

19-May-2020

Walmart, Inc. (WMT)

Q1 2021 Earnings Call

CORPORATE PARTICIPANTS

Daniel Binder

Vice President-Investor Relations, Walmart, Inc.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

John R. Furner

President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

Marc Lore

President & Chief Executive Officer-Walmart U.S. eCommerce, Walmart, Inc.

OTHER PARTICIPANTS

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Karen Short

Analyst, Barclays Capital, Inc.

Paul Trussell

Analyst, Deutsche Bank Securities, Inc.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Peter Sloan Benedict

Analyst, Robert W. Baird & Co., Inc.

Robert Drbul

Analyst, Guggenheim Securities LLC

Kelly Bania

Analyst, BMO Capital Markets Corp.

Christopher Horvers

Analyst, JPMorgan Securities LLC

Seth Sigman

Analyst, Credit Suisse Securities (USA) LLC

Beth Reed

Analyst, RBC Capital Markets LLC

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Michael Lasser

Analyst, UBS Securities LLC

MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

Operator: ...to Walmart's Fiscal Year 2021 First Quarter Earnings Call. At this time, all participants will be in listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] Please note that today's conference is being recorded.

At this time, I'll turn the conference over to Dan Binder. Mr. Binder, you may now begin.

Daniel Binder

Vice President-Investor Relations, Walmart, Inc.

Thank you, Rob. Good morning, and welcome to Walmart's First Quarter Fiscal 2021 Earnings Call. I'm joined by several members of our executive team, including Doug McMillon, Walmart's President and CEO; Brett Biggs, Executive Vice President and Chief Financial Officer; John Furner, President and CEO of Walmart U.S.; Marc Lore, President and CEO, Walmart U.S. eCommerce; and Dan Bartlett, Executive Vice President, Corporate Affairs.

In a few moments, Doug and Brett will provide you an update on the business and discuss first quarter results. That will be followed by our question-and-answer session.

Before I turn the call over to Doug, let me remind you that today's call is being recorded and may include forward-looking statements. These statements are subject to the risks and uncertainties that could cause actual results to differ materially from these statements. These risks and uncertainties include, but are not limited to, the factors identified in our earnings release and in our filings with the SEC. Please review our press release and accompanying slide presentation for cautionary statements regarding forward-looking statements as well as our entire Safe Harbor statement and non-GAAP reconciliations on our website at stock.walmart.com.

It is now my pleasure to turn the call over to Doug McMillon.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

Thanks, Dan. Good morning, everyone, and thanks for joining us to discuss our first quarter results and how we're positioned as a business. Given the amount of disruption and volatility we and the rest of the world have faced in recent months, we've developed a set of five priorities to guide our decision-making since the crisis began, and I'll use them to frame my comments.

They are, one, support our associates that are serving on the front line; two, serve our customers that need access to food and critical supplies; three, help others, including the communities we serve, new associates looking for work, suppliers we partner with, those that lease space in our stores plus the work of federal, state and local governments; four, manage the short term well operationally and financially, including our cash position and inventory level; and, five, drive our strategy forward even as we navigate a crisis.

First, our associates, they have been flat-out amazing. They're dedicated and hard working. They continue to adapt as this crisis challenges us to work differently. More than ever, I think society sees them and appreciates their service to others as do I.

So, our first priority has been supporting them. In every country where we operate, their physical safety, financial health, and emotional well-being have been at the top of our list. In the US, we've done that by providing extra pay and benefits, including two special cash bonuses to all hourly associates and assistant managers in our stores, Sam's Clubs, distribution, and fulfillment centers. We've also accelerated payment of first quarter bonuses and made it possible for hourly associates to access their earned pay weekly rather than every two weeks in order to help them with their personal finances. We've done similar things in our international markets to support and reward associates.

From an operational standpoint, we reduced store hours to allow for additional cleaning and sanitizing. We posted social distancing details, implemented protocols for temperature checks, began metering the number of customers in a store or club at any one time, and installed sneeze guards at pharmacies and checkouts. Also, all associates are required to wear face coverings, which we provided to them.

Since the middle of March, we've hired more than 235,000 associates in the United States, the majority on a temporary basis, to help relieve some of the burden faced by our associates in stores and supply chain facilities, as well as to help provide opportunities for people who have been displaced from their previous jobs.

Beyond financial and operational efforts, we've implemented a number of benefits to support associate health and well-being. These include a new COVID-19 Emergency Leave Policy and waiving the co-pay for assessments using Doctor on Demand for associates and family members covered by a Walmart health plan.

We're pursuing strategies for testing associates for the virus, including in the longer term antibody testing. Of course, COVID-19 has affected many communities and our people. We have felt the impact of this awful virus within our Walmart family, and we mourn the loss of some of our own. Our hearts go out to their families.

Our front-line associates have always been the priority in our company, and through this crisis they're playing an important role in each country's ability to respond. We continue to support them and look for ways to operate as safely as possible.

After supporting our associates, our next priority is serving customers. In the US, the first quarter started out as expected but as the pandemic spread, we saw the mix of sales shift heavily toward food and consumables as we had previously experienced in China. This was the first stock-up phase that we all saw so vividly.

We experienced unprecedented demand in categories like paper goods, surface cleaners, and grocery staples. For many of these items, we were selling in two or three hours what we normally sell in two or three days. As the quarter progressed, we saw a second phase related to entertaining and educating at home. Puzzles and video games took off. Parents became teachers. Adult bicycles started selling out as parents started to join the kids. An overlapping trend then started emerging related to DIY and home-related activities. Think games, home office, exercise equipment, and the like.

It was also clear a lot of people were taking a do-it-yourself approach as they bought items like bandanas and sewing machines to make masks. We could see customers looking to improve their indoor and outdoor living spaces. Our home categories in-stores and online took off.

Towards the end of the quarter, another phase emerged. Call it relief spending as it was heavily influenced by stimulus dollars leading to sales increases in categories such as apparel, televisions, video games, sporting goods, and toys. Discretionary categories really popped towards the end of the quarter.

Our supply chain is amongst the most capable in the world, but in this environment, we've stretched it. Not only have products and categories like hand sanitizer, disinfecting wipes and sprays, toilet paper, beef and pork been hard to find, but items such as laptops, office chairs, and fabric have been cleared out in some of our stores and online. We're working to recover our in-stock position as we begin the second quarter.

From an inventory standpoint, we ended the quarter down about 8%, but we have higher levels of inventory in some areas and lower than desired levels in others. We're working intensely to improve in-stocks for high-demand items and adjusting order volumes and taking markdowns on items that have moved more slowly. We expect the environment to stay quite volatile in the coming weeks and months. Brett will discuss that more in a minute.

The third priority for us has been to help others. Because some of our suppliers and tenants are feeling pressure, we've taken steps to support them. In some instances, we're able to provide greater flexibility with delivery windows. We've also simplified the process to qualify for our Supply Chain Finance Program. For our in-store tenants, we waived or discounted rent through April and May.

Community organizations that serve as a social safety net are under incredible pressure too. We're helping them through Walmart and the Walmart Foundation. We've given more than \$35 million to COVID-19 relief and response initiatives, with \$10 million of this focused on food security in the US. We continue food donations from our stores and DCs to local food banks and have found new ways to engage our customers in support of this effort.

Finally, we're collaborating with federal and state governments. In March, we were asked to stand up testing sites for COVID-19 in some of our parking lots. As of today, we've opened 139 sites and we expect to open an additional 44 more by the end of May.

We've also asked some of our apparel suppliers to convert production to PPE for healthcare workers. This has led to nearly 2 million additional medical gowns in our country's supply to-date and we expect roughly 10 million will be added by the end of June through our partnership with McKesson. We also partnered with Salesforce and State Farm to provide face masks and shoe coverings to healthcare workers.

I'm proud of what we've done as a company over the past several weeks. I'm really proud of how our people have stepped up. As we've supported associates and served customers and communities, we've also been able to effectively manage the business and continue to make progress against our long-term strategy. During this extraordinary period, we've continued our every day low price discipline and we continue to build trust with customers, some of whom are trying our products and services for the first time.

Despite strong ticket growth and sales in the first quarter, mix shifts negatively affected gross margin and we incurred higher cost to operate. Our increasingly seamless omni-channel customer proposition is resonating. This strategy positions the company well during this crisis and we remain convinced that it will in the future.

Before this crisis, we were already seeing robust adoption of online pickup and delivery. As this crisis created a need for social distancing and required people to stay at home, customers embraced pickup and delivery even more.

Pickup and delivery are attracting greater numbers of new customers. The number of new customers trying pickup and delivery has increased 4x since mid-March. We expanded slot capacity as demand swelled, and we've increased the number of general merchandise items available to choose from.

I think it's time we stop referring to our supercenter pickup and delivery capability as online grocery because it's becoming much more than grocery. Beyond expanding the assortment, we also created a pickup hour specifically for those at risk and for first responders, and we worked with the USDA to expand the SNAP online pilot to more states.

Walmart.com also saw a surge in demand during the quarter as customers opted for greater convenience and increased social distancing. The U.S. eCommerce business grew 74% in total. Growth in marketplace outpaced the overall business even as first-party sales were strong.

In the US, we quickly rolled out ship from store and we're now temporarily fulfilling orders placed on walmart.com through about 2,500 of our stores. We also launched Express Delivery to provide customers the convenience of having their orders delivered to their door in under two hours. The Express Delivery is available at nearly 1,000 stores today, and our goal is to be in around 2,000 stores by the end of June.

Our tech teams are continuing to execute. For example, we've launched more than 70 new or accelerated capabilities in response to the virus. We've done this while staying focused on core products like one app and Express Delivery as well as building out the next-gen tech stack. We've talked to you in New York about that a bit.

Even as we continue to drive our strategy, we're maintaining discipline. We're reducing expenses in areas outside of the stores and clubs like hiring above store level, management consulting services, and, of course, travel. We're continuing to review other areas of the business for efficiency opportunities.

One decision we've made is to discontinue Jet.com. While the brand name may still be used in the future, our resources, people and financials have been dominated by the Walmart brand because it has so much traction. We're seeing the Walmart brand resonate regardless of income, geography, or age. The Jet acquisition was critical to jump-starting the progress we've made the last few years. Not only have we picked up traction with pickup and delivery, but our walmart.com non-food eCommerce growth accelerated after the arrival of Marc and the Jet team. He leaned into the Walmart brand quickly. We don't anticipate a significant accounting charge due to this decision and the vast majority of associates have previously been assigned to the Walmart brand.

In Sam's Club in the US, the value of a membership has never been more evident, and they've been growing strong in eCommerce as well. Sam's tested and implemented a pickup and delivery service in pharmacy and instituted a concierge drive-up service for seniors and others at risk.

I'm really proud of the work of our international markets. They've served customers during this time period in a terrific way. In the quarter, Mexico and China led the way with strong sales through omni-channel and Sam's Club. Our 26 international countries are experiencing different effects and timing as it relates to COVID-19. Except for Canada, April falls into Q2 for international markets, and we can tell you it was a challenging month. We expect that to continue in several markets throughout our second quarter.

The closure of stores and warehouses in some of our markets contributed to volatility in sales for the quarter, and we expect even more in Q2. For instance, the Flipkart business was limited by government regulation to selling

only essential items for several weeks, and in South Africa, a large number of stores were closed. But broadly speaking, in each market, our teams are stepping up to serve customers and help their communities.

I want to close where I began by thanking our associates. We're more grateful to them than I can articulate. The effect this virus is having around the world has made it clear that we all need to do everything they can to help each other and our communities get through this. At Walmart, we're blessed to have a unique set of assets and a strong business that puts us in a good position to support our associates and serve our customers, communities, and shareholders. I wish you and your families good health, and I look forward to seeing you in person when the time is right.

Thank you for your interest in our company. Brett?

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

Yeah, thanks, Doug. Good morning, everybody. Before reviewing our first quarter results, I want to add my thanks to associates for their amazing efforts serving our customers and our communities. I'm so proud of the extraordinary dedication of our people and the agility of this company.

Due to the health crisis, the first quarter had the broadest set of challenges we've ever faced globally, including varying government regulations, significant sales variability, mix shifts, and channel shifts due to changing consumer habits. All of this led to significantly higher than anticipated sales but lower gross margin rates and higher expenses, which I'll discuss shortly.

Our omni-channel investments have us in a unique position to serve customers in ways others can't. Customers are gravitating towards store pickup and delivery, driving record demand for these services leading to triple-digit growth in U.S. eCommerce sales during peak periods.

The strategic importance of providing multiple options for customers have never been clearer. We continue leaning in aggressively in key areas but also maintaining discipline. We've accelerated investments in omni fulfillment solutions, quickly increased ship-from-store capabilities, hired a significant number of personal shoppers, expanded pickup slots, and launched Express Delivery, all within a matter of weeks.

As we incur additional costs to support increased sales, associate customer care, increased cleaning, new associate hiring and the like, I'm proud of the team for maintaining cost discipline in other areas. We've delayed certain consulting projects, reduced marketing and travel, prioritized capital, and have frozen most new corporate hiring.

The company's financial position remains very strong. We have extensive access to the capital markets and ended the quarter with quite a bit more cash than normal, ensuring we can do what's needed with the utmost flexibility in the coming months.

So, with this context in mind, let's discuss Q1 results. Total constant currency revenue was exceptionally strong, with growth of nearly 10% at more than \$135 billion. Each segment delivered strong sales growth despite operating limitations in some markets.

Walmart U.S. comp sales increased 10%, International net sales grew almost 8% in constant currency, and Sam's Club grew comp sales over 16%, excluding fuel and tobacco. Consolidated gross profit margin declined 66 basis

points due primarily to the carryover of last year's price investments, the shift in sales mix to lower-margin categories, the shift in channel mix toward eCommerce, and some general merchandise markdowns.

SG&A leverage was negatively affected by incremental costs related to customer associate support during the health crisis. Despite the incremental costs, we leveraged expenses by over 60 basis points. In total, incremental operating costs related to the health crisis were about \$900 million in Q1, with about three-quarters going to associate bonuses and expanded benefits.

Operating income was up over 5% and adjusted EPS increased about 4% to \$1.18 versus last year's Q1 adjusted EPS. Currency fluctuations negatively impacted EPS by about \$0.02.

Given the increased sales level, reduced inventory levels, and operating discipline, operating cash flow roughly doubled versus last year, and free cash flow was up \$3.9 billion versus last year. Inventory was down about 8% year-on-year due to heightened demand and currency impacts.

Now, let's discuss the quarterly results for each operating segment. Walmart U.S. comp sales, excluding fuel, grew 10%, with eCommerce sales growth of 74%. While we don't normally provide monthly comp sales, it's important to understand the flow of the quarter. eCommerce sales remained strong throughout the quarter, while store traffic was quite variable due to the various stay-in-place orders and social distancing around the country.

February sales were stronger than expected, with comp sales up 3.8%. When the health crisis intensified in mid-March, we saw a surge in stock-up trips with March comps increasing about 15%. Store pickup and delivery spiked in March and remained elevated in April, with sales growth of nearly 300% at the peak.

Store sales slowed during the first half of April due to soft Easter seasonal sales and additional social distancing measures. In mid-April, sales reaccelerated across the business as government stimulus money reached consumers, with general merchandise sales particularly strong. April comp sales increased 9.5%.

During the quarter, we saw customers consolidate shopping trips and purchase larger baskets in stores, which drove a ticket increase of about 16%, while transactions decreased about 6%. With the shift in purchasing behavior, eCommerce sales contributed approximately 390 basis points of the segment comp.

Pickup and delivery services continue to run historically high volumes. We've had a solid start to May in the US but we believe stimulus spending has been a big driver, which we don't anticipate staying at these levels throughout the quarter.

Throughout the first quarter, we maintained our every day low price discipline and continue to grow trust with customers, many of which tried new products and services for the first time. Despite strong sales, the carryover of last year's price investments and the unfavorable shift in category channel mix pressured the gross margin rate by over 100 basis points.

Category mix shifts included increased sales of lower-margin food and consumable categories and softer sales in higher-margin categories like apparel, which declined about 14% in the quarter. Seasonal markdowns and the temporary closure of our Auto Care Centers and Vision Centers also pressured the margin rate.

Strong sales helped us leverage expenses by almost 90 basis points despite the approximate \$670 million of incremental costs related to the health crisis. Operating income was up 3.9% for the quarter, which includes lower losses for eCommerce. Inventory declined about 6% in Q1, reflecting higher than normal out-of-stocks in some

categories. We took appropriate general merchandise markdowns in Q1 and feel good about our position going into Q2.

International net sales increased 7.8% in constant currency, with nine of ten markets posting positive comp sales. Currency fluctuations were significant during the quarter, with a negative sales effect for approximately \$1.3 billion. We experienced substantial sales volatility in markets due to changing consumer shopping patterns, reduced store operating hours, and closed stores and warehouses. Customers focused on pantry stock-up and reduced purchases of non-essential categories.

International operating income increased 15.6% in constant currency and 9.2% on a reported basis. As a result of the crisis, toward the end of the quarter, we had pretty extensive store and operational closures in markets like South Africa, India, and in the Central American countries. For example, 25% of stores in Africa were closed, and our Flipkart operations were impacted by restrictions on non-essential deliveries.

Recall that all markets other than Canada are in a one-month reporting lag, so the crisis-related impacts will be more extensive in Q2 versus Q1. As March and April progressed, we saw economic pressure, channel shift, and mix shifts in most of our markets, with significant April sales declines in Flipkart, Africa, and the UK, although the UK was mainly fuel related. We anticipate some significant operating profit pressure at least through the second quarter.

In China, we've seen operations gradually stabilize. All stores are open and customers are beginning to purchase more discretionary categories again, though not at pre-crisis levels. Omni-channel sales in China increased more than 200% during the first quarter and we've seen demand for these services remain elevated into Q2.

Sam's Club delivered strong comp sales growth of over 16% excluding fuel and tobacco. eCommerce sales grew 40% in the quarter, with strong demand for direct-to-home delivery. Sam's experienced multiple weeks of significant increase in new member signups. The Sam's app is also introducing more members to Scan & Go, which added 700,000 members in the quarter. Sam's Club also incurred incremental crisis-related operating cost of approximately \$65 million. However, fuel income was up significantly and resulted in Sam's operating income increasing 9.5%.

As you saw in our release today, we withdrew our FY 2021 financial guidance. The decision to withdraw our guidance reflects uncertainty around several key external variables and their potential impact on our business and the global economy, including the duration and intensity of the COVID-19 health crisis, the length and impact of stay-at-home orders, the scale and duration of economic stimulus, employment trends and consumer confidence. The uncertainty stems from some variables that could impact performance in either direction.

Our business fundamentals are strong. Our financial position is excellent, and I'm confident in our ability to perform well in almost any environment. While the short-term environment will be challenging, we're positioned well for long-term success and an increasingly omni-world. We're seeing uplift from stimulus spending in the US and expect that to continue through some part of Q2. So, there are tailwinds that will help us gain customer loyalty and market share over this time.

As mentioned throughout, we're also seeing significant headwinds and expect them to continue in the coming months. Some will be temporary, but others will persist through Q2 and possibly beyond. In the near term, we expect some operating income pressure, the extent of which depends on the balance of the tailwinds and the headwinds we just discussed.

We currently expect the greater challenges on a relative basis to be in some of our international markets, where we have many of the same challenges as in the US, but with greater pressure from government regulations and lesser degrees of stimulus. We also anticipate significant top line headwinds from currency. If rates stay where they are today, the impact would be greater than \$2 billion in Q2.

Also, earlier Doug mentioned the decision to close the Jet operations. We don't anticipate a significant charge in Q2 as Jet is a component of our Walmart U.S. segment from both an operational and an accounting standpoint.

The actions we're taking across the company are building associate and customer trust and should position us to capture incremental market share in the future. While we're adapting to the changing environment, our goals remain the same. We're focused on building the world's greatest omni-channel platform. We continue to position the business for the long term by leveraging unique assets, reducing friction in customers' lives, and providing a strong value proposition with a commitment to EDLP. Walmart's people make the difference, and we will lead through his crisis.

Before we move to our Q&A session, I want to remind you of the recent decisions we made for Shareholders Week. We changed the format of our Annual Shareholders Meeting on June 3 to be a virtual-only event. We'll forego in-person meetings with associates and shareholders, including the investment community events that would have been held in Northwest Arkansas during that week.

I want to echo Doug's comments in saying we wish you and your families good health, and we look forward to a time when we can meet in person again.

And with that, we would be happy to take questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question today comes from the line of Robby Ohmes with Bank of America.

Robert F. Ohmes

Analyst, Bank of America Merrill Lynch

Q

Hey, good morning, everybody. Thank you for taking my question. I think I'll target this towards Doug. Doug, the commentary on all this different phases you've gone through so far was great. Now, we're – the US is now heading into kind of phased reopening, and you guys have a lot of regional exposure. Can you give us a little more color on maybe what you're starting to see in the reopening phase and also just commentary on – maybe more commentary on what you saw in China as you went through reopening? And maybe even weave into that, there was a big inflation spike in grocery in April, I think it was over 4%. Is that something that could be impacting Walmart U.S. business going forward? Any kind of thoughts on phased reopening would be great. Thanks.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Robby, you did a great job of working in three or four questions into one question. I can see how this is going to go. I'll do my best. I think if I answer the US question, as I look across sales every morning, it's been kind of surprising that, John, it's been more consistent than I would have guessed. I think the stimulus money is probably

driven in the last few weeks at the end of the quarter that consistency from geography to geography. But you can see some.

In terms of what people are buying, I would also say there is consistency there. And John, when I get through, you may want to comment more on the US. In China, Robby, because of the way they approach things, I think the bounce-back is going to be different and has been fairly strong there relative to what we'll see in the US and other markets. I think we may see a bit of a two-step in some places where we make progress two steps forward, and take a step back, and then move forward again.

Obviously, there are a lot of pieces that have to be put in place from testing to exposure notification. I think policies at state level and county level are going to influence this. And it will be volatile and we'll just manage it. Job one for us right now in the US is to get back in stock and to be positioned to serve customers for whatever it is that they want to buy.

We have seen some inflation, and John, you may want to comment on that too. Everybody knows about the cost inflation that happened in the protein categories. I think there may be some in others as well. We're going to try to keep our prices low. You know how we think about that. We want to deliver customers the best value that we can, while managing our bottom line, and that's what we'll do as we look forward.

John, do you want to add anything?

John R. Furner

President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

Sure. As Doug said, Robby, there were some phases that happened from the beginning of March until the end of the quarter. And really what we saw after Easter holiday is things did become more stable, mix normalized to a point given the stimulus money that's in the market, and things have been relatively consistent across the box and the channel since that point. So, to your question, the phases have been quite defined, but they seem to be more stable over the last few weeks.

The second part of the question is that, as you said, was reopening, and we will be managing the business geographically, state to state, city to city, and over the next few weeks we'll be reopening some of the services in the areas we believe it's safe for our associates and customers for us to operate those services would be things like our tire and service centers, [ph] auto (00:28:56) care centers, and our optical centers. So, we're doing those – we're reopening a few of those in limited spots this week to learn how to best give that service back to our customers.

And then the third part of the question was inflation. We have seen some inflation in categories like milk, eggs, and dairy later in the quarter. That seems to have subsided somewhat. And then protein inflation has picked up over the last few weeks as plants have been inoperable in certain parts of the country and as those have gotten back to limited operating capacity. So, we'll continue to moderate that. But fortunately the Walmart merchandising team is a very qualified team and they will be able to do a number of things to help customers in any way possible to maintain values in the stores and then finally maintain margins appropriately as we move through the rest of the quarter.

Operator: Our next question comes from the line of Karen Short with Barclays.

Karen Short

Analyst, Barclays Capital, Inc.

Q

Hi. Thanks very much. So, I wanted to talk a little bit about eCommerce. Doug, you mentioned the strength that you've seen, and I think the number you said is four-fold increase since mid-March. So, wondering if you could talk a little bit about what the demographics are of the new customers that you're attracting.

And then wondering if you could give a little color on what the repeat rate is on some of these new customers. And then, I guess, just bigger picture, given the meaningful acceleration in e-com, how does this growth kind of shift [indiscernible] (00:30:26) shift to e-com change your outlook for the business in terms of priorities and investments? Any color there would be great.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah, I'll kick it off, and then Marc and John may want to add as well. Karen, it's been great to see how the teams responded to the additional volume. I mean, it was a big uptick, and it took a bit of time for us to get on our feet. I was in an eCommerce fulfillment center in Fort Worth, Texas a few weeks ago, and we finished after Christmas with 1,000 associates in that facility, and the day that I was there, we had 4,000. So, the surge just in throughput is amazing. And the stores have been acting as fulfillment centers as I mentioned in my comments.

I think the 4x number you were referring to was specifically related to our pickup and delivery business at store level, and how many new customers have picked it up. And John, I think we've seen indications already that they are repeating. And as our performance got better with in-stock, I think our ability to deliver a strong NPS score there is going to be an indication that we should be able to retain them. I don't have any information about their demographics. I don't know, John, if you or Marc do, but why don't I turn to the two of you and let you add some color to what I've said already. Marc, do you want to go first?

Marc Lore

President & Chief Executive Officer-Walmart U.S. eCommerce, Walmart, Inc.

A

Sure. Sure, Doug. And to build on what you said there, we have seen an increase in not only new buyers but also repeat rates across the board both for pickup, delivery from the store, and delivery out of the FC. We're feeling really good about what we're seeing here, and we're using this as an opportunity to build a healthier underlying e-com business as well, so.

John R. Furner

President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

The only other thing I would add, Karen, we have seen higher growth rates amongst customers who are 50 years of age or older than what we have seen in previous quarters. Other than that, it's been across the board. The repeat rate has been higher. And I think it's a real strength of the organization to be able to enlist so many stores to help fulfill like we did in the quarter. I think only Walmart could turn on 2,500 stores to fulfilling customer orders as quickly as we did. So, I'd just like to thank our team for being able to do that.

Operator: Thank you. Our next question is from the line of Paul Trussell with Deutsche Bank.

Paul Trussell

Analyst, Deutsche Bank Securities, Inc.

Q

Good morning. And kudos to the team for such strong execution through this crisis. Brett, you managed margins very well in 1Q. Perhaps, discuss what really stood out to you and the team given the dynamic situation. And while it's certainly understandable to suspend guidance, if you could, maybe just comment on some of the factors that we should keep in mind whether it's in terms of pay and benefits and margin impact of ongoing channel mix shift, anything along those lines that we should factor in as we do our best to model going forward.

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah, thanks, Paul. I'll kick off, and John, you may want to chime in a little bit on margins. Coming into the quarter and even as we gave guidance in February, we certainly knew of the price investments that we made last year and we were going to have some overlap with those price investments. So, that was already been baked into the guidance that we gave at the start of the year. So that was as we expected.

Obviously, there were changes in the mix, particularly in Walmart U.S., much heavier in food and consumables, less so in general merchandise until the end of the quarter when general merchandise got stronger and helped some with that mix. Also changes in shift to eCommerce, as you saw our eCommerce growth was very healthy and we also lowered losses in eCommerce. We continue to see better mix within the eCommerce brand – our eCommerce segment.

We also had our Auto Centers and Vision Centers that were closed down for part of the quarter, and that was an impact on margins as well, which is something certainly we couldn't have anticipated going into the quarter.

Paul, one thing we've talked about over time was that gross margins would somewhat go to where the market and customers would allow them to be and that we had to get expenses in the right place to ensure that we keep our operating margin where we want it to be, and that played out in a much more accelerated way in this quarter. But we continue to manage expenses really well. We're being disciplined where we need to be disciplined and that allows us to continue to lean in where we need to lean in. So, I'm really proud of the balance that we're able to keep in the quarter.

There'll be timing elements to all of this as we'll have periods of time where expenses increase more quickly than others. We just announced a second round of special bonuses in the US, which you would have seen, so that will have an impact in Q2. We're glad that we're able to do that.

From a guidance perspective, there was so much that we took into consideration, Paul, as you would imagine. And as I listed out the variables of what the different elements that we're seeing in the economy right now, so what's going to be the severity and the duration of this disease, what's the length of the stay-at-home orders that will continue, what's the stimulus that we'll see in the US and other parts of the world, employment conditions and all of these things could be better than one anticipates in a quarter, could be less than one anticipates or a little bit more challenging than one anticipates in a quarter, and it's all of these things that we factored in and decided it was prudent to not give guidance at this time. But those are the things that we'll be looking at as we think about how the rest of the year looks and what you should be looking at as well.

John, I don't know if you want to say anything more on margins?

John R. Furner

President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

And the only thing I would add, Paul, is late in the quarter, post Easter, as stimulus money got into the market, there was more of a balance between general merchandise and the rest of the box. As Brett mentioned, apparel was down 14% in the quarter. That actually turned back to positive late in the quarter.

And then the second thing I would add in addition to Brett mentioning services reopening would be the contributed profit margin rates in eCommerce had better mix in eCommerce with home and general merchandise selling faster as people began to stay at home in the middle of the second quarter.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

I think one of the things we've been saying all along is we need a bigger online business in profitable categories, and Marc and the team have obviously been working on that, but you'll remember, in the fourth quarter, it was one of the points that we emphasized. Now, if you look at what's happened in the first quarter, we've seen some traction there. Marc, it's also great to see that the marketplace has grown faster. So, some of the things we were trying to get done over a period of time have accelerated as a result of what's happened during this period. But there are still the things, Paul, I'd be keeping an eye on. At the end of this, it's about a really healthy top line, with a strong mix represented not just consumable items at low margin, delivered through any means they want, through our stores, if that's the most efficient route, straight from FCs if that's the most efficient route, and that's the math that we work with underneath.

Operator: Thank you. Our next question comes from the line of Simeon Gutman with Morgan Stanley. Please proceed with your questions.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Hi, everyone. Thanks for the question. My question is how does this growth, particularly in eCommerce, shape the outlook for your business? You've done a great job balancing investment with growth and still providing some margin upside. Is that still possible? And does it make sense to lean in some more here?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

I think we're being – our mindset is an aggressive mindset, meaning that, Simeon, we want to drive this eCommerce business and the marketplace that goes with it as aggressively as we can. And Marc, you can chime in here as well, but we've had a growth in terms of capacity and capital to build out our fulfillment centers, we have a multi-year plan there and that will continue. It's been great to see the stores step up during a period like this to handle surges. That capability is one that serves us well over time.

And we've – I think with the membership plan that we have, some of the things we spoke about in New York, we're positioned to play offense as we go through the summer and into the end of the year. And even as the virus and other things create volatility, we'll keep moving forward on our strategy. The five priorities that I mentioned earlier are the ones I think will persist through the year, and we'll keep driving the long term while we're managing the short term.

Marc, do you want to add anything?

Marc Lore

President & Chief Executive Officer-Walmart U.S. eCommerce, Walmart, Inc.

A

Yeah, no, I'll – just to build on that, Doug, and just say that we continue to leverage our unique assets in ways that only Walmart can with same day delivery out of the supercenter, but as you said, Doug, also leveraging the 2,500 stores to do fulfillment to take up some of the excess [ph] capacity (00:39:23) that we needed [indiscernible] (00:39:25) in the fulfillment centers. So, [ph] in addition (00:39:27), I would say that the continued investment in marketplace as that's accelerating faster than the overall first-party business, we continue to attract new sellers at this time. And then WFS is also very early, but we're seeing very encouraging signs of opening up the business to new sellers and we see that as a potentially nice growth area in the future.

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Hey, Simeon, this is Brett. I would add a little bit too that we've talked about probably every quarter how this team spends a lot of its time thinking about how we pull the different levers inside this company. There are so many levers that we can pull to make the P&L work. And I think you've seen that certainly some in Q1 and the ability – I'm always reminded but the ability of this company to move with agility and with speed is pretty amazing. And I think you've seen that in this quarter.

Operator: Our next question is from the line of Kate McShane with Goldman Sachs.

Kate McShane

Analyst, Goldman Sachs & Co. LLC

Q

Good morning. Thanks for taking my question. You mentioned in your prepared comments a carryover of price investments. How should we think about price investments going forward? I know back at the Investor Day, that was something that you were talking about with regards to the general merchandise category more. Just how should we think about that in the context of what's occurred in 2020?

John R. Furner

President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

Hey, Kate. This is John. Our first priority right now is to get the stores back in stock. All across the company, we've had unprecedented demand in a number of categories. And at the current time, our focus is to get our inventory levels back to a level that we can serve customers all across the country each and every day.

We do have – we have in our plan still price investments [ph] playing (00:41:21) later in the year. However, due to the changes and everything we've gone through so far this year, we'll be taking those decisions later in the year, and we'll make that decision at the right time.

Operator: Our next question is from the line of Peter Benedict with Baird.

Peter Sloan Benedict

Analyst, Robert W. Baird & Co., Inc.

Q

Oh, hey, guys. Thanks. Thanks for taking the question. I guess, Brett, probably for you, how should we be thinking about the incremental COVID costs, I guess, in the second quarter when you had the \$900 million in the first? I know there's a lot of uncertainty here, but just can you help us think about maybe what level of underlying operating expense is being added to the business that probably persists beyond any one-time bonus payments and those types of things? Just how we should be thinking about that? Thank you.

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah, Peter. Appreciate it. So of the \$900 million in incremental costs in the first quarter, about three-quarters of that was related to additional associate pay or benefits, and you would have seen the announcements. So, as you would have seen, we've already announced a second round of special bonuses in the US, which that financially will hit in the second quarter. There's going to be some expenses that carry on probably for quite some time, additional sanitation and cleaning in the stores. As John said, we're going to make sure we're in stock and we have the people to get everything out on the floor. So, there are some of those expenses that are certainly carried to the second quarter and likely some of that will continue past that.

So, if you look at the bonus we just paid in the second quarter, that gets you more than a third of the way to the total cost we were in in Q1. So if the costs were in that ballpark again in Q2, I think that would probably be a fairly reasonable assumption at this point.

Operator: Our next question is from the line of Robert Drbul with Guggenheim. Please proceed with your question.

Robert Drbul

Analyst, Guggenheim Securities LLC

Q

Hey. Good morning. Thanks for all the info today. Just two quick questions really. The first one is I think you talked that marketplace growth outpaced eCommerce. I was wondering if you could put a dollar number on that.

And then the second question is could you just address a little bit more how the supply chain is working for you guys and sort of the flow-through that you're seeing from vendors to the stores? That would be very helpful. Thank you.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Marc, do you want to take marketplace first?

Marc Lore

President & Chief Executive Officer-Walmart U.S. eCommerce, Walmart, Inc.

A

Yeah, no, as we said before, marketplace continues to outpace growth of first-party business. We've definitely made some moves through the current marketplace during this period with pressure on the supply chain. And some of the things that we've learned there I think is going to be helpful to keep that business healthy going forward.

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

And on the supply chain, for the most part, the actual supply chain within Walmart has stayed relatively current other than a couple exceptions in the first quarter. Some of our longer lead time general merchandise categories, where we have out of stocks, will take a bit longer to recover, probably into June and July, particularly in general merchandise. Our food business is mostly current with the exception of some areas in the protein categories. And those are week to week as we monitor what's going on around the country.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Bob, this is Doug. I would just add that the collaboration between our suppliers and our team has been really strong. Really appreciate the merchants, the replenishment team not only in the US but around the world. I think the communication has been terrific. I've personally been involved in some of that communication. The CEOs and the leaders of our suppliers have kept us up to speed on what they're dealing with as they not only try to keep their people safe throughout their supply chain but think about the suppliers that they have into the supply they bring to us. It's just a lot of steps to this. And I think it's been impressive how people have responded.

Operator: The next question is from the line of Kelly Bania with BMO Capital. Please proceed with your question.

Kelly Bania

Analyst, BMO Capital Markets Corp.

Q

Hi. Good morning. Thanks for taking my questions. Wanted to just also ask about eCommerce, it sounds like all different [ph] modes (00:45:34) there really accelerated. But any color you can help us think about how this acceleration impacts the timeline of improvement in eCommerce losses?

And associated with that, the decision to use the stores for fulfillment, were the FCs stretched there in capacity, or was that more of a labor-driven decision? And I guess do we – should we be thinking about any need for additional FC capacity in the coming years?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Yeah, Marc, I'll kick things off and then toss it over to you. I think our need for capacity has been one that we've been aware of and as I mentioned earlier, we have a multi-year plan to grow it and we'll do that, and in some cases, might pull things forward a bit, but I don't know that you would notice it.

It did take time to recover because the demand popped to such a high level. And as I mentioned with the Fort Worth example, we had to hire a lot of people. One of the pieces of innovation that might go unnoticed here is that our team figured out how to hire people in a much shorter period of time. What would have taken us days and weeks was taking us hours and days, and that was also true for the eCommerce fulfillment centers. So the stores stepped in to help with excess capacity.

So, Marc, I think you can add anything you want to add to that. But as you do that, would you also, as it relates to long-term profitability of eCommerce, mention whether or not we've been able to add any new brands in this period of time to the assortment?

Marc Lore

President & Chief Executive Officer-Walmart U.S. eCommerce, Walmart, Inc.

A

Yeah, Doug. So, yeah, along the lines of healthier business, there's a number of things that we've done during this period to create healthier business coming out of it. And some of the things that we know we need to do long term to continue to reduce losses is keep the fixed growing at a low rate, when we grow sales at a high rate, driving mix into marketplace, which we've done driving mix into higher-margin categories like home and fashion, which we're also doing. And that means that we needed to continue to add brands because of particularly good

period of stretch for us, where we add in a lot of really good brands, some of these include Champion, for example, Keds, also Ray-Bans, and a bunch of others.

So, we feel really good about extending this first party long tail, increasing margin, driving better mix, keeping fixed in check, and then also, as Doug said, innovating and doing things like leveraging the stores to help with FC capacity.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

I think, big picture, one way to think about it would be that we're going to sell a broad assortment across merchandise categories and services to customers, and we're going to do that as they come into our stores and clubs, as they utilize pickup on-site, and as we deliver to their home and eventually into their home. And what we will do is design and execute a supply chain underneath that that leverages all of our assets.

So, there'll be times when it makes sense for an order to go straight from an FC based on what that order is comprised of. There'll be other times where that may be split between stores and fulfillment centers. There are other times where it may flow complete through a store. Maybe even, John, [ph] receiving (00:48:53) something from a fulfillment center to a store joining our last mile delivery, which I know you've been working on as we speak.

So, I think we just learn over time how to manage the costs underneath that top line demand, and we've got a lot of assets to use and a lot of flexibility to balance speed, expectations of service with cost.

Operator: Our next question is from the line of Chris Horvers with JPMorgan.

Christopher Horvers

Analyst, JPMorgan Securities LLC

Q

Thanks. Good morning, and thanks for the call. Can you talk – two questions. So, first, on the gross margin, thinking about 2Q, would seem like your mix is shaping up to be much better. Maybe the surge in the business is not as onerous. And then on the apparel side, do you think you've taken a sufficient reserve, and does this stimulus surge clean you up sort of through midway – mid-May?

And then the second question is I think the FDA raised SNAP payments for May and June. Correct me if I'm wrong. And how do you think about that benefit? And I guess the offset would be some of the back-to-school pull forward in some of these electronics categories. Thanks very much.

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Let me take the first one on the gross margin mix. As we said, general merchandise and food were more level towards the end of the quarter. In apparel, we have stayed current on all of our markdowns, and our inventory is in good position coming out of the quarter. So, I don't see anything of different than what we would have planned for. And could you repeat the last part of the question on the SNAP?

Christopher Horvers

Analyst, JPMorgan Securities LLC

Q

Yeah. The second part was I think the government raised SNAP payments in May and June to the tune of 40%. So, wanted to think about how sizing that relative to some of the disclosures you've given in the past, and any thoughts also on how maybe some back-to-school pull forward could occur in the electronics category?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Hi, Chris. This is Doug. We're all looking at each other. If the SNAP change has occurred, we're not aware of it. But it's a great example of the volatility. That could very well be true. We're processing so much information, it may be that we're just not aware of that yet. I mean, when you think about guidance, Brett, there's upside, downside. We're just going to have to manage this thing week to week.

And Chris, I would not attempt to forecast back-to-school right now. There's a reason we pulled guidance. We're telling you about the first quarter. We'll tell you about the second quarter later.

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

Yeah, I'd say the same thing, Chris, on gross margin, which is we've talked about that we've continued to see definitely some stimulus buying as we've started the quarter. But if you just looked back at the last eight weeks, the variability in sales and mix over that period of time, I'd be cautious in trying to look at margin too far out.

Christopher Horvers

Analyst, JPMorgan Securities LLC

Q

Thank you.

Operator: The next question comes from the line of Seth Sigman with Credit Suisse.

Seth Sigman

Analyst, Credit Suisse Securities (USA) LLC

Q

Hey, guys. Good morning. Thanks for taking the question. And, obviously, great results here in managing the environment. My main question is around online grocery and specific to Delivery Unlimited, what are you guys seeing in terms of subscriber growth right now, and what are you learning about where that offering can go? And then just overall, how are you managing capacity constraints for online grocery overall? Thanks.

John R. Furner

President & Chief Executive Officer-Walmart U.S., Walmart, Inc.

A

Hey, Seth. This is John. Across the quarter, as we said, demand was quite variable and very high at some points. We mentioned in our stock-up phase, we had really high volume levels in paper, groceries, surface cleaners, categories like that. And at some point – one point during there, we had to pull some demand down because we weren't able to fill the orders due to in-stock, but quickly were able to recover that as we got into April and we've continually been adding slots so more customers could be served with our online pickup option.

And as far as the Delivery Unlimited, really good growth in the number of people who are using the service all across the quarter and expect more and more consumers around the country are going to be looking for delivery options. I think we're just fortunate to be positioned at Walmart in a way where we can deliver from store, we can have pickup orders ready, and we've included more and more general merchandise categories in our pickup assortment. We're now down to one application on the phone, one app, it still has two hallways but we're done to

one app on the phone. That went live as of this week. So, we're positioned well to be able to serve customers the way they want to be served from fulfillment centers, from stores, or from picking up in stores.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

John mentioned two hallways. That refers to the fact that on our app, you can choose to do grocery pickup from the store or order from walmart.com. But over time, I think what John said about general merchandise matters, it's going to end up being that you can do [ph] kind of a (00:53:49) really quick pickup or delivery from a store location and it will be inclusive of general merchandise, which helps us with mix and also improves the customer experience. So, our language will probably evolve away from online grocery to just being pickup and delivery, and we'll talk to you more about what that means in the future.

Operator: Thank you. Our next question is from the line of Scot Ciccarelli with RBC.

Beth Reed

Analyst, RBC Capital Markets LLC

Q

Hi. Good morning. This is actually Beth Reed on for Scot. I just had a question about the stock-up trips at Walmart. Understanding that drove the drop in transactions and a lift in basket size, can you just discuss kind of why it looks like the opposite trend happened at Sam's? Thank you.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

I think it could be related to metering going into the stores. There have been periods of time during the quarter where we were constricting transactions at store level because of social distancing. And at Sam's, we weren't using as much of the capacity of the building before this crisis as we were in the supercenters. So that may be contributing to it.

Operator: The next question is from the line of Paul Lejuez with Citi.

Paul Lejuez

Analyst, Citigroup Global Markets, Inc.

Q

Hey. Thanks, guys. Curious if you could frame or quantify for us the impact of out-of-stocks on sales in 1Q, maybe where you would have liked to see your first quarter ending inventory, and where are you today since I'm sure things are changing by the week, any color you can share there. Thank you.

Brett M. Biggs

Chief Financial Officer & Executive Vice President, Walmart, Inc.

A

So we ended the quarter about 8% down in inventory. So, definitely lower than what we've anticipated, and that's not evenly spread around the box. So, we've been lower in general merchandise categories like electronics, networking, laptops, bicycles, and those are some of the longer lead time categories where we saw a big shopping late in the quarter, even categories like fishing really took off late in the month of April.

So, we'll be working the next couple months we think into June and July to recover the inventory levels there. In food and consumables, we've seen some decent recovery in our paper good categories. Cleaning is still lower than what we had intended. And then most of dry grocery has stabilized a bit particularly late into the first quarter.

Operator: Thank you. We're nearing the end of our question-and-answer session, have time for one final question, which is coming from the line of Michael Lasser with UBS.

Michael Lasser

Analyst, UBS Securities LLC

Q

Good morning. Thanks a lot for taking my question. Doug, looking out over the long run and given the structural changes that are likely to occur as a result of the pandemic, did this permanently increase the cost of doing business through Walmart with factors like additional protection for employees and customers and the mix to the digital business?

And as part of that, one of your largest competitors indicated it's going to spend \$4 billion of profit. Does that put added pressure on the retail market to follow through and permanently put pressure on the profitability for other retailers?

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

A

Michael, I think one of the embedded questions in what you just asked is what approach will we take to testing for the virus? Some of those investment numbers that have been mentioned I think anticipate paying per test a fairly high number for a lot of people and a lot of tests. That's one of the areas that we are looking at. We've got a team involved in trying to sort out what kind of testing approach we're going to take, both diagnostic and antibody testing over time as we all try to keep people safe. As you would know, there are a lot of moving parts there. There's actions from governments, federal and state, there are other players trying to sort all that out. So that's unclear to me.

Setting that aside, I think the things that we've done in terms of PPE and operational processes, there's nothing extraordinary there that you wouldn't know about now that you've seen the first quarter number.

As it relates to mix going forward, this is not really a new situation. The eCommerce channel shift and merchandise mix issues have been on our minds and we've been working towards creating a healthy mix. We're a futuristic business for quite some time, and you can see it in our fourth quarter numbers what happened, and you can see it in what happened during the first quarter when we have a strong eCommerce business and apparel and home and marketplace, it sure does help a lot.

In the end, we're going to end up with an omni-channel business, and it's going to serve customers in the way that they want to be served, and we're going to figure out and we are, as we speak, and have been, what combination of choices we need to make from a supply chain point of view, where to route orders through, how much to pay people, all those variables that Brett mentioned, we've got a lot to work with to sort it out.

I think job one for us is to stay relevant with customers for the future and the way they want to shop. And then job two is to figure out how to deliver a shareholder return as we do it. And we're doing both of those things and we'll continue to in the future.

C. Douglas McMillon

President, Chief Executive Officer & Director, Walmart, Inc.

So, Dan, if that was the last question, do you want me to just wrap up and say thank you to everybody? Dan is giving me the nod on video conference. We do appreciate how much time and attention you all pay to Walmart

and we'll try to do a good job of communicating as we go forward and letting you know what we can [indiscernible] (00:59:37) what is a very volatile situation. Really appreciate our associates. They've done an incredible job in the first quarter, and we all appreciate it.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2020 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.