5 billion.

Our net interest expense for the quarter was \$477 million, a decrease of 9.8 percent, primarily from revisions to various interest accruals related to U.S. and international tax matters.

This leads us to income from continuing operations attributable to Walmart of \$5.6 billion, an increase of 7.9 percent.

From a balance sheet perspective, capital expenditures were approximately \$4.0 billion for the quarter. During the quarter, we added approximately 12 million retail square feet through 248 net new, expanded and relocated units.

Moving on to returns ... For the quarter, the company repurchased approximately 42.3 million shares for \$2.9 billion and also paid \$1.3 billion in dividends.

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

For fiscal 2013, Walmart reported diluted earnings per share of \$5.02 versus last year's EPS of \$4.54, an increase of 10.6 percent. Our effective tax rate for the full year was 31.0 percent, compared to 32.6 percent for the prior year.

As you can see, the annual effective tax rate was below our previous guidance of 32.5 to 33.5 percent, primarily due to the recognition of certain net tax benefits for the fourth quarter that I mentioned earlier.

Consolidated net sales were \$466.1 billion, an increase of \$22.3 billion, or 5.0 percent over last year. Acquisitions added \$4.0 billion to net sales, while currency translation negatively impacted net sales by \$4.5 billion. Therefore, on a constant currency basis, net sales would have increased 5.1 percent.

For the 52-week period ended Jan. 25, U.S. comp sales, without fuel, increased 2.1 percent.

While our gross profit grew 4.5 percent, our gross profit rate declined 12 basis points to 24.4 percent, which reflects our ongoing investment in price, as well as our global merchandise mix.

With respect to consolidated operating expenses, the company leveraged expenses by 14 basis points, which adequately covered the 12 basis point investment in gross profit rate. This is the third consecutive year that our company leveraged operating expenses.

Other unallocated expenses increased 26.6 percent for the full year primarily from our investments in leverage services and Global eCommerce. Within other unallocated, our core corporate expenses increased 16.5 percent, which included \$157 million in charges related to FCPA matters. Excluding the FCPA matters, core corporate would have increased by approximately 7.3 percent; this increase included higher accruals for associate incentive programs.

Operating income grew 4.7 percent to \$27.8 billion. And on a constant currency basis, operating income would have grown 4.9 percent to \$27.9 billion.

Income from continuing operations attributable to Walmart for the full year was \$17.0 billion, compared to \$15.8 billion last year. This 7.8 percent increase was supported by a 4.4 percent reduction in net interest expense and a lower annual effective tax rate.

Before moving on to the balance sheet, let me cover guidance for our tax rate. We expect our fiscal year 2014 tax rate to be between 32 and 33 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 impacts of discrete items, and the mix of earnings among our U.S. and international operations.

Turning to our balance sheet: Consolidated inventory grew 7.6 percent, driven primarily by our U.S. operations. You'll hear more from the segment CEOs regarding the individual drivers of inventory growth.

In October, we updated our fiscal 2013 capital expenditure guidance to a range of \$12.6 to \$13.5 billion. The company's total spend for the year was approximately \$12.9 billion, which was the mid-point of this guidance and compared to \$13.5 billion last year. And for the year, we added approximately 34.6 million retail square feet through 643 net new, expanded and relocated units. And, as we announced in October, our fiscal 2014 capital expenditure forecast remains between \$12 and \$13 billion.

With respect to leverage ... Our debt to total capitalization was 41.5 percent, compared to 42.8 percent last year.

We believe free cash flow is a key indicator of our underlying strength of our business. Free cash flow increased \$2.0 billion to \$12.7 billion for the year, driven by excellent cash flow from operations and disciplined capital allocation.

Return on investment for fiscal 2013 was 18.2 percent versus 18.6 percent last year. The decline was primarily driven by acquisitions and currency exchange rate fluctuations.

Now to wrap up our fiscal 2013 consolidated financial results ... The company paid \$5.4 billion in dividends and repurchased approximately 113.2 million shares for \$7.6 billion. As of January 31, 2013, we have approximately \$3.7 billion remaining under our current \$15 billion share repurchase authorization.

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. I want to start by appreciating the dedicated work of all of our associates throughout the year. The team excelled in executing our core strategy, allowing us to invest in price and fulfill our mission of helping customers save money and live better. I'll speak more about our performance for the full year, but first let's take a closer look at our quarterly results.

Our customers continue to rely on us to deliver Every Day Low Prices. This is evident by our consistent gains in market share across the majority of the businesses. According to the Nielsen Company, we gained 40 basis points of market share in the measured category of "food, consumables and health & wellness/OTC" during the 13 weeks ended Jan. 26, 2013. And, according to The NPD Group for the three-month period ending Dec. 31, 2012, we also improved market share in toys and the Walmart entertainment categories.

In the fourth quarter, net sales were \$74.7 billion, up \$1.9 billion or 2.6 percent versus last year, with consistent sales growth across all geographies. Comp sales grew 1.0 percent, lapping a solid 1.5 percent comp last year. This represented \$743 million in comp growth for the quarter.

Our comp was driven by a 1.1 percent increase in ticket. We retained most of the 70 basis points traffic gains that we had in the fourth quarter last year, with traffic down 10 basis points this year in the fourth quarter. Despite comps at the low end of the guidance, our market share gains, as noted by Nielsen and NPD, along with our two-year positive comp trend, indicate the underlying strength of Walmart's business. This is especially important considering customers have ongoing challenges of higher fuel prices, increased payroll taxes and delayed income tax refunds.

Let me give you some highlights of the quarter.



In November, our seasonal assortment and price leadership resonated with the customer, and we kicked off the season with strong Thanksgiving and Black Friday sales. During Black Friday, our operators' planning and execution allowed us to quickly set our stores, helping us to serve over 22 million customers on Thursday alone. The one-hour guarantee for Black Friday also had a great response. Most importantly, we provided a safe, family friendly shopping experience across the country. The first three weeks of December were soft, given our Black Friday success and the additional shopping days this year, but we rebounded with double-digit positive comps the week of Christmas, and continued with strength into the first part of January. In the last couple of weeks of the quarter, we began to see an impact from the increase in payroll taxes and the delay in the income tax refunds.

Our performance during the key holidays was solid. Associates were ready to help customers stock up for the family meal and secure special gifts through layaway. You heard us talk about the early response to layaway during the third quarter, and I'm pleased to say the momentum continued, with net layaway sales up almost 10 percent for the season versus last year.

Now let's continue with the financial details of the fourth quarter.

Gross profit increased \$556 million versus last year to \$20.2 billion, with gross profit rate increasing slightly by 7 basis points.

We continue to invest in price. As you know, gross profit rate in any quarter is impacted by many things, including inventory mix, cost savings initiatives, markdown activity, shrink and logistics efficiency. Our logistics team continues to excel in gaining efficiencies in our supply chain. We look forward to this continuing in the coming quarters, along with consistent strategic price investments.

The operations team continued to deliver results, growing operating expenses slower than sales at 2.1 percent, driving 10.0 basis points of leverage on top of 4.0 basis points of leverage last year. We continue to make great strides in our productivity goals.

For the fourth quarter, operating income grew 170 basis points faster than sales, to \$6.4 billion, representing a 4.3 percent increase versus last year. For the year, we grew operating income faster than sales in every quarter.

Now, let's turn to some merchandising highlights.

Grocery, which includes food and consumables, generated low single-digit positive comps, providing consistent growth throughout the quarter. The food business started strong with the Thanksgiving period and the momentum continued through the entertaining season. We had strength across adult beverages, dry grocery and fresh. Overall, we are pleased with the consistency of our core business, as we lapped 400 basis points of inflation in the fourth quarter versus the prior year.

In consumables, where we have broadened the assortment and invested in price, Nielsen data shows we have gained significant share in household paper and pets. An emphasis on value pack sizing and opening price point merchandise is resonating with the customer as they look for ways to stretch their paychecks.

In health & wellness, the industry continues to be impacted by brand-to-generic conversions, driving the business to a low single-digit positive comp for the quarter. While these conversions pressured average ticket, we were able to offset the impact through an increase in script volume and strong OTC sales, the result of an unusually busy flu season.

Our hardlines business delivered its best quarter of the year, with mid single-digit positive comps. Sporting goods led the way, driven by strong layaway sales and an expanded assortment that continues to drive traffic to the box. This year, we doubled the number of stores offering our holiday gift items, resulting in strong sales from the expanded options of tools, indoor games, and stocking stuffers.

According to NPD, for the three-month period ending Dec. 31, 2012, we gained 50 basis points of market share in the entertainment categories. And in toys, for the same period, NPD noted that we also gained share. The entertainment industry continues to experience overall deflation, as well as conversion to digital. Consistent with the industry, our entertainment business posted a mid single-digit negative comp. These

results were balanced by strong performance in tablets and wireless. The addition of the iPhone 5 and the Samsung 2 phones to the Straight Talk program has proven to be very popular with customers, helping wireless achieve a double-digit positive comp.

Home, including seasonal categories, continued its consistent performance posting low single-digit positive comps. Home décor led the business as item merchandising and assortment refinements continued to drive sales. In seasonal, relevant holiday assortment contributed to the performance, with lights and ornaments leading the way. While the base business performed well through the period, solid sales performance during the Black Friday weekend further benefited the quarter.

Over a year ago, we put in place our new apparel strategy that focused more on basics and essentials. This quarter, we posted low single-digit positive comps, driven by the improved quality of our offering. This marks the **first full year of positive comp sales in apparel in 7 years**. Our jewelry business also gained momentum through the holiday season, delivering its best comp performance of the year. We've expanded and upgraded our assortment with more emphasis on affordable, fine jewelry.

We're also focused on delivering new services and products that are important to our customers. Last quarter, we introduced a new financial services product, Bluebird. The product's flexibility allows us to serve our core customer reaching families across all income levels, helping them manage their money more efficiently. Since its launch, customers have opened approximately 575,000 accounts and the volume is growing daily.

Our mobile and online platforms contributed to the successful quarter. On Cyber Monday, walmart.com had its highest one-day sales performance ever. We've also made great strides in mobile, allowing customers to navigate stores and price check items through the Walmart app. Our progress in mobile was recognized by Mobile Commerce Daily, as we were named the "Mobile Retailer of the Year" – a great accomplishment for our Global eCommerce team.

During the quarter, we continued to pilot Scan and Go, which leverages mobile technology in our stores, helping customers save time while shopping. Customers can scan merchandise as they shop, transferring their basket to a self-checkout kiosk to make their purchase.

We're encouraged by the initial results from the beta test of this project and have plans to expand the pilot.

Now, let me now recap the highlights of the year.

During the fiscal year, net sales increased by \$10.3 billion to \$274.5 billion. The growth was supported by a solid 1.8 percent 52-week comp, representing \$4.7 billion in comp sales, along with a well-executed real estate strategy. Our growth during the year was balanced with all merchandising areas, except entertainment, delivering positive comps.

Our grocery business continues to be a key traffic driver. Customers have responded to the increased quality of our assortment, including various launches of innovative products. In addition, the investments we've made over the past two years to improve the quality and assortment in our fresh meat department resulted in mid single-digit positive comps for the year. We also saw a strong comp improvement in our produce area. We believe we've converted many customers to these areas of the store and will continue to generate loyalty in the important traffic-driving areas.

While sales grew at 3.9 percent, our associates diligently managed our operations, growing operating expenses at only 2.5 percent, driving 27 basis points of leverage for the year.

Over the year, we've discussed the progress on several of our productivity initiatives, including One-Touch and MyGuide. These initiatives helped our associates manage expenses, while continuing to provide good customer service. Increased productivity through the stores and the supply chain helped us deliver our leverage goals for the year.

The savings gained through productivity initiatives allowed us to invest in price, reducing gross margin 16 basis points for the year. Operating income grew 5.4 percent to \$21.5 billion, growing faster than sales.

We ended the year with 7.4 percent growth in inventory. We invested in setting spring merchandise, like grills and lawn and garden earlier this year, and anticipate the sales benefit from tax refunds in the first quarter.

Our real estate strategy continues to be a catalyst for growth. I'm pleased to report that our store fleet is now 4,000 strong, with the 4000<sup>th</sup> store opening in Panama City, Florida in January. Over the course of the year, we grew our retail space by 14 million square feet. In fiscal year 2014, we plan to add between 15 to 17 million square feet of retail space, representing between 220 and 240 total units, comprised of new stores, expansions, relocations and conversions.

You've heard us say, supercenters remain our primary growth vehicle, and we will continue to expand this format to drive share. During the year, we opened 129 supercenters, including new stores, expansions, relocations, and conversions. We plan to expand our supercenter fleet next year by adding approximately the same number of units.

We also accelerated the small format rollout. In fiscal 2013, we opened 76 small formats, including Neighborhood Markets and Express stores, allowing us to serve even more customers across the country. In fiscal 2014, we plan to add approximately 100 small stores.

We remain encouraged about the performance of our Neighborhood Markets, opening an additional 17 units across the country in the fourth quarter alone. The format maintained its consistent performance driving mid single-digit comps and positive traffic for the year.

We also remain focused on our Express format, as evidenced by the density test that we've initiated in the Raleigh, North Carolina area. The Express stores open greater than a year are delivering double-digit positive comps, and we continue to test the format as a part of our small format strategy. The pilot has improved our understanding of merchandising, operations and supply chain strategies for smaller stores.

Looking back at the year, I'm proud of what the team accomplished. Our focus on the productivity loop powered the business all year long. We not only delivered on all our key financial metrics, but we also gained market share in a challenging economic environment.

I'm also proud that these results allowed us to provide a record incentive payout to our hourly field associates during the year.

Our every day low price proposition in the marketplace will become even more relevant as our customers adjust to the changing economic conditions and as new customers visit our stores searching for value. We will continue to expand our marketing programs, including the market basket challenge, to communicate price leadership.

I want to close by talking about some important announcements we made last month. As one of the world's largest companies, we have the opportunity to create more American jobs and support domestic manufacturing. Between Walmart U.S. and Sam's Club, we plan to buy an additional \$50 billion of U.S. products over the next 10 years. In addition, starting Memorial Day weekend, we will begin our commitment to hire 100,000 honorably discharged veterans over the next five years.

We're also working to make sure existing part-time associates have better visibility into full-time job openings – and that they have the first shot at those jobs. Ultimately, we want every associate to find the opportunities they want at Walmart.

We have a great opportunity to serve our customers. We're confident that our low prices will continue to resonate, as families adjust to a reduced paycheck and increasing gas prices.

We believe the underlying health of the Walmart U.S. business is sound, and sales trends are similar to what we've demonstrated in the last few quarters. However, February sales started slower than planned due in large part, to the delay in income tax refunds. We began seeing increased tax refund check activity late last week in our stores. This resulted in a more normalized sales pattern for this time of the year.

As a reminder, last year we had strong first quarter 13-week comps of 2.6 percent. Due to the slower sales rate in the first few weeks of this year's first quarter, we're forecasting comp sales for the 13-week period from January 26 to April 26, 2013 to be around flat. We continue to monitor economic conditions that can impact our sales, such as rising fuel prices, changes in inflation and the payroll tax increase.

Our management team is stronger than ever. We have a powerful strategy. We're adding new stores, integrating our e-commerce business and we're ready to serve millions of customers again this year. Now, I'll turn it over to Doug for the International update. Doug...

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

Thank you, Bill. I'll cover our results for Walmart International for the fourth quarter and for the year and then get to our key individual markets.

On a reported basis, International segment net sales were \$37.9 billion, up 6.9 percent over last year's fourth quarter. We were disappointed in our sales performance in the quarter. As we've discussed previously, we opened fewer new stores in Mexico, China and Brazil than we had originally planned during the course of the year and the cumulative impact of that was felt more in the fourth quarter. In addition, our comparable store sales in our developed markets of the U.K., Canada and Japan were pressured and below our expectations. The holiday season was not as strong as we had planned in several of our markets.

Operating expenses were up 7.7 percent, and we did not leverage operating expenses due to the softness in comp sales. Operating income was \$2.4 billion, up 6.1 percent, but growing slower than sales. Currency exchange rate fluctuations increased operating income by \$78 million.

There are two items affecting comparability of our fourth quarter operating income. First, this year, operating income benefited by a \$37 million gain related to the step-up of our initial investment in Yihaodian to a 51 percent majority stake. And second, recall last year, operating income benefited by a net gain of \$68.2 million from a sale of real estate in Brazil, partially offset by a charge for store closures.

With the Yihaodian transaction at the beginning of our fourth quarter, we expanded our Global eCommerce presence by adding China to our portfolio, along with the U.K., Canada and Brazil. Our continued investment in e-commerce demonstrates we are committed to developing and to bringing the best possible shopping experience to Chinese consumers.

Now let me go through the numbers on a constant currency basis. Fourth quarter net sales were up 6.0 percent or \$37.6 billion. Our Latin American markets made the strongest contribution to our net sales growth with Brazil and Chile, in particular, driving top line growth.

Across the majority of our markets, there is a continued trend of negative comp traffic; this is a metric of increased focus for us. In looking at our markets, we have found the following insights and trends:

1. Fewer shopping trips and smaller basket size from the convenience shopper. We've seen this in Brazil, Canada and Mexico.
2. Increased traffic of shoppers with bigger baskets.
3. In some markets like China, consumer shopping patterns are changing from daily shopping trips to weekly stock-up trips, as the consumer shifts from informal to formal markets.
4. Also, in some of our markets like Canada, traffic is increasing in our food and consumable offering, but decreasing where general merchandise is the core offering.

We will take the necessary actions where we have opportunities to adjust to these trends, including reviewing space allocation to meet the needs of the convenience shopper and leveraging our multi-channel capabilities such as Click and Collect in the U.K. But in some of our markets, shopping patterns are changing and the trends will adjust as these patterns become consistent over time.

Moving on from sales, operating expenses were up 7.3 percent and operating income was \$2.4 billion, up 2.6 percent.

On a reported basis, inventory was up 7.4 percent, and on a constant currency basis, inventory grew 6.9 percent on sales growth of 6.0 percent. We've seen improved inventory performance in Asia and Latin America, but we have opportunities to improve performance in our EMEA region.

Let's turn to the results for the year. Our annual performance was solid, especially for the first half of the year and despite our disappointing fourth quarter. For fiscal 2013, Walmart International's reported net sales were \$135.2 billion. We're pleased that our International operations now



contribute almost 30 percent of the company's reported net sales. Sales grew 7.4 percent over last year. For the year, acquisitions generated sales of \$4.0 billion, and currency exchange rate fluctuations decreased sales by approximately \$4.5 billion.

Operating expenses were \$26.2 billion, which includes an increase of \$913 million due to changes in currency exchange rates.

Operating income for the year was \$6.7 billion, growing 8.3 percent, and currency exchange rate fluctuations decreased operating income by \$111 million.

Full year constant currency sales were \$135.7 billion, or 7.8 percent growth over fiscal 2012, and constant currency operating income grew 9.2 percent to \$6.8 billion. All markets had constant currency sales growth for the full year, and as a segment, we grew operating income faster than sales for the full year.

Walmart International leveraged constant currency operating expenses, growing them slower than sales, at 7.0 percent.

Now let's get into the results for our markets. The following discussion is on a constant currency basis and, unless otherwise stated, sales and comp sales are presented on a calendar basis. Let's begin with EMEA, our region that includes the U.K., Canada and sub-Saharan Africa.

The U.K. faced a challenging economic environment during the fourth quarter. GDP growth for the quarter slipped back into negative territory, resulting in a very weak consumer spending environment. In recent visits with customers, they shared challenges of staying within their budget to take care of their families and are thankful for Asda's low prices and our price guarantee. There is little doubt that the U.K. economy will remain a pressure point for our customers, who will look for value even more. Our combination of EDLP and strong private brands gives us a point of differentiation in the marketplace and will help us grow share.

In the fourth quarter, Asda's sales rose 2.2 percent. Comparable sales were down 0.1 percent, excluding fuel. Traffic in the quarter was flat, while average ticket decreased by 10 basis points. The strongest performances were in core grocery, apparel and home. Market share

decreased in the U.K. by just under 20 basis points to 17.3 percent for the 12 weeks ended Dec. 23, according to the Kantar Worldwide Panel Total Till Roll.

E-commerce continues to grow in the U.K., and our customers are using online and mobile for more of their purchases. This was our strongest online Christmas season, backed with excellent merchandise availability and service levels. As part of our investment in Global eCommerce, we invested more in the U.K., offering more convenient ways to shop through mobile apps and the expansion of Click & Collect for both grocery and general merchandise. More than half of our online general merchandise customer base now regularly shop Asda this way. Total online sales increased 18.8 percent in the quarter versus last year. Asda will expand delivery capability of George.com in Europe this year and will be fully operational to 24 countries by the end of the third quarter.

During the quarter, we maintained our relentless focus on value by continuing to invest in reducing the price of essential food products. Despite food inflation in the marketplace increasing, Asda's price investment resulted in our customers seeing a lower level of food inflation in their basket and reinforced our price position in the market. As a result, Asda won the "Grocer 33" lowest priced supermarket for 10 of the 12 weeks during the quarter.

Even with our price investments, Asda grew gross profit in the quarter. Higher property taxes and insurance meant operating expense grew ahead of sales; however, the strong "We Operate for Less" program delivered savings to offset some of this effect. For the fourth quarter, Asda grew operating income faster than sales.

Looking ahead, we expect the market to remain tough in 2013 for our consumers. The marketplace remains very competitive, which is good for our customers and helps keep us sharp. We are confident that our EDLP message continues to build loyalty and market share.

Moving to Canada ... Walmart Canada faced a challenging quarter, but we continued to grow share in measured categories in a slower overall market. Net sales grew 5.0 percent, and Canada continued to grow operating income faster than sales.

Comparable sales decreased 1.9 percent, with average ticket up 0.1 percent, and traffic declining 2.0 percent. We had strong comp sales in food and consumables and homelines, but continue to see softer sales in entertainment. Unseasonable weather patterns also impacted sales in hardlines and apparel. Sales were lower than anticipated during our Boxing Day event, as we continue to see challenges with the entertainment business.

Gross profit rate increased due to improved initial margins and lower markdown activity. However, expenses grew faster than sales, primarily due to pre-opening costs associated with our aggressive real estate expansion.

As of the end of January, we have completed all 39 Zellers store conversions. Of the 39 store conversions, 12 are supercentres and 27 are discount stores. We now have 379 stores open and, including the Zellers store conversions, we increased our store base by 46 stores for the year.

Turning to Africa, Massmart continues to deliver strong performance in sub-Saharan Africa. Let me remind you that while Walmart is a majority shareholder, Massmart remains publicly traded and conforms to the Johannesburg Stock Exchange guidelines of reporting results on a six-month basis. For the 26 weeks ended Dec. 23, net sales increased by 14.6 percent and comp store sales increased by 7.3 percent.

Moving on to Latin America ... The following summary includes the consolidated results of Mexico and Central America and is on a U.S. GAAP basis. Walmex separately reported earnings under IFRS, so some numbers are different from the numbers that Walmex reported yesterday. Today, Walmex is holding its annual analyst meeting, and they will announce their expansion plan for this fiscal year.

Walmex delivered solid results, with consolidated net sales for the fourth quarter up 6.4 percent and consolidated operating income growing 6.2 percent from last year. Mexico's net sales were up 6.6 percent and comparable store sales were up 2.1 percent. Average ticket in Mexico increased 5.0 percent and traffic decreased 2.9 percent over last year. Comparable sales in Mexico for self-service formats grew faster than the market at 1.7 percent. ANTAD's comp store sales report for the rest of the industry, excluding Walmex, grew slower at 1.5 percent. As a reminder,

ANTAD is the national association of supermarkets and department stores and provides industry data and market share analysis.

In Central America, overall sales increased 5.2 percent, and comp sales were up 1.1 percent.

Fourth quarter consolidated gross profit rate for Walmex increased by 37 basis points due to improved initial margins. Walmex's consolidated operating expenses as a percentage of sales were flat with last year, and operating income grew slightly slower than sales.

Moving on to Brazil ... Fourth quarter sales grew 11.3 percent from last year, and we had a slight operating loss for the fourth quarter. Comparable sales increased 7.8 percent, with average ticket up 9.1 percent, and traffic down 1.3 percent. Our EDLP journey is continuing to make progress, as we have fully converted our retail formats and expect to convert all of our wholesale formats to the EDLP philosophy by the end of next year.

Brazil leveraged operating expenses in the fourth quarter. The ongoing focus that the management team has on reducing expenses is helping to improve Brazil's operating income. Brazil achieved cost reductions in areas including advertising, workforce management, and freight.

Like Walmex and Massmart, Walmart Chile remains a publicly-held company and will release fourth quarter earnings by March 30. For their previously announced results for the nine months ending September 30, 2012, Chile had a strong performance. Net sales for the nine months grew 12.4 percent, along with a comp store sales increase of 9.1 percent. Operating income was up as we continue to increase our presence in the market.

Moving to Asia ... Walmart China grew sales during the fourth quarter, and we had slight operating income versus a prior year operating loss. Net sales for the fourth quarter grew 5.4 percent over last year, and the comp sales growth was 0.4 percent. Average ticket grew 7.0 percent in China, but traffic declined 6.6 percent. The traffic declines in China are not new, and as I mentioned earlier, we believe customer shopping frequency is continuing to shift from the traditional daily shop.

Gross profit margin was up in the quarter due to the price investments made in the prior year. However, operating expenses grew faster than sales given the almost flat comp sales growth.

Turning to Japan ... After a strong first half, our business continues to experience additional challenges from the broader macroeconomic environment in the country. Simply, customer sentiment has weakened.

Walmart Japan's net sales and comp sales were down 0.9 and 1.5 percent, respectively. Fourth quarter average ticket was up 0.3 percent, but traffic was down 1.8 percent. 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 0.9 percent.

Japan had a slight decrease in operating income for the fourth quarter versus last year; however, we were able to leverage expenses in a tough sales environment.

Let me give you a quick update on our square footage growth. As we mentioned in the second quarter, we continue to expand our store base in all of our markets to serve more customers, and it's important to do so in a thoughtful and targeted way. In certain markets we made separate and distinct actions to adjust our store growth. So for fiscal 2013, we increased International square footage by approximately 19 million square feet. This is below the approximate range of 21 to 23 million we expected in October. Our total spend for fiscal 2013 was \$4.8 billion and within our expected range.

Over the next several years, we'll continue to drive the productivity loop by enhancing our leverage to improve profitability and ultimately drive better returns. To achieve our plans, we have set the following clear objectives for the coming year:

- First, focus on disciplined growth by improving new store openings and remodel capex productivity.
- Acquire the best talent and have the most engaged associates in global retail. Every day, we leverage our culture with our teams, and we are increasing training across all areas, especially merchandising.

- Continue to drive the productivity loop with EDLP and EDLC. Asda's "We Operate for Less" model will expand to other markets to further drive EDLC and stay on task of migrating all markets to EDLP.
- Win with e-commerce and multichannel. We're leveraging the Global eCommerce investments and best practices of markets like the Asda Click & Collect to accelerate online sales in other markets.
- World-wide compliance remediation. As Mike said, we've strengthened our compliance organization and programs around the world through processes, procedures and people that put us on track for a world class compliance program. On FCPA, we continue to work closely with anti-corruption compliance experts to review and to assess our programs and help us implement concrete steps for each particular market. In the various markets, these experts have spent tens of thousands of hours on anti-corruption support and training. We remain committed to follow all laws and regulations in the markets where we operate.
- And finally, lead on social and environmental issues. These are points that differentiate Walmart from other retailers, and we will continue to integrate programs like the "direct from farm" programs in our markets.

This past year, the first quarter was our strongest and we were pleased with the first half of the year. We want to regain momentum throughout the year in fiscal 2014, and our focus is clearly on building quarter to quarter.

Now, I'll turn it over to Roz for the update on Sam's. Roz ...

**Rosalind Brewer**  
**Sam's Club**

Thanks, Doug. At Sam's Club, I am pleased with both our full year sales and operating income results. I credit our success to our club associates. Their alignment to our strategy, their ability to create lasting value to our members through superb execution of price leadership, their eye for exciting merchandise, and their best-in-class member service all led to our success. Together, we achieved full-year performance above our expectations. We were pleased with our holiday performance, which was driven by November events and the week of Christmas.

Our optimism, however, is tempered as sales growth slowed later during the fourth quarter, most notably during mid-December and late January and was more pronounced from our business members. Important indicators of the health of our business are traffic and add-ons from small business members. Both of these areas were soft in the fourth quarter, and we are closely monitoring them. Additionally, as we indicated last quarter, operating income growth was challenged in the fourth quarter by our price investment initiative that will benefit Sam's Club long term, but negatively impact the short-term results.

First, I'll review our Q4 results, and then provide a recap of the full year.

Comp sales, without fuel, were within our guidance, up 2.3 percent for the 13-week period. We achieved this on top of a 5.4 percent comp sales increase for fiscal year 2012. Comp traffic was up 1.6 percent and ticket was up 0.7 percent.

Our members had a stream of exciting shopping experiences throughout the season. This thread of events allowed us to maintain the member in the club consistently throughout the season, leading to exceptional sell-through that minimized our mark-down position at the end of the season. We jump-started the holiday season with the mid-November "Holiday Taste of Sam's" event, the VIP event for Plus and business members on the Sunday prior to Black Friday and then Cyber week.

Net sales, including fuel, were \$14.5 billion, a 3.4 percent increase over last year's fourth quarter. Fuel prices were flat compared to last year and gallons sold were up 5.4 percent, thus creating a boost to our overall sales of 0.2 percent. Gross profit rate was down 30 basis points. Operating expenses as a percentage of net sales improved slightly. Operating income decreased 3.5 percent to \$502 million.

We increased our focus on assortment and price investment during the fourth quarter as we continue to create more value for our members. The acceleration of our strategic price investments was the main driver of our reduced gross profit rate and is a key reinforcement of price leadership to our members, which drives long-term loyalty to our brand.

Fuel is an important part of Sam's value creation and we are pleased with the strength of our fuel business. However, volatility in fuel prices can have a notable impact on our financial results; therefore, the remainder of our discussion will be focused on our core business and exclude fuel for comparative purposes.

Net sales for the quarter were \$13.0 billion, up 3.2 percent from last year. Our strongest divisional performance was in the West, with our strongest regional performance in the Mountain, Mid-Atlantic and Southwest regions. We are pleased with our new club performance as each of them contributed to positive market performance within their region and, in total, sales were ahead of expectations.

Now I'd like to turn your attention to merchandising. The club sales performance is driven by creating value for our members through merchandise.

Fresh comp sales were up low single digits, as inflation continues to decline. Although comps were below our expectations, Sam's Club gained 30 basis points of share in fresh-freezer-cooler, according to Nielsen data for the 13-week period ending Dec. 29, 2012. Everyday food staples were solid, while food entertaining items typically used for the holiday events were weaker than expected. Sam's Club is focused on maintaining price leadership in high-traffic products such as apples and milk, and saw double-digit and mid single-digit comp sales growth, respectively.

Our grocery and beverage areas comp sales were up mid-single and low single digits, respectively, as we experienced disinflation. Driven by price investment, unit growth was the highest Sam's Club has seen in two years in these areas. Sales from energy drinks continue to be strong, as we introduce new products and an expanded assortment addressing the trend of consumer preferences shifting away from sports drinks to energy products.

In our consumables area, we saw low single-digit comp sales growth, as categories like paper and table top experienced flat sales as unit growth was offset by deflation. Sam's Club gained 90 basis points of market share in the baby category for the 13-week period ending Dec. 29, 2012, according to Nielsen. We had high single-digit comp sales growth in baby for the quarter, driven by product newness in infant formula.



The fourth quarter is important for our technology and entertainment area, and comp sales were up low single digits. According to NPD data ending Dec. 31, 2012, Sam's gained 20 basis points of share in wireless, which led the way for us with double-digit comp growth. Sam's Club invested in price and had one of the best holiday offers in retail. Sam's Club offered leading brand items such as the Samsung Galaxy S3 and the Apple iPhone 5. Sales of the Apple iPad also grew, as we offered great prices and saw double-digit unit growth. Large screen televisions of 70 or more inches were also successful. Significant declines in office electronics, video games, movies and music partially offset growth, as consumers continue to shift to digital consumption for these products.

Our apparel and home areas have delivered mid and high single-digit comps, respectively. Children's and ladies apparel had high sell-through, which led to a successful transition to spring merchandise. Home was a big winner for us and most pronounced in domestics and in kitchen electrics, both up double digits. And, mattresses are continuing a recent growth trend and innovation in this area has grown to include pillows with new cooling, gel-top technology. Seasonal performance was flat, but toys realized mid single-digit growth and high sell-through, as our improved assortment captured relevant trends and member needs.

Health and wellness, including pharmacy, experienced mid single-digit comp sales growth, despite the impact of several key shifts from brand to generic drugs that held prescription sales flat. Prescription units offset a 5.0 percent drop in average price. The over-the-counter category continues to benefit from the introduction of relevant products that address key diet and nutrition trends.

Ancillary categories had a mixed sales impact on the quarter. Although hearing aids, a small but growing business, was excellent, larger, more mature categories like tobacco and tires were flat and negative, respectively.

Sam's Club's online business strengthened from the integration between online and the club. Key marketing offers and timely contact with members also allowed the online business to have a successful fourth quarter.

Membership and other income was relatively flat compared to last year when, as mentioned in prior release statements, we took a full-year benefit of our credit partner gain share agreement in the fourth quarter. Net membership income was up 2.8 percent for the quarter. We continue to see modest growth in our member base driven by Advantage members, and penetration of our Plus membership continues to rise. Business add-on memberships continue to decline, driving overall business memberships down slightly. We continue to conduct a membership pilot test in the Texas region to enable a thorough assessment of results outside of holiday timing. The first part of the coming fiscal year will give us the chance to evaluate the program in a more normal business climate.

As we increased our focused price investment, our gross profit rate experienced a decrease of 40 basis points, while gross profit was flat.

Operating expenses were up 2.2 percent, which was less than the rate of sales. Wages have been positively impacted by refining our shift scheduling process to more closely align with our member traffic patterns. At the same time, this has helped to drive our member experience scores to all-time highs.

Looking at the bottom line, Sam's Club fourth quarter operating income was \$489 million, a 6.0 percent decrease from last year, primarily driven by our price investment strategy.

At the end of the fourth quarter, inventory, including fuel inventory, was up 9.2 percent compared to last year, and the growth rate was slightly lower versus the third quarter, but higher than expectations. The growth is partially driven by setting spring earlier and strategic investment in broader assortment and new SKUs in areas where Sam's Club is seeing strong growth. A soft ending to the year and quarter also impacted inventory levels across several categories, as sell-through was slower than expected, especially over the last several days in January.

Now let me summarize our key financial highlights for fiscal year 2013.

With fuel, net sales were \$56.4 billion, up 4.9 percent over last year. Gross profit increased by 4.8 percent. Operating expenses as a percentage of net sales decreased by 9 basis points and operating income increased 6.2 percent to \$2.0 billion for the year.

Net sales, without fuel, were \$49.8 billion, a 4.6 percent increase over last year. For the 52-week period ending January 25, 2013, comp sales increased 3.6 percent. Comp traffic was up 1.9 percent and ticket was up 1.7 percent.

Membership income increased 1.8 percent, and we experienced growth in the paid primary base and penetration of Plus members. Other income grew 16.1 percent from higher gain share from our credit partner, as new account growth and existing account performance were both strong.

Gross profit increased 4.7 percent, flat as a percentage of sales. Operating expenses grew by 3.9 percent. This is an 8.0 basis point improvement compared to last year. Operating income increased to \$1.9 billion, a 5.9 percent increase over last year, growing faster than sales.

Overall, we are proud of the accomplishments this year at Sam's Club, but also recognize the mounting economic concern from both small businesses and consumers. The business member at Sam's Club is an integral part of our comp sales. Recent traffic patterns of our business members indicate that they are more deliberate in their spending due to macroeconomic factors. Additionally, like Walmart U.S., our Advantage members are pressured by higher payroll income taxes, ongoing unemployment and higher gas prices. Our role at Sam's Club is to support our members by creating value for them through price investments.

Our primary growth for fiscal year 2014 is from comp sales. Similar to Walmart U.S., the first two weeks of our Q1 comp period were below plan, but have improved over the last week. As you recall, last year, for the 13-week period, Sam's Club comp club sales, excluding fuel, increased 5.3 percent. We expect comp club sales, without fuel, for the 13-week period from January 26, 2013 through April 26, 2013 to range from flat to 2 percent.

Sam's Club plans call for growth from new club openings, as well as relocated and expanded clubs. In October, we stated 12 to 20 new units would open in the coming fiscal year and today, we are tightening that forecast range. We are on schedule to open 15 to 20 units this coming year, including 8 to 12 new clubs. Sam's Club has a great opportunity to engage more and more members in both new and existing markets.

In addition to our strategic real estate investments, our focus for the coming fiscal year will be merchandising improvements through newness, through quality, through excitement, as well as price investments. We will also continue to build on the operating efficiencies the team has worked hard to establish in the clubs. This focus will help us to deliver even greater value to our members.

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

### **Charles Holley Guidance**

Thanks, Roz. As Mike mentioned earlier, Walmart had a really good year, and given some of the headwinds we saw this year, I'm particularly pleased with our full year results versus the guidance we provided at this time last year. We continue to deliver value for our shareholders through strong free cash flow, solid return on investment and continued share repurchase activity. We added over \$22 billion in net sales during fiscal 2013. No other retailer in the world can deliver that kind of growth, especially in a soft economy.

Earlier in the year, I outlined four key areas of focus to have a successful year. Let's take a minute to review these in more detail.

First, I said Walmart U.S. would have to continue its momentum we saw at the beginning of the year; and it did. During fiscal 2013, the Walmart U.S. team delivered over \$10 billion in net sales growth, which included \$4.7 billion in comp growth. Our customers understand our price leadership position, and, as you heard Bill say earlier, we had a number of areas where our market share improved during the year.

Next, Sam's Club needed to continue the success it had experienced over the last several quarters of fiscal 2012. Sam's focused on driving value to our members during the year, and membership engagement scores are at an all-time high right now. Despite investments in price and technology, Sam's delivered solid operating income growth for the year.

Third, I told you we needed to improve profits and returns in Walmart International, especially for Brazil and China. We still aren't gaining the traction we would like to see, but we believe we are on the right path. In both Brazil and China, we have to continue to lower costs and improve operating income, while driving our every day low price programs. We remain excited about the potential of these important markets.

Finally, I said we would need to continue to invest in capabilities and increase sales in our e-commerce businesses. We are excited about the opportunities in this space and pleased with the successes we delivered during the year.

To help provide more insight into our e-commerce businesses, I've asked Neil Ashe, president and CEO of Global eCommerce, to discuss a few specifics. Neil...

**Neil Ashe**  
**Global eCommerce**

Thanks, Charles. In October, I laid out four key strategic points:

1. We will excel in the fundamentals of e-commerce.
2. We will innovate in new areas like big data, social and mobile.
3. We will win in key markets, especially the U.S., the U.K., Brazil and China. And, we will unite and expand the Walmart platform to do what no one else can do.
4. We are building best-in-class e-commerce that, when we combine it with our unparalleled retail footprint, will deliver to customers what no one else can deliver.

To realize these strategies, we're developing a global technology platform, and we are investing in local assortment and fulfillment capabilities in each of our markets. We are becoming known for our ability to build and deploy technology for the benefit of our customers.

Just in the last year:

- We have developed and launched a product search engine that is regarded as best-in-class.
- We have developed pricing optimization tools which allow us to reliably deliver low prices to customers in the dynamic pricing environment that's e-commerce.
- We made major advancements in mobile commerce. In fact, Mobile Commerce Daily recognized us as Mobile Retailer of the Year. And,
- We are operating one of the largest and most effective big data initiatives in e-commerce.

The investments we've made so far in our e-commerce business are delivering. Revenue growth is accelerating and ahead of our plans. During the fourth quarter, we took share in all of our key markets. In the United States, we led on key days and had our largest sales day on Cyber Monday. We served more customers more effectively than we ever have before. We also had record performance in China, Brazil and Doug has already spoken about Asda.

We are encouraged by our successes and our company will continue to invest in this growth. In fiscal year 2014, our investments:

- will continue to penetrate our key markets
- will continue to drive the development of our global technology platform, and
- will continue the development of our next generation fulfillment network that incorporates stores, distribution centers and online dedicated fulfillment centers to be the fastest and most efficient at getting customers the products that they want when and where they want them.

Thanks, Charles, for inviting me to share where we're going with e-commerce.

## **Charles Holley**

### **Guidance**

Thanks, Neil. As you heard, not only are we making investments for today, but also for our future. Our recent investment in Yihaodian is a great example of a thoughtful and long-term approach to capital allocation that will help position us with our customer for the future.

Our disciplined approach to capital spending is critical to Walmart's business model. In Walmart U.S., we've lowered the average cost of a remodel by 50 percent over the last two years and shifted more capital to new stores, while decreasing the amount of overall capital spend. We will continue to find more efficiencies and productivity in our asset base.

Now, our financial priorities remain growth, leverage and returns. And, in this context, let me update our fiscal 2014 goals.

In October, I told you that our net sales, excluding acquisitions and currency exchange rate fluctuations, would increase 5 to 7 percent. Given the continued soft global economic environment, we believe our sales growth will be similar to what we experienced in fiscal 2013, somewhere between 5.0 and 6.0 percent. This represents an additional \$23 to \$28 billion in sales. We expect to grow square footage 3.0 to 4.0 percent, or 36 to 40 million additional square feet.

As a reminder, we kicked off fiscal 2013 with a goal to reduce operating expenses as a percentage of sales by at least 100 basis points over the next five years. That's a reduction of over \$6 billion. In our first year, we delivered 14 basis points of leverage. Please remember that our leverage progress may be uneven on a year-to-year basis. We still have a lot of work to do, but the entire company has rallied around this leverage challenge, and we expect we will continue to see progress toward this goal.

Now, on to returns ... The company returned \$13.0 billion to shareholders in the form of dividends and share repurchases in fiscal year 2013. And, over the last five years, we've returned over \$60 billion to shareholders; that represents an amount that's over one quarter of our current market cap. Plus, you've already heard about the 18 percent increase in our dividend. As we have stated consistently over the last few years, we will continue to focus on great returns to our shareholders.

Now, let's move on to additional details related to guidance.

Last year, we reported earnings per share of \$1.09 in the first quarter. We expect first quarter fiscal 2014 earnings per share to be between \$1.11 and \$1.16.

Last year, we reported earnings per share of \$5.02 for the full year. We expect fiscal 2014 earnings per share to be in the range of \$5.20 and \$5.40, which includes increased fiscal 14 costs of around \$0.09 per share for our e-commerce operations. As you heard from Neil, we are all excited about the opportunities these investments will provide. This is a critical next step in the evolution of our business and is essential to serving customers in the future.

All guidance provided today assumes currency rates remain at today's levels and take into account our forecast for the fiscal 2014 effective tax rate to range between 32 and 33 percent. Additionally, our guidance considers the costs we are incurring in response to the FCPA and compliance matters. We anticipate these costs will be approximately \$40 to \$45 million for the first quarter of fiscal 2014.

All of us at Walmart are proud of the year we've had and look forward to building on that success this fiscal year. We know there are challenges ahead, but we believe our strong financial position, along with our EDLC and EDLP operating model, will continue to produce strong sales and returns for our shareholders.

Thank you for your interest in Walmart. We look forward to seeing everyone in the stores and at our shareholders meeting in June. Have a great day!

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