

Walmart
Q4 FY26 Buyside Investor Call
February 20, 2026

Presenters

Steph Wissink, Senior Vice President, Investor Relations
John David Rainey, Chief Financial Officer

Q&A Participants

Peter Keith – Piper Sandler

Operator

Greetings. Welcome to Walmart's Fourth Quarter Fiscal Year '26 Buy Side Call. At this time, all participants are in listen-only mode. If anyone should require operator assistance during the conference, please press star-zero from your telephone keypad.

I'll now turn the conference over to Steph Wissink, Senior Vice President, Investor Relations. Thanks, Steph. You may begin.

Steph Wissink

Thanks, Rob. Hello, everyone. I'm going to begin by reading our disclaimer statements. Today's call is being recorded, and management may make forward-looking statements. These statements are subject to 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 filings with the SEC. Please review our press release and slide presentation for a cautionary statement regarding forward-looking statements, as well as our entire safe harbor statement and non-GAAP reconciliations, on our website at stock.walmart.com.

Peter, I'll turn the call over to you.

Peter Keith

All right, great. Thanks, Steph. So, welcome, everyone, to our post-Q4 call with John David Rainey. My name is Peter Keith with Piper Sandler. I'm the senior research analyst covering hardlines and broad lines.

So, good morning to everyone on the Walmart team. And John David, thanks for spending some time with us.

John David Rainey

Well, Peter, thank you for hosting the call. We appreciate all those listening in and take the time to hear a little bit more about our quarter and how we're thinking about the year.

Peter Keith

That's great. OK. So, nice quarter and I thought a very good conference call yesterday, so I've been really looking forward to this conversation to run through a bunch of different topics. Of course, a lot of the questions will look at the business on a go-forward basis, but I did want to kick off with a question that just looks back, and I like to ask executives this question.

If you think about accomplishments in FY '26, John David, what are you and what's the company most proud of? In what was certainly a challenging year with some headwinds, you guys still posted good growth. What stands out to you as something that you felt was a strong accomplishment or accomplishments that may not show up in the financial metrics?

John David Rainey

I think two things, Peter. One is, and you alluded to this in your question, that it was a challenging year. If you go back to the beginning of the year at our Investor Day, you know, we entered this new environment with tariffs, and that was not in our plan as we developed it at the beginning of the year. And I'm just -- I'm exceedingly proud of the way the teams navigated that, accomplishing two things.

One is minimizing the overall cost impact from higher tariffs on our customers and members. And two is doing it in a way that still allowed us to achieve a financial outcome where operating income grew faster than sales. So, that stands out to me that is something that I think, as we go back in the annals of history, will show this was a tariff year and how the team navigated that.

The second, you know, I'd be remiss if I didn't mention e-commerce, specifically profitability in e-commerce. That was a big milestone for us. There are years of hard work and investment to make that happen. And so, the ability to achieve that was something that the team is -- we're all really proud about.

Peter Keith

OK. Well, great. I wanted to get into e-com profitability in a bit, but first would love talking to you guys about what you're seeing with the consumer. I think what's interesting, as we've come into this new calendar year, there's a lot of tax policy changes under the One Big, Beautiful Bill Act. Higher tax refunds obviously getting a lot of headlines. There's also lower/middle income customers seeing reduced tax withholdings from things like the tips and overtime.

So, kind of a big picture question, but what are you seeing on the consumer as you kick off the year? Do you think any of these tax policy changes have started to show up in consumer spending habits? And then tax refunds were obviously asked on the call yesterday. How are tax refunds factored into the outlook?

John David Rainey

We've seen that our members and customer spending has been pretty consistent overall. As we noted on the call, we look closely at the level of retail spend by each income cohort. And in the third quarter, we saw that -- a little bit more of the diversion between the spending at the upper income level versus the lower income level. That persisted in the 4Q, so something that we're keeping an eye on and consistent with this narrative around a K-shaped economy. So, we certainly see that in some of the data.

But overall, consumers are still spending. The lower income cohorts are prioritizing necessities over discretionary items. We see that. The other notable thing I'd point out is we have seen some persistent impact from the change in SNAP benefits. This is much more pronounced in our Sam's segment. That's improved a little bit in the most recent weeks, but something that we're keeping an eye on.

Historically, we tend to recoup the vast majority of that spend through other tender types, so I don't expect it to be a material impact on our results overall as we think about the year. But as we're looking at the health of the consumer and what's going on there, it's something that I would call out.

We have not seen any other changes in consumer behavior related to some of the other things that you mentioned around tips and some of the tax benefits there yet. Our expectation is that we will see a higher level of spending from tax refunds. Some of that will be saved. Some of it will bleed out into the second, third, fourth quarters of the year.

Peter Keith

OK. All right. Yeah, still a lot to come on that, so we will see how it turns out. Digging into, I think, one big topic from yesterday is just the dynamic of stores versus e-commerce. So, if I would look at -- specifically at the data, the Q4 e-com contribution to the U.S. comp was 520 basis points. That's on a U.S. store comp of 4.6%, so the implication is that the U.S. store comp was negative. So, I want to ask a two part question on this.

So, first off, how should we think about -- or how do you think about the U.S. store comps on a go-forward basis? And secondly, and this is perhaps more important, could you speak to the incremental margin of a store transaction versus an e-com transaction? And are we getting close to a point where investors really shouldn't even care where that transaction is coming through?

John David Rainey

Sure. I'd start by saying it's becoming increasingly more difficult to really separate out store performance versus e-commerce performance. It's truly omni performance. And I'd just say that we love being omni, I mean, and in fact, you know, maybe the question behind the question is the relevance of stores going forward. And I could point you to what some of our competitors are doing to try to build out their footprint, which shows how well the omni model works.

So, you know, I would expect stores to still be a modest positive comp as we go forward. But, you know, for us, this is -- we think of it as 5,000 distribution nodes that we have in the U.S. that enables us to provide the level of convenience to our customers, to serve them in, in many cases, less than 30 minutes. So, you know, I'd expect that to continue to, you know, see us try to emphasize that omni model.

With respect to the incremental margin profile, the way that we think about that is on a fully loaded basis, more specifically like an e-commerce transaction receiving the benefits of all the other commerce services that we have around advertising, fulfillment services, things like that. We are probably still a few years out before that margin on that unit transaction exceeds that of someone just going into a store and taking it off of the shelf and paying as they walk out. We fully expect to achieve that at some point in time. And that's an exciting prospect to think about, but it's not going to be in the next year, even two years probably.

Steph Wissink

Peter, I would just add as a layer of dimension, think about the Walmart U.S. stores. One of our largest businesses that still very stores indexed is health and wellness. So, we did talk about a moderation in that comp. That was a business that was comping mid-teens or better a year ago, and is now comping into the single digits.

And so, when you have a deceleration in a heavily penetrated stores category, that is also going to have a disproportionate weight on the aggregated comp when you're looking at stores versus e-com. And we would expect that to continue, as we've talked about maximum fair price as a bit of a headwind as we look at the health and wellness segment specifically within -- or, excuse me, the category within the overall segment.

Peter Keith

OK. Yeah, glad you brought that up. It's a good transition, actually, to a topic I did want to ask about with maximum fair pricing. So, it was mentioned on the call. It was highlighted that it will be a 100 basis point headwind to sales in FY '27, sounds like more so on stores than e-com.

So, is this going to be a pretty consistent headwind through the year, or could it be something that builds as the year progresses? And then secondly, how should we think about the impact of maximum fair pricing on both gross margin and your gross profit dollars?

John David Rainey

Sure. The impact on comp will be pretty consistent for each month of the year. We saw that in January. And if you quarterize or annualize January, it'd be pretty representative of the 100 basis points that we expect for the full year.

It doesn't have a material impact at all on gross margin or gross profit. Keep in mind that, in our health and wellness, or more specifically on our pharmacy business, we make a better margin on generics than we do some of the name brand drugs which this is affecting. So, pretty small margin

there overall. We don't expect it to change the gross profit dollars on these drugs that have been affected.

Peter Keith

OK. Good. That's great to hear. All right. So, kind of, I guess, with that, let's just talk about the broader approach to guidance for fiscal '27. So, John David, could you just talk about your approach to putting out the sales and EBIT growth framework for the year? There's obviously a lot of moving pieces. And then I think you spoke to the EBIT growth could be at the high end of that 6% to 8% range. What are the dynamics that would get you to the high end or even hopefully above the range?

John David Rainey

Sure. Peter, I think it's important to give context. And I'm going to repeat myself a little bit here, but I think these are important aspects of the way that we think about guidance. We've effectively raised our guidance each year over the last three years from the year prior. And if you'll allow me, I'm adjusting for VIZIO acquisition last year on Leap Day, which we called out.

But our core business, we've seen that there's been an improvement in guidance each year and we've outperformed that guidance each year, in some cases by material amounts, particularly on operating income. And so, we'd love to be able to do that going forward. I think our guidance shows a continued acceleration in the business by moving that range up to 6% to 8% operating income growth in constant currency. We also pointed out that we have over 100 basis point tailwind related to currency. So, if you were to take the high end, that 8%, on a reported basis it actually translates into a little more than 9%.

But I also, just almost philosophically, think that a business our size that is so tied to the economy, and in particular one that is maybe described as fluid or maybe a little unstable right now, it doesn't serve us well to get too aggressive here and get out over our skis. Last year we were able to deliver the results that we did by maintaining maximum flexibility, and we want to do that again.

As we sit here right now, one month into our fiscal year, you know, you can pick whatever macroeconomic indicator you want to support your outlook on the year. You've got, you know, some people call it a hiring recession. You've got, you know, housing is not doing well. Consumer sentiment is somewhat subdued. But the same side, you could be pretty constructive on the economy as well.

Since we reported yesterday, you've had fourth quarter GDP that came out that was, you know, kind of the polar opposite of what we saw the prior quarter. We went from 4.5% to 1.5%. I think that underscores, right, why we should be prudent at this point in time as we're -- you know, you hear this narrative around a K-shaped economy and things like that.

But I think, very importantly, we are a company that stands to do well in any type of economic environment. We have a durability to our earnings model that is going to do well when we're in more expansionary times. But when the consumer is -- when their wallet is stretched and they're looking for value, we've seen that we're going to do well in that environment too.

And so, I just -- I think almost philosophically it's prudent to take a more measured approach to the outlook right now. But, look, our team here is rallied around trying to outperform that guidance just as we have in the last several years. We are rewarded in the same way that shareholders are. And so, we recognize that, when we perform in that way, that our stock price has responded and we've created a lot of shareholder value for our investors but also for the -- our associates as well.

Peter Keith

OK. I know that's -- I thought an interesting comment that I was talking about with the Steph yesterday is, if you look at the last year, challenging year with tariffs, you add back Leap Day and adjust for VIZIO and the liability claims, you still had EBIT growth of close to 10% with everything that was going on. So, all-in, a very impressive year.

John David Rainey

Well, you're right. And just if I could add to that, and that's on the back of 9% growth in the two prior years. And these, I noted in my comments, many of these businesses that are contributing to this are very early in their maturity curve. And look, I think a good way to look at our businesses the incremental margins. And just in the fourth quarter, I think we had about a 10% double digit incremental margin again overall, and so that's the structural nature of how our business wants to grow. I know you can't exactly normalize for everything, but when you look at the core business and you strip out what I think is somewhat anomalous with claims last year, it shows you that the core business still performs and that's what we expect going forward.

Peter Keith

Yeah, OK. That's great. I want to also now just pivot to capital allocation and the CapEx guidance. So just to—everyone remembers the FY 27 CapEx guidance, it's supposed to be about 3.5% of sales. Similar to the last year, it's towards a higher end of your longer term range of 3 to 3.5% of sales.

So, I guess I want to ask a two-part question on this. So, could you speak to the cap allocation decisions you're making now that puts you towards the higher end of that long term range, in other words, what are you investing in? And then, conversely, how are you approaching CapEx spending, compared to some tech peers which are seeing obviously a meaningful ramp in CapEx spend?

John David Rainey

Sure. Happy to address both parts of that question. I think it's an important one. I don't want to over complicate the first part of the answer. It's pretty simple. We see opportunities to invest in InComm Conferencing

our business where it's driving a high ROI and, where we can, we'd like to accelerate some of that. We look at every dollar of capital through what it's going to do to the bottom line. And, you know, there are many examples where we continue to see some of the improvements or benefits from not only the technology that we're in the money, but the supply chain automation as well.

We internally here have celebrated recently the fact that in the number of our regional distribution centers, we're eliminating the entirety of the conveyor system there. So, meaning that it's 100% palletized. Those RDCs that I'm referring to now serve 38% of our stores. That drives enormous efficiencies in our business. You see some of that through the ability to leverage in the fourth quarter, which is the first time that we've done that in a while. And so, you know, we just—we see opportunities that we think are really smart, prudent investments.

As it relates to our tech peers, it's a good question because certainly the market is very fixated on that. But if you look at the investments that they're doing, they're largely in the infrastructure layer. So, think data centers, model capacity. The opportunity for companies like Walmart is not to replicate that step. I think AI is different than past technology cycles in the sense that it's becoming broadly commercialized even maybe democratized.

AI is becoming an enabling layer. It's not one where I think that you need to have a proprietary mode to be able to access that. So we view AI much like we view other foundational technologies where we want to have the very best capabilities, but we're going to be disciplined about where we invest. We can use our partners and we can do things in our own platform like Sparky and we don't have to buy the entirety of the tech stack.

Our advantage in AI is deploying it on what we do best, which is retail and commerce at scale. So we're going to invest in areas like merchandising, supply chain automation, inventory management, and improving the customer experience rather than spending billions to replicate capacity that's already in the market. The AI arms race is—or infrastructure race is not where we have a competitive advantage. Our advantage lies in, one, the scale of our data, two, our physical and digital ecosystem and, three, our ability to operationalize technology and commerce. So we're going to focus on high ROI investments, not duplicate of capacity to try to outspend the cloud providers.

Peter Keith

OK. That's a great summary. It's also a good segue. I did want to dig into the company's AI positioning. So could you talk about how Walmart today, maybe this isn't soaking up a lot of spend, but how is the company positioning itself to increase market share as AI and agentic commerce become more popular with online shopping? And then, what do you want to call out as perhaps your highest priorities around AI? And on that note, what gets you most excited about this AI opportunity?

John David Rainey

I think that the thing that we—that is most important to us is to build a great shopping experience using AI. We talked about on the call yesterday, Dave and John both made some comments related to the improvement that we're seeing in basket size and levels of spending through our Sparky app.

And so I think there's two data points that are noteworthy here. Roughly half of the customers that engage with our app are also engaging with Sparky. And of those that are engaging with Sparky, we're seeing a 35% increase in overall spend. And I want to highlight, we are really early on here. So we're quite encouraged about this.

And you're familiar with our sort of multifaceted approach to how we're dealing with this with both partners and our Sparky app, but I think one of the most important things that we can do is to just build a great contextual personalized experience that's tailored to what our customers want in our own app through Sparky.

Steph Wissink

Peter, I'd build on that as well. We want to build once and deploy this globally. You're going to hear that phrase from us a lot more across different platform areas, and AI as a customer experience enabler is going to be one of those areas where they're beginning in the US, but Sparky could show up in other countries of the world and other apps that we have with other formats as well—or that similar technology could emerge. So just know that this is just the beginning. As John David mentioned, it's still quite early, but this is an area we're going to invest behind and deploy across multiple formats and multiple markets.

Peter Keith

OK. Yeah, I know Steph made a really interesting comment to me yesterday that Sparky went to boot camp for building baskets. I thought that was really interesting to hear and that's kind of where you're seeing that 35% lift and an average ticket. It's quite impressive out of the gate.

So you know, what you bring up around building, deploy once and build globally, it's a great segue to the next question is just some of the management team adjustments. I know Seth Dallaire moved into a new role. Could you speak just about how maybe the management team has changed a little bit to kick off the year because it seems like you're positioning Walmart to build out AI on a global basis and even take some of the key high margin revenue initiatives and build those out globally as well?

John David Rainey

Sure. You know, we're a company that's been around for six decades and with six decades, you get a lot of legacy practices and one of our legacy practices has been to operate very much in a segment basis and maybe another way of saying that is a more siloed basis. And so when it's funny, you know, we're starting to be referred to by some as more of a tech company, but if you were to compare us to tech companies, this is not something that I think we do well right now.

We have a real opportunity to, as we move more into digital channels to do that in a much more efficient way.

Effectively, our to-do list in each of our segments is the same. And so we want to build once and apply that to all of our segments. And so some of the changes that John has made, and even Doug before him, if you include like Daniel Danker coming in and handling all of our product in AI and now Seth taking what he does and applying it to all the segments, this allows us to take some of the great things that we've done in the US segment, but then apply them to both Sam's and the international segments.

If I look at our portfolio of markets around the world, and just like WalMex as an example. And they had their call this week so I'm not sure anything that they haven't talked about, but when you look at their e-commerce business, it's a fraction of what the Walmart US is. And yet, there's a lot more similarities between that market in the US, or you can take Canada as another example, then there are differences. And so we want to apply the best of what we're doing in the US and use it in these other markets as well. And so now we're structured that way. And you've got a team aligned around that to help us go execute in that fashion.

Steph Wissink

Peter, if I could just build on that, I think the direction comes the other way as well. We're learning a lot from our Eastern markets like India and China and bringing those learnings back to the US. So really think about this increasingly as a global portfolio of businesses, but where there are learnings that cross markets and borders, even into the US versus just exporting from the US. So you'll hear more about that in the future too, particularly China and India. We take a close look at those businesses as we think about something like speed. Speed in the US means under 30 minutes, but in China and India, it's oftentimes under 15 minutes. So on those—that future is ahead of us in the US as well.

Peter Keith

OK, all right. We'll dig into that. We'll be watching. Well, let's—let's talk a little bit about the US e-com growth. So John David, you called that out the very beginning is one of the things you're most proud of. And I think you have every reason to be. It grew 27% in Q4, showed acceleration in the back half of this—this past calendar year. So now that we're heading into the new year with—with calendar '26, what do you see as the key drivers to continue this e-com momentum? And even are there any drivers you think are becoming more important or starting to emerge? And kind of Sparky comes to mind as maybe something very early.

John David Rainey

Marketplace certainly stands out probably right at the top of the list of something that we want to continue to grow. We grew that roughly 20%. Is at the right number? Yeah, in the US. And in the fourth quarter, that gives us so many more options to provide good store services and also for us to monetize the way that we provide those goods and services to customers in a different way. So that stands out to me as something that you want to continue to emphasize.

I'll also say, you know, I think there's an opportunity around customer awareness, too. We are hearing more and more and more someone's coming to Walmart for the first time and the feedback we get is just fantastic. And it sort of plays into this advertising campaign that we have around who knew. But there's a reality to that.

There's a lot of America that doesn't know some of the offerings that we provide. And when they experience that for the first time, it's almost revelatory in some ways. And we see a high level of engagement with those customers. But I think there's a better opportunity to just make the rest of the world more aware of what Walmart is offering.

And when you when you delight a customer and you're able to provide something to them in less than 30 minutes, that's solving a need—in fact, I got an email this week from someone in the investor community that was talking about it was time to feed their baby and they did not have formula. And so they reached out to Walmart and got it in 30 minutes. And if anyone's ever been attending a crying, hungry baby, you can appreciate how much that matters. So it's stories like that that we just hear more and more about. And again, our ability to serve 95 percent of America in less than three hours, in many cases, a fraction of that timeframe, really gives us a unique advantage.

Steph Wissink

Peter, if I could just for clarification, just talk about marketplace revenue. Just a reminder to everybody that that is marketplace commissions or the revenue that we receive from the marketplace sale, not GMV.

Peter Keith

Yeah, OK. That is a good point. OK, by the way, I do I do really like the who knew campaign. I remember seeing it kicked off at the shareholder meeting back in June and it's been fun to see how you guys and iterated off of it, changed it up. So nice work there.

John David Rainey

Thank you.

Peter Keith

On the—one topic we haven't talked about, but e-com related, but on Walmart Connect. So for those listening, of course, that's the supplier advertising. A metric that really jumped out to me from the Q4 results was that Walmart Connect grew 41% in Q4, and that is excluding VIZIO. And that's a very meaningful acceleration from even earlier in the year last year.

So here again, kind of a two-part question. What's driving this acceleration in—in Walmart Connect? And then, what are the expanded capabilities you might have with VIZIO to kind of keep this momentum going?

John David Rainey

Sure, I'm really excited about that number as well. I do want to point out, in all fairness, there is a little bit of seasonality to that number. Like, we're going to benefit when we sell more GM and seasonal periods on the ability to advertise there. But I think that's the best year over year number we've had for any quarter that I can remember in probably the last three years. But I think it shows the progress in the business and, in particular, as you noted, ex the VIZIO acquisition.

The way that I think about this, Peter, is if you look at our advertising as a percent of GMV, we are still very much kind of middle of the pack. And think of this in percentage terms as mid to even low single digits here. So we have a tremendous amount of opportunity to grow that through our own capabilities, but also, the denominator is growing as well, as we're growing that GMV.

It ties back to your earlier question about the importance of marketplace, because that gives us an opportunity to advertise for many of those products. And you know our emphasis on GM, you're going to get more advertising dollars, advertising for a pair of tennis shoes, than you are for a head of broccoli. And so as we expand in our marketplace, we sell more general merchandise, it's also going to help us grow that business.

VIZIO is something that we're really excited about. We had triple-digit growth in VIZIO advertising in the most recent quarter. That gives us another channel to provide offerings to customers, and importantly, it gives us the opportunity to do non-endemic advertising, so we can advertise for items that we don't sell. And I think on a previous call, maybe I used the example of a Ford F150. And so I think there's a tremendous opportunity still in advertising. I know there are questions about what agentic commerce can do to that, and I'm happy to address that, if that's a question, but we see as much opportunity here as we have any point in time.

Peter Keith

OK. Yeah. You are right, I did want to ask about the agentic commerce risk. And look, you did get the question already yesterday in the earnings call. I think you'll probably continue to get the question. And I will admit, it's a little awkward asking about the agentic commerce risk to you in a quarter where Connect accelerated to over 40% growth, but how do you think about the supply advertising opportunity? Is there even a way maybe agentic commerce could enhance that Connect business?

John David Rainey

I appreciate the way you frame that, because we think of it the same way, there are puts and takes. And in many respects, if you have a more contextual, personalized experience, the ROAS on that advertising spend could be even higher. And so we think of it that way, particularly with our Sparky platform. But with agentic commerce, you could see some channel shift.

Importantly, in partnerships that we have right now, we really like the experience that we have

there. So it's an embedded one versus one that's native, or where you've got a [inaudible]. And that allows us to still have an influence on the advertising there.

But on the question of channel shift, there's two things to think about. One, is you could see some channel shift, and I'll come back to that. The other thing you could see is that we're gaining new customers, and we've seen that already through the partnership that we've rolled out already. Roughly one in five customers that are using that are new to Walmart, and that's great for us. But on channel shift by itself, I think there is maybe an under appreciation of the complexity associated with the end-to-end retail experience. Think about something, fulfillment as an example, knowing where your inventory is and being able to be time definite with when you can give that to a customer is exceedingly complex.

And if you're shopping in through an agentic channel, let's say other than Walmart, then you're not going to want to buy 20 different items and have them come in 20 different packages at different times throughout the week. And so there's always going to be a tendency for people to basket-build. And the better that we can do that, which is why it's so important for us to invest in Sparky, the more retention of that that we're going to have. And so I think just as you've seen digital become a channel versus brick and mortar, we're sitting here today, 30 years post ecommerce implementation, and it's still only a fourth of our business.

People are still going to shop in stores, they're still going to come to our website, but this gives them a better -- another channel that, in many ways, gives a better shopping experience for the item that they might be spear fishing for. And so we want to lean into that and be front-footed here and help shape that, versus letting it happen to us.

Peter Keith

OK. All right. I like how you answered that question. A topic you had mentioned earlier related to the CapEx spend was the supply chain automation. I think it's called palletized inventory. It seemed like a topic that was brought up a lot on the call yesterday, so hoping you could expand upon it. Where are you on that supply chain automation journey today? And then is there almost a finish line that we could think about, where a vast majority of the chain is fully automated from a supply chain perspective?

John David Rainey

Sure. So I'll approach this from both DCs and FCs. Roughly 50% of our FC, our fulfillment center volume is automated today. And roughly 60% of our stores are receiving some freight from automated facilities. We still have a long ways to go, though, until we get to where that's 100%. And by a long ways, I think the way to think of this is there's a five or six-year window until you get to that. But there's a Pareto to this, where, as we get the vast majority of this automated, we begin to realize a lot of those benefits. I think, importantly, given the juncture of where we are right now in the automation, that first mile, we haven't seen or realized all of the benefits at a store level.

I mentioned earlier, the palletized freight. That has a domino effect into the stores. That helps us be a lot more efficient there. But this is an investment that you're going to see will realize the benefits each year over the next several years. It's not as if we have this like step change where we have all of the benefits at once. So it'll be metered into our results over the next several years, and this is one of the reasons why we're given the outlook that we are and excited about this idea of continuing to grow operating income at a much higher rate than our sales growth.

Peter Keith

OK. Yeah. And even circling back from what you said before, you did see SG&A leverage in the fourth quarter, and I think it's important to point out that supply chain costs and store labor costs, where maybe there's fewer touches from the automation, are helping to reduce expenses and drive that leverage. So I thought that was a really interesting data point from the Q4 release.

John David Rainey

Yeah, definitely. We've talked about this, and let me get the numbers slightly wrong, but if you look at a one of the older DCs, I think there's like a 15 or 16-step process that has gone down to like a four or five-step process today. And every time someone is touching an item of merchandise, you're effectively taping pennies to it and making it more expensive. And so this is just a way for us to get goods to customers in a more efficient way, which allows us to lean into everyday low prices. I mean, if we can lower our cost then we can lower our prices more and continue to gain share.

Steph Wissink

Peter, I would just add as well from an experience perspective, many of the associates that were in our upstream supply chain are now in our stores fulfilling digital orders, which is part of the way that we have been able to commit to timely delivery and speedy delivery, is that we've built out infrastructure within our stores to pick, pack and deliver items. So you haven't seen any sort of wholesale change in our associate population because we've been upskilling and training those associates to do new jobs that are related to our growth areas.

John David Rainey

Well, and that's, I think, an important point here, is the marginal cost of growth for us. In the past, if we were going to grow, call it 5%, it would have been by going out and building a bunch of new stores and hiring a bunch of new associates. We're now able to grow 5%. And you mentioned in the last quarter, like the entirety of our comp growth was ecommerce. With digital platforms, you're able to scale at a very low marginal cost. When you overlay on that the efficiencies that we get in supply chain, we can continue to grow at this rate into the future, and do it while not adding the same amount of cost.

I think it's important to note, like, we grew \$35 billion in revenue last year. That's the equivalent of a Fortune 100 company, and we'll do that the year after that, and the year after

that, and the year after that, and the year after that. And we're able to do it at a much lower marginal cost, which is why I try to point everyone to look at our incremental margins in our business, because structurally, we have an advantage here.

Peter Keith

Yeah, those are all impressive numbers. OK. So we have five minutes left, so we're coming close to the finish line. I would be remiss if I didn't ask you about both international and Sam's Club. So I'm going to do those in two separate questions. Let's first talk about international, where the sales growth, it's been remarkably strong on a constant currency basis for a number of quarters. As you're entering fiscal '27, are there areas of the world, maybe specific countries that you're most excited about, either the revenue contribution or maybe some of those high margin revenue streams ramping up?

John David Rainey

Yeah, International just came off a great fourth quarter, 15% sales growth. Operating income growth was almost twice that. I think it was 26%, 27%, and it'll continue to be the segment that is probably most accretive to growth for us. The markets are so different internationally, it's hard to generalize. Like, certainly, India is really exciting, when you have two companies there in Flipkart and PhonePE that have the largest market share and the largest consumer market in the world, in network businesses. I'd be remiss if I didn't mention that in any answer about International.

China had a great fourth quarter. 50% of the business is digital. And maybe the two areas that don't compare as favorably when you look at China and India are Mexico and Canada. I would put those more in the opportunity bucket for us. I mentioned Mexico earlier and what we can do in ecommerce, the opportunity there. I think Canada is in the same bucket. We have some improvements that we can make with EDLP there that we're working on. But again, we know the playbook here. We've done this in the US. We're just picking up that playbook and applying it to these other areas of the globe, and so excited about what that could mean to improvement in our financial performance in the future.

Peter Keith

OK. And let's touch also on Sam's. So the membership growth and overall growth at Sam's has been impressive. I did want to flag that at the investor day that you had in April last year, that the company talked about doubling the member base at Sam's over eight to 10 years and more than doubling sales and profits. So that's an impressive goal, so what are some of those key levers that the company's pulling to accelerate the growth at Sam's to ultimately achieve that doubling in eight to 10 years?

John David Rainey

I think there are two or three things that stand out. Probably top of the list, I would say, is we want to continue to provide great assortment. Latriece Watkins just took over as the segment CEO there. Latriece has been at Walmart for two decades. She started off as a lawyer here,

worked in real estate. Most recently, she was the Walmart US merchant. There's a reason she's at Sam's. But we want to continue to provide great assortment there, and we have opportunity there. But that stands out right at the top of the list.

Two and three kind of go together. I would say, one, is we want to continue to leverage the platforms that Walmart has. Like, if you think about supply chain automation, we can do a lot of the same things at Sam's that we've done in the US, and leverage the existing infrastructure that we have. And that plays into the last piece, which is grow our ecommerce business. The stats around what we've done, and delivery from club and Sam's have just been fantastic over the last year. And what we see is that our members respond to that. It's fantastic.

We were kind of celebrating internally this week, some recent performance there around pizza delivery on Super Bowl. We were, by some stats, one of the largest pizza deliverers in the country that weekend. And so that's a capability we didn't really have before, and delivery gives us that. We've talked in past quarters, where when someone buys a rotisserie chicken or a pizza, the basket size, in some cases, can be 10x what the cost of that item, that particular item on pizza or chicken is. So I think assortment, ecommerce capabilities and leverage the Walmart platform.

Steph Wissink

Peter, I would add one more, and this is a request to get from a lot of our shareholders, is there's not a Sam's Club near me. So we do have a pipeline of new clubs ready to roll as well. And so I would just keep an eye on the real estate plan within Sam's. It had been quite dormant for over a decade, and we've reactivated that, actually leveraging the Walmart US real estate platform as well. And so new clubs are coming, and some of the new clubs that we have open have been performing exceptionally well.

Peter Keith

Thank you for mentioning that. Having toured many Sam's clubs, I was going to put in a personal request to open up more in the New York City area, so we can leverage all those delivery capabilities. So anyway, that is a great note to end on. We are 45 minutes past the hour, so perfect ending. So John David and Steph, I want to thank you for your time today, really fun discussion. There's always a lot to talk about, and certainly seems like there's very good momentum and excitement as we go into this new fiscal year. So thank you very much, and hope everyone has a great weekend.

John David Rainey

You bet. That's the way we feel about it, too, Peter. Thanks for hosting the call.

Operator

This concludes today's conference. You may disconnect your lines at this time and we thank you for your participation.