**WAL-MART STORES, INC. (NYSE: WMT)**
**Third Quarter Fiscal Year 2017 Earnings Call**
**November 17, 2016**
**Management call as recorded**

**Steve Schmitt**
**Wal-Mart Stores, Inc. VP, Investor Relations**

Good morning, and thank you for joining us to review Walmart’s third quarter fiscal 2017 results. This is Steve Schmitt, Vice President of Investor Relations at Wal-Mart Stores, Inc. The date of this call is November 17, 2016. On today's call you will hear from Doug McMillon, president and CEO and Brett Biggs, CFO.

This call contains 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 information provided by that Act. A cautionary statement regarding forward looking statements is at the end of this call.

As a reminder, our earnings materials include the press release, transcript and accompanying slide presentation - which are intended to be used together. All of this information, along with our recently published fiscal 2018 earnings release dates, store counts, square footage, earnings infographic and other materials are available on the investors’ portion of our corporate website – stock.walmart.com.

For fiscal year 2017, we utilize a 52-week comp reporting calendar. Our Q3 reporting period ran from Saturday, July 30th through Friday, October 28th of this year.

Now, I'd like to turn the call over to Walmart CEO, Doug McMillon.

**Doug McMillon**
**Wal-Mart Stores, Inc. President & CEO**

Thanks, Steve, and good morning everyone. As you saw in our earnings release this morning, we delivered another solid quarter and are pleased with the continued momentum in the business. Our associates are doing a good job and it's much appreciated. I'll discuss the details in a minute but I'd like to start by thanking everyone who came to Bentonville for our Investment Community Meeting in October. We enjoyed giving you an update on our plans going forward. We have a strong company; we're executing well in our stores and making strategic investments in e-commerce to accelerate growth. We're gaining traction and moving faster to better serve our customers every day.

When we were together last month, I outlined four priorities:

- Make every day easier  for busy families
- Operate with discipline
- Be the most trusted retailer, and
- Deliver results and position the company to win.

By executing on these priorities, the customer – and our shareholders - will benefit.

To  start, I'd like to highlight some recent developments in e-commerce that demonstrate how we're moving faster and making every day easier for busy families. First, we're excited to see Walmart.com gaining traction. From a marketplace perspective, we're scaling fast – adding 8 million SKUs over the past 3 months alone. E-commerce contributed 50 basis points to our Q3 Walmart U.S. comp, which is our largest contribution yet. It's great to see an improving e-commerce business compliment the momentum we have in our stores.

Next, we recently completed the acquisition of Jet.com and we're excited to have Marc Lore as a member of our leadership team driving U.S. e-commerce for Walmart and Jet.com. One of the reasons Jet.com makes sense for Walmart is the common ground we share with basket economics. Walmart's advantage has always been in providing the lowest prices on a basket of goods, and Jet has created a unique way to deliver the lowest cost basket online. When customers build a bigger basket online, the economics work in their favor and in ours. Marc has hit the ground running since the acquisition was finalized. We immediately set up teams to accelerate our integration efforts and are working hard to leverage our strengths—such as optimizing our combined fulfillment networks, utilizing our scale in areas like shipping, sharing our assortment and leveraging the strengths of our marketing teams. We're excited to reap the benefits of our combined businesses and we look forward to updating you on our progress going forward.

I'm also excited by how we've positioned our business in China to win. We continue to be pleased with how our alliance with JD.com allows us to reach even more customers with our brands. We recently announced we own roughly 10 percent of JD.com's shares and during my visit a few weeks ago we jointly launched two new services. Our Sam's Club flagship store launched on JD's website – providing hundreds of millions of customers access to Sam's Club's premium products with JD same-day and next-day delivery service. We also announced an exclusive Walmart Global imports store on JD.com Worldwide, the company's cross-border platform. The new store provides Chinese consumers access to Walmart's selection of thousands of products imported from Walmart stores around the world. We're working together with them to create a seamless shopping experience. I was able to visit the JD Home Office when I was in China last month and it was clear that they work with speed and the spirit of innovation is strong. When I was in one of our Walmart hypermarkets in Beijing, JD already had a site set up for picking and delivering customer orders.

We also announced an investment in New Dada, China's largest local on-demand logistics and grocery online to offline, or "O2O," seamless e-commerce platform. Already, New Dada is enabling two-hour delivery service from more than 45 Walmart locations. It's amazing to see how O2O is changing how Chinese consumers shop. Densely populated cities and favorable delivery economics enable two-hour delivery and we look to expand the number of locations using New Dada for two-hour delivery going forward.

We're moving faster to position the company to win – and we're doing this from a position of increasing strength.

Now, I'd like to move to our third quarter results, where we delivered another solid quarter with earnings per share of $0.98.  Excluding the $2.1 billion currency impact, we delivered total revenue of $120.3 billion, an increase of 2.5 percent over last year.

Comp store sales grew 1.2 percent in Walmart U.S., driven by a traffic increase of 0.7 percent. Greg Foran, our U.S. leadership team and our associates continue to execute our plan to win, and it's working. Our customer satisfaction scores continue to improve, and the team did a great job of managing the flow of inventory again this quarter. Comp store inventory was down approximately 6 percent and in-stock levels are up.

We also continued to show progress in e-commerce. On a constant currency basis, global e-commerce sales and GMV increased 20.6 percent and 16.8 percent respectively. The U.S. results were stronger than those in our key international markets, driven by our marketplace offering as I mentioned earlier, as well as a contribution from Jet.com. We continue to roll out online grocery and grow our pick-up business in stores and clubs. We're making progress giving our customers the seamless shopping experience they are looking for.

Dave Cheesewright and the International team delivered another solid performance in the quarter, growing sales in constant currency 2.4 percent. Ten of our 11 markets posted positive comp sales and seven of those grew comp sales by more than four percent. Walmex continued to lead the way, and I'm pleased with the fact that our momentum is broad based across formats and countries within Walmex.

I'm pleased comp sales growth returned to positive territory in China. We continue to grow our base of stores and clubs, in addition to the e-commerce initiatives I mentioned earlier. When I was in China, and in conjunction with the Walmart Foundation, we were proud to launch the Walmart Food Safety and Collaboration Center in Beijing with an investment of $25 million from the company and our foundation. The goal of the center is to develop solutions to food safety that can be implemented across the global supply chain so Chinese consumers can trust that the food they eat is safe and good for their families. China is clearly a strategic market for us as it represents the largest retail growth opportunity globally and we're moving with speed to position the business for success.

In the U.K., we're making some progress but our turn-around will take time. We're confident in our leadership team there and want to assure you we continue to address this market with urgency.

We have a strong international business and are encouraged by our positive momentum. As we mentioned in October, we are shaping our portfolio and will make appropriate adjustments if it strengthens the company. You've seen examples of this recently in Chile and Mexico and we'll continue to evaluate and adjust, when it's best.

At Sam's Club, Roz and the team grew comp sales, excluding fuel, 1.4 percent and launched Scan and Go nation-wide. Scan and Go is a mobile checkout and payment solution, which lets members skip the checkout line. We're pleased with the adoption of this service, and we're excited about how it will improve our members' experience - making it easy to shop and save time. Whether it's transforming the way members shop or elevating the experience with exciting new merchandise, the initiatives we have underway position us to win.

Overall, we're gearing up for the holidays, our busiest time of the year, and we'll be ready with great items at low prices to delight our customers. Here in the U.S. we'll have an expanded assortment online and available for pickup, in addition to holiday helpers in stores to help speed customers through the checkout line.

Finally, one of the goals we laid out for you in October was to be the most trusted retailer. Part of building that trust is not only helping customers save money and time but helping them feel good about shopping at Walmart. We want them to be able to trust that the products they buy are good for their families, the planet and the people that made them. So, earlier this month we shared some new targets in sustainability, food and responsible sourcing. We set new goals in the areas of waste, renewable energy and sustainable products including food. Please check out our web site to learn more. Customers have more transparency than ever before when they shop and they expect us to lead in these areas, but they will also expect us to earn their trust and we will. We're excited about this work and are committed to lead in what we believe is a new era of trust and transparency in retail.

In summary overall, we're pleased with the progress we're making across our business. We have momentum and we're moving faster. We have a plan to win, we're executing against it and customers are responding favorably.

Now, I'll turn it over to Brett.

**Brett Biggs**
**Wal-Mart Stores, Inc. EVP & CFO**

Thanks Doug, and good morning everyone.

Last month at our Investment Community Meeting, we updated investors on how we're transforming the company from a position of strength. I laid out the financial framework that will guide our decisions, focused on delivering strong efficient growth, operating with discipline, and strategic capital allocation. Growth going forward will focus more on comp sales and we're investing to accelerate e-commerce, particularly in the U.S. with our acquisition of Jet.com and further scaling Walmart.com. We're moving with speed to drive long-term value for our shareholders.

Let's turn to our third quarter results.

We're pleased that results were in line with our expectations and showed continuing momentum in the business. Excluding currency impacts, each business segment delivered solid net sales growth, and e-commerce GMV and sales growth continued to accelerate.

Keep in mind that the results included the operating impact of Jet.com for roughly half of the quarter as well as the transaction costs, both of which were initially forecast to be in the fourth quarter.

Total revenue, excluding an unfavorable $2.1 billion currency impact, increased 2.5 percent to $120.3 billion. On a reported basis, total revenue increased 0.7 percent to $118.2 billion. During the quarter, we added $2.7 billion in net sales on a constant currency basis, which brings year-to-date constant currency growth to nearly $10 billion. Walmart U.S. continued its solid top-line performance, and it's clear that our focus on driving value and a better store experience is resonating with customers. International delivered another solid quarter with Walmex once again, leading the way. Sam's Club comp sales were better than expected and membership income again showed steady improvement.

Third quarter EPS was $0.98 versus guidance of $0.90 to $1.00. There were a few items that impacted the results that were not anticipated in our guidance, but in total had a minimal impact. The primary items included a gain on the sale of certain shopping center assets in Chile, a tax benefit related to our agreement to sell the Suburbia business in Mexico as well as the dilutive impact from the earlier than expected completion of the Jet.com acquisition, including transaction costs. Also, recall that last year there was a $0.04 benefit to third quarter EPS due to a lease accounting adjustment.

I'll provide more details about our operating segment performance shortly, but let me first spend a few minutes on e-commerce, where results have improved sequentially throughout the year. Globally, on a constant currency basis, e-commerce sales and GMV increased 20.6 percent and 16.8 percent, respectively, with even stronger growth in the U.S. The continuing transition of the Yihaodian e-commerce business in China disproportionately impacted the GMV growth rate versus the sales growth rate this quarter due to the mix of first party versus marketplace sales. Excluding Yihaodian in total, GMV increased 28.6 percent. E-commerce growth includes a benefit from the 6 weeks of Jet.com results in the quarter, but the GMV growth rate would still be greater than 20 percent when excluding this contribution.

In the U.S e-commerce business, we continue to make solid progress expanding marketplace. We're thrilled to have the Jet team on board, and we're moving quickly to accelerate growth. In addition, we're pleased with the progress we're making with online grocery. Customer count and basket size continue to outperform our expectations and we've expanded this service to more than 100 U.S. markets.

In China, we expect our broader presence on JD.com with the new Sam's Club flagship store and Walmart Global imports store will accelerate growth.

We're moving quickly with e-commerce innovations and taking a fresh approach to how we think about growth.

Now let's turn back to the broader business.

Walmart's consolidated gross profit margin increased 34 basis points, due primarily to improvements in the U.S. and International segments. As expected, total SG&A also increased primarily due to ongoing investments in people and technology.

We continue to make progress on working capital, driven primarily by continuing discipline in managing inventory and payables. We also had a cash flow benefit this quarter due to the application of new tax guidelines related to the accelerated deduction of remodels and related expenses. In total, we generated $12.2 billion of free cash flow in the first nine months of the year compared to $6.8 billion in the first nine months of last year.

During this transformational time, a key priority remains using our financial strength to provide strong cash returns to shareholders in the form of dividends and share repurchases. In the quarter, we paid approximately $1.5 billion in dividends and repurchased 19.6 million shares for approximately $1.4 billion. Year-to-date, we have now returned $10.9 billion to shareholders. As of the end of the third quarter, we have utilized approximately $8.7 billion of the current $20 billion share repurchase authorization.

Let's now discuss the results for each of our operating segments in more detail, starting with Walmart U.S.

<u>Walmart U.S.</u>

Overall, we're pleased with the continued momentum in Walmart U.S. Sales and traffic increased again this quarter and customer experience scores improved.

Walmart U.S. net sales increased 2.5 percent, or more than $1.8 billion. This growth comes despite persistent market deflation in food, which negatively impacted our Food comp by approximately 150 basis points, as well as unseasonably warm weather in the back half of the quarter. Comp sales increased 1.2 percent driven by a 0.7 percent increase in customer traffic. On a two-year stack basis, comp traffic was up 2.4 percent, which was relatively consistent with the first two quarters of the year. E-commerce contributed approximately 50 basis points to the segment comp, which was an acceleration from the second quarter.

Also, all store formats had positive comp sales, including Neighborhood Markets which delivered comp sales growth of approximately 5.2 percent.

Gross margin increased 32 basis points. Savings from procuring merchandise contributed to margin rate improvement in General Merchandise, Food, and Consumables. In addition, transportation-related fuel cost savings favorably impacted results. These factors, which reduced cost of goods sold, were partially offset by the continued implementation of our multi-year strategy of incremental price investment.

Operating expenses increased 8.6 percent primarily due to the previously announced associate wage rate increases, as well as investments in technology. In addition, we lapped the lease accounting adjustment that I mentioned earlier, which benefitted last year's U.S. third quarter results.

As a result, operating income declined 11.3 percent for the quarter. Excluding last year's lease accounting adjustment, operating income would have declined 9.8 percent.

We continue to do a good job with inventory while maintaining high in-stock levels. In the third quarter, inventory declined 2 percent, with comp store inventory down approximately 6 percent.

We continue to execute our plan and are making good progress delivering a better experience for our customers. We're pleased with the underlying momentum in the business and feel good about our plans for the fourth quarter.  We're well-positioned for holiday with newness, exciting gift items, and EDLP throughout the assortment. All the pieces are in place to ensure a great shopping experience in our stores and online.

For the 13-week period ending January 27, 2017, we expect a comp sales increase of between 1.0 and 1.5 percent.

Now, let's move to Walmart International.

Walmart International

Walmart International continues to deliver solid results. This quarter 10 of our 11 markets posted positive comp sales and seven of those markets grew comps by more than four percent. Walmex continued to lead the way with comp sales growth of 7 percent, representing a two-year comp growth of nearly 13 percent.

Our positive comp sales trend again this quarter is a continuation of what we have seen over the last several years. We will continue to focus on driving growth through our fresh offering, expanding online grocery and private brands.

With that, let's discuss International's overall results.

Net sales grew 2.4 percent on a constant currency basis, while reported net sales declined 4.8 percent due to a $2.1 billion currency impact.

Operating income increased 11.2 percent on a constant currency basis. On a reported basis, operating income increased 1.2 percent. In the quarter, there was a gain from the sale of several shopping malls in Chile. Also, recall that in the third quarter last year, we had a favorable impact from a lease accounting adjustment. Excluding both of these items, operating income increased 9.4 percent on a constant currency basis. We expect a similar gain in the fourth quarter reflecting the completion of the sale of the remaining shopping malls in Chile.

Let's now turn to some brief highlights of our key markets. Please note that the accompanying financial presentation includes detailed information on our five major markets. As a reminder, in all countries except Brazil and China our financial results are inclusive of e-commerce. Additionally, the results discussed below are on a constant currency basis.

Let's begin with Walmex which released its earnings on October 25th. Keep in mind that Walmex releases results under IFRS and the results discussed here are under U.S. GAAP, therefore some results may differ. The positive momentum in the business continued across all formats, divisions, and countries. Comp sales for Walmex increased 7 percent in the quarter and total sales increased nearly 9 percent. In Mexico, comp sales increased 7.3 percent and continued to outpace the rest of the self-service market, according to ANTAD. In addition, Walmex did a good job managing inventory which grew at a slower rate than sales growth.

In Canada, net sales increased 3.3 percent and comp sales increased 1.1 percent. Comp sales have now been positive for ten consecutive quarters and, according to Nielsen, we continued to gain market share in food and consumables & health and wellness. Our cost analytics program continues in helping drive down cost of goods allowing us to invest in price. In Canada, we also reduced inventory levels even as sales increased.

Turning to the U.K., net sales declined 3.8 percent and comp sales declined 5.8 percent in the third quarter. The key priority remains driving an improved customer experience and building sales momentum by simplifying the offer, improving product availability and making strategic investments in service and price. We are moving with pace as we address our customer value proposition in the market.

In China, net sales grew 4.2 percent and comp sales increased 1.6 percent this quarter. The key drivers of the performance were strong seasonal and festive categories during the Mid-Autumn Festival and a strong performance in fresh categories, an on-going focus area for us in China. As Doug mentioned, through our recent alliance with JD.com, we continue to offer exciting new ways for customers to access high-quality products from around the world.

It was another solid performance from Walmart International.

Now, let's turn to Sam's Club.

## Sam's Club

Excluding fuel, net sales and comp sales increased 1.8 percent and 1.4 percent, respectively, and membership income grew by 2.3 percent. Market deflation, primarily in food, negatively impacted comp sales by approximately 110 basis points versus last year. E-commerce performed well and contributed approximately 60 basis points to the comp growth.

Operating income, including fuel, declined year over year by approximately 27 percent, primarily as a result of an increase in operating expenses, including planned investments in people and technology, as well as fuel profit and lapping last year's lease accounting benefit. Excluding fuel, and the lease-related benefit, segment income decreased approximately 18 percent.

Looking ahead to the fourth quarter, for the 13-week period ending January 27, 2017, we expect comp sales growth, excluding fuel, to be in a range of 1.0 to 1.5 percent.

With that, let's discuss our fourth quarter and full-year EPS guidance.

## Guidance

We are increasing the bottom end of our full year adjusted EPS guidance resulting in a new range of $4.20 to $4.35. As a reminder, the adjusted guidance excludes the $0.14 non-cash gain from the sale of Yihaodian in China to JD.com in the second quarter. On a GAAP basis, our full year EPS is expected to be in a range of $4.34 to $4.49. The updated guidance assumes that the full year effective tax rate will be between 31 and 32 percent as well as currency exchange rates remaining at current levels.

In closing, we're pleased with our progress in the business and the positive momentum we're seeing. We're excited for the holidays! Thank you for joining our call today and we wish each of you a happy and healthy Holiday season.

**Detailed Cautionary Statement Regarding Forward Looking Statements**

This call included certain forward-looking statements intended to enjoy the safe harbor protections of the Private Securities Litigation Reform Act of 1995, as amended. Such forward-looking statements relate to management's guidance and forecasts as to, and expectations for, Walmart's earnings per share, adjusted earnings per share and effective tax rate for the year ending January 31, 2017, comparable store sales for the Walmart U.S. segment and the comparable club sales, excluding fuel, of the Sam's Club segment for the thirteen week period ending January 27, 2017, the benefits of our acquisition of Jet.com, the impact of our alliance with JD.com and investment in New Dada, the roll-out of online grocery and growth of our pickup business, adjustments to our international business portfolio, the impact of initiatives at Sam's Club, store and online initiatives for the holiday period and fourth quarter, future focus areas for growth, and the anticipated gain in the fourth quarter related to the sale of shopping malls in Chile.

Assumptions on which any guidance or forecasts are based are considered forward-looking statements.

Walmart's actual results may differ materially from the guidance provided, or the goals, expectations or forecasts discussed, in such forward-looking statements as a result of changes in facts, assumptions not being realized or other risks, uncertainties and factors, including:

*Economic and market factors:*

- economic, geo-political, capital markets and business conditions, trends and events around the world and in the markets in which Walmart operates;
- currency exchange rate fluctuations and changes in market interest rates;
- unemployment levels;
- changes in market levels of wages;
- initiatives of competitors, competitors' entry into and expansion in Walmart's markets, and competitive pressures;
- changes in the size of various markets, including e-commerce markets;
- inflation or deflation, generally and in particular product categories;
- consumer confidence, disposable income, credit availability, spending levels, shopping patterns, debt levels and demand for certain merchandise;

- trends in consumer shopping habits around the world and in the markets in which Walmart operates;
- consumer enrollment in health and drug insurance programs and such programs' reimbursement rates; and
- commodity prices, including the prices of oil and natural gas;

*Operating factors:*

- the amount of Walmart's net sales and operating expenses denominated in U.S. dollar and various foreign currencies;
- the financial performance of Walmart and each of its segments, including the amounts of Walmart's cash flow during various periods;
- Walmart's effective tax rate;
- customer traffic and average ticket in Walmart's stores and clubs and on its e-commerce websites;
- consumer acceptance of and response to Walmart's stores and clubs, ecommerce websites, mobile apps, initiatives, programs and merchandise offerings, including the Walmart U.S. segment's Grocery Pickup program;
- the availability of goods from suppliers and the cost of goods acquired from suppliers;
- the effectiveness of the implementation and operation of Walmart's strategies, plans, programs and initiatives;
- Walmart's ability to successfully integrate acquired businesses, including Jet.com, Inc.;
- the mix of merchandise Walmart sells;
- transportation, energy and utility costs;
- the selling price of gasoline and diesel fuel;
- Walmart's gross profit margins, including pharmacy margins and margins of other product categories;
- the amount of shrinkage Walmart experiences;
- supply chain disruptions;
- disruption of seasonal buying patterns in Walmart's markets;
- Walmart's expenditures for FCPA- and compliance-related matters;
- cyber security events affecting Walmart and related costs;
- developments in, outcomes of, and costs incurred in legal and regulatory proceedings to which Walmart is a party;

- casualty and accident-related costs and insurance costs;
- the size of and turnover in Walmart's workforce and the number of associates at various pay levels within that workforce;
- delays in opening new, expanded or relocated units;
- the availability of necessary personnel to staff Walmart's units;
- labor costs, including healthcare and other benefit costs;
- unexpected changes in Walmart's objectives and plans; and
- unanticipated changes in accounting estimates or judgments;

*Regulatory and other factors:*

- changes in existing, tax, labor and other laws and changes in tax rates, including the enactment of laws and the adoption and interpretation of administrative rules and regulations;
- governmental policies, programs, initiatives and actions in the markets in which Walmart operates and elsewhere;
- the level of public assistance payments;
- trade restrictions and tariff rates; and
- natural disasters, public health emergencies, civil disturbances and terrorist attacks.

Such risks, uncertainties and factors also include the risks relating to Walmart's operations and financial performance discussed in Walmart's most recent annual report on Form 10-K filed with the SEC. You should consider the forward-looking statements in this call in conjunction with that annual report on Form 10-K and Walmart's quarterly reports on Form 10-Q and current reports on Form 8-K filed with the SEC. Walmart urges you to consider all of the risks, uncertainties and factors identified above or discussed in such reports carefully in evaluating the forward-looking statements in this call. Walmart cannot assure you that the results reflected or implied by any forward-looking statement will be realized or, even if substantially realized, that those results will have the forecasted or expected consequences and effects for or on Walmart's operations or financial performance. The forward-looking statements made in this call are as of the date of this call. Walmart undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances.