Walmart
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Presenters
Steph Wissink - Senior Vice President, Investor Relations
John David Rainey - Chief Financial Officer
Dave Chojnowski - Chief Accounting Officer

Q&A Participants
Kelly Bania - BMO

Operator
Greetings. Welcome to Walmart's First Quarter Fiscal Year 2026 Buy Side Call. At this time, all participants will be in listen-only mode. If anyone should require operator assistance during the conference, please press star-zero from your telephone keypad. Please note that today's conference is being recorded.

At this time, I'll turn the conference over to Steph Wissink, Senior Vice President, Investor Relations. Steph, you may begin.

Steph Wissink
Thanks, Rob. Good morning, everyone. I'm going to start by reading an abbreviated version of our safe harbor, and then I'll turn the call over Kelly Bania from BMO, who's hosting the call today.

Management may make forward-looking statements, and these 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 the press release and accompanying slide presentation that we issued yesterday morning for a cautionary statement regarding forward-looking statements, as well as our entire safe harbor and non-GAAP reconciliations, on our website at stock.walmart.com.

Kelly, over to you.

Kelly Bania
Thanks, Steph, and hello, everyone. It is noon here on the East Coast, and I guess that means 11:00 AM in Bentonville, and excited to host this call today. As Steph mentioned, I'm Kelly Bania, food retail analyst at BMO Capital. First, just want to thank Walmart and the IR team for allowing us to host this call today, and especially thanks to Walmart's CFO, John David Rainey, for taking the time to do this. Always a lot of interest and tons of questions.

We have about 45 minutes here to cover a lot of ground, so I'm just going to dive into some questions here to kick it off. So, John David, first to just start with maybe a few clarifications and points of maybe things to reinforce from yesterday, there was a lot of discussion on the accounting. And we don't want to spend too much time on this, but maybe just wanted to just give you the chance to kind of elaborate or reinforce any points that investors should take home with respect to the quarterly gross margin cadence, given unusual this environment and the accounting dynamics we should be considering.

John David Rainey
Sure. I'm happy to do that, Kelly. Thanks for hosting this call. And thanks, everybody, for joining today. Your first question is a great example of why we host this call. It gives us an opportunity to clarify some things that maybe are a little confusing on the day of the earnings call, so it's a good way to start off this conversation.

I'll start with, big picture, it's a dynamic environment. And in that environment, we still feel that we have the ability to achieve the operating income and sales guidance that we've laid out for the year. But the cadence of quarters will be--will swing more and be a little bit harder to predict, which is why we elected not to give a guidance range for the second quarter. So, that leads into why is that?

It's partly related to retail accounting. We also talked about the fact that we want to be able to play offense, and we don't know exactly what the landscape is or will be around tariffs. But let me focus on the retail accounting, or as we refer to it, RIM, retail inventory method, for a second. This is not uncommon to use in the retail industry. It's, I think, most typical where you have businesses that have high turnover that--where there's a pretty consistent markdown or markup structure. Unfortunately, that's not the case this quarter.

But the way that that works is, when we purchase an item and the cost of that has gone up and then the associated retail price of that goes up, we have to mark up that inventory, the cost of that inventory, for not only the items that we bought at that price, but also items that we had previously purchased, think of as in another quarter. And so, as an example right now, let's say that we're selling a widget at $100 and we've been buying that at $80. And so, there's a $20 margin on that.

When we start buying widgets at $90 and--or, you know, we'll just stick with $90, and the retail price is associated--and the retail price associated with that is higher, that makes us mark up those original widgets at $80, if that made sense. And so, if you're thinking of this from an accounting perspective, you're increasing the cost of your ending inventory. The offsetting entry is a decrease to cost of goods sold.

Now, if you think about how that plays out in a quarter like this, let's say that we've got a 30% tariff on China goods. And so, as we're buying those items, we're marking those items up. Let's say two weeks go by, and now the tariff on China goods is 15%. We've got to--we have a markup to 30--for the 30% higher, but then there's a markdown to that 15% level. Another example would be, let's say that we mark everything up 30% and then we get into the third quarter and we realize that we can't sell those items at that price. We priced it too high to sell the number of units, and so we need to take a markdown and sell that at a lower price. We have to go back and adjust the inventory for all of that.

And so, that creates the dynamic that we're in right now, where in the second quarter, we're--we don't know as we sit here today the level of markups that we're going to have. Keep in mind that we are a direct importer for many of the goods that we buy, but also there are other domestic importers that will then sell the items that they buy to us at a price which is indeterminate at this point in time. And so, that last piece makes it very difficult to say what the level of markups is going to be in our business.

Accordingly, by the same token, like, we need to really try to understand the elasticity of demand at these higher prices, and we don't have a lot of experience with prices going up this quickly 30%. And so, the level of markdowns--if we don't get that elasticity right, the level of markdowns in future quarters could be offsetting to many of this--to much of this.

So, we take the--when we provide guidance, we take that very seriously in that we want it to provide an indicator, a roadmap, for investors in terms of how to think about our earnings and our sales for the quarter, and we just didn't feel like we could provide a narrow enough range that it was even credible. So, you know, we're talking a much, much wider range than what we typically give in a current quarter.

So, I'll stop there. I'm right on--I'm teetering on the verge of going into too much detail here. But hopefully, that gives a little better understanding. I'm also here with my Chief Accounting Officer. Dave, any--okay.

Dave Chojnowski
No, those are enough.

John David Rainey
He's nodding. He's, like, okay, thumbs up on that. But, Kelly, if you have a follow up on that, I'm happy to take it.

Kelly Bania
Yeah. No, I think those examples are helpful. I guess maybe we can just kind of move forward as we take that into context. You did reiterate your full year guidance yesterday. That does include the tariffs. Obviously, there is a wider range of potential outcomes on a quarterly basis. But maybe just step back and take a minute to explain your approach to guidance for this year, and then we can move on to some other topics.

John David Rainey

Sure. Maybe I'll start more philosophically and then get into some of the specifics of this year. But with any business, we have a forecast that takes into account the operating environment and the expectations that we have. And like any forecast, there is an element of error that it's prone to and there is a range of outcomes.

We--typically, when we look at our forecast, we provide a guidance range around either side of that, given that, in any particular period, there's--there are things that can happen that may cause you to exceed that guidance or miss that guidance. And so, while we have a pinpoint number in our forecast, there's always elements that we call risk and opportunities. And a good example of a risk may be a larger lawsuit, as an example, that maybe has a more binary outcome, where it could be zero or $100 million.

And so, based upon the magnitude of those risks and opportunities, that informs what the--where our forecast is within that range of guidance, if that makes sense. So, there may be quarters where sometimes we're at the higher end of that range, other quarters we're at the lower range.

As we turn that sort of philosophically--well, and I should say that we--obviously, we want to provide a number that we feel like we can comfortably meet or beat. That's philosophically how we think about this. But as we look at the range of outcomes right now, certainly it's obvious to everyone, versus the beginning of the year what we provided this guidance, there's a wider range of outcomes, given what's happening in--both with tariffs but also the knock-on effects on that on what could happen in the macroeconomy with consumer behavior.

But when we look at all these various scenarios, we still feel that, in the most likely scenarios, we have the ability to hit our guidance. I did note on the call, and just to clarify this point, I said if you were to go back to the middle--or, I'm sorry, early April, when the tariffs were announced at their peak, you think the highest levels, when we run the numbers on that, it--we're not going to get our guidance. It would be very difficult to do that.

But we also think that that's a very unlikely scenario because, if that's the case where Walmart isn't hitting its guidance, you have to think about what's happening in the macro backdrop. Small and medium businesses are failing. You've got inflation that is in the midteens. You've got probably higher levels of unemployment. And I just don't see that as a realistic scenario.

So, I hope I'm right. But when we look at what we believe are the most likely scenarios, and when I say scenarios I'm really focusing on the level of tariffs, we feel like we have the ability to achieve our guidance.

Kelly Bania
Okay, that's helpful. Couldn't agree more that that extreme scenario is a little bit scary.

But--so, maybe moving on to inventory here, obviously that is super important in any year, but even maybe more important this year to manage well. The inventory levels that you reported yesterday appeared pretty normal, just right in line with sales growth. But maybe can you help us dig underneath the hood there and what that looks like from a price versus unit standpoint? And then with respect to--that would obviously be your 1P inventory, but how--do you have any insights into how your third-party partners are planning inventory and navigating this environment?

John David Rainey
So, with respect to inventory, we said it was up 3.8%. On a constant currency basis, it's actually up 1.8%. So, we feel like it's a really healthy level. And, you know, that is probably the thing that we are most focused on as we navigate this period. We need to make sure that we're flowing inventory effectively.

We do have less insight into our third parties. It's tough to give a rule of thumb or a one size fits all answer for that. It's all--it's somewhat size and volume dependent. Some of our larger third-party providers we have a little bit more insight into. If you're a really small Marketplace seller, we don't have that kind of visibility. So, you know, that is a risk to our business and, frankly, any business that is--has a marketplace.

But with respect to certainly first party inventory, we feel like we're in a good place. We have to make some estimation around, again, the elasticity and what units we'll sell. And so, there have been cases, certainly with higher ticket items, where we've--where we're buying less volume. We've changed some orders with suppliers. And so, when I say less volume, you should think in the 10% to 20% range.

And while these may not be the exact cases of what we've done, as an example, think like a patio furniture set or barbecue grill, something like that, where they are more seasonal, and we don't want to find ourselves getting out of the season and getting into wintertime and having a bunch of patio furniture that is, you know, clogging up our stores. So, getting that right is going to be pretty important.

And that's also a case where I said yesterday we may not pass on the entirety of that cost increase. Like, if you use an extreme example and you take--were to assume the 145% tariff, which is where we were a week ago, the patio furniture that sells for $2,000 at Sam's is now, you know, almost $3,500. You're not going to sell units at that, at $3,500.

So, in that example, maybe we mark it up hypothetically 20% and we absorb a loss on that. But that's where merchant--or the mix of our business really comes into effect, where we might need to price some other things that may be don't even have tariffs applied to them to try to manage this and it be least impactful on the consumer.

Kelly Bania

Okay, that's helpful. I guess putting this all into context, I mean, a lot of what can happen here across retail will depend on the state of the global supply chain. And so, was just wondering if you could talk about how that looks from Walmart's perspective. Obviously, what happened a few years ago remains fresh in all of our minds and hopefully we don't repeat that. Sounded like things are flowing today. But just anything that you guys can be doing to mitigate any potential disruption from this volatile backdrop?

John David Rainey
Sure. You know, the way to think about this is, when you transport container--or merchandise on container ships from let's say Asia, as an example, to the West Coast, there is a period of time after that--those containers arrive where you have a window before you start paying detention fees. And that's what--and it's actually when you take receipt of those goods is when you pay the customs fees.

And so, you can imagine some retailers, importers, actually trying to navigate this, where they might let freight, merchandise, sit at the port or even on container ships off the coast in anticipation of lower tariff rates that they might be think--thinking are coming imminently. And so, there's a little bit of trying to estimate and game this. And so, your question is a good one because that has the potential to clog the ports if it gets out of hand.

As we sit here today, and I'm really focused on this day of the week today because this could change very quickly, the ports are not clogged on the West Coast. We feel pretty good about that. We are aware that there are some shipments that are paused at the port of origin in anticipation of maybe lower tariff rates coming, but the ports are flowing relatively smoothly right now. But it's something that we'll need to keep an eye on.

Fortunately, I think all retailers learned a really good lesson from a few years back when the ports did get clogged and we understood the disruption that that caused. And so, I think we'll all try to navigate this in a way to avoid that incident happening again.

Kelly Bania
Okay, that makes a lot of sense. One more here and then we'll kind of go to kind of bigger picture strategy questions. But always a lot of questions about price gaps, and there was a comment yesterday I think on the call about price gaps expanding and maybe others are raising some more than Walmart is. Can you just talk about that at a greater level of detail, anything that you're seeing with respect to the grocery side of the business versus the general merchandise side, and anything that changes, or maybe not, your long-term philosophy with respect to where you want your price gaps?

John David Rainey
I'd be happy to. We talk about price gaps at kind of a macro level. But if you think about how this is managed, it's really much more a micro, neighborhood level basis, right? Price gaps between stores can be different in markets. You know, there can be more promotional activity maybe

from one competitor in an area. Even the difference between the in-store versus online can be different, where maybe you have a certain price gap versus competitor in-store but, because they charge for e-commerce delivery or something like that, the price gap is different online.

And so, it's sometimes tough to generalize around this, but I'm going to try to do that right now. I would say that our price gaps we like more today than probably where we were 90 days ago. We've recognize that there's some areas that we've needed to invest in, and we've done that over the last quarter. And so, we feel really good about our price gaps.

Now, we're in a--again, a very dynamic environment, as--I keep using that word. But we'll see--have to see what the competitive response is as we get into a period where some of these tariffs are passed along to consumers. But we've also noted that we're going to be playing offense.

We want to be aggressive. We know that this is the time when value matters most. And we tend to look back on the periods similar to this in the past, and we've gained share and come out of the other side stronger. And so, we'll want to do that this time as well.

And it also pertains to our guidance in the second quarter. Like, it's a dynamic competitive pricing environment, and we don't know exactly what that's going to be. And so, we want to maintain maximum flexibility to do what benefits Walmart long-term.

Kelly Bania
All right. That's helpful. Let's switch gear here and talk about some of the high margin initiatives, always an important topic for the Walmart story. We'll start with e-commerce growth. So, about--over 20% again across the board and very strong, I think driving about three-quarters of the growth in the U.S. Maybe can you just talk about the drivers of this? It sounds like it was pretty broad-based, but can you help us kind of understand the drivers there?

John David Rainey
I'd be happy to. It's unfortunate that we have to talk so much about tariffs because, if that weren't the case, the story for the quarter for us in a sentence or in a word would be e-commerce. We had north of 20% growth in each of our segments, 27% growth in Sam's, and a really, really strong performance.

We continue to see that more customers are availing themselves of those options for us. We've more recently announced delivery from Sam's for pizzas and rotisserie chickens. The uptick on that is really exciting. What's, perhaps even more exciting is the basket size associated with that. So when someone is buying a pizza, the basket size is a multiple of what the cost of that pizza is, and similar with the rotisserie chicken. And in fact, our Sam's Club delivery from store, grew triple digits in the quarter, and I don't see this level of growth going down anytime soon. We're really excited about this.

But the other notable thing is that ecommerce achieved profitability for us, and so I think that's pretty exciting. Turning this to a profit, there's a number of things, and they're all pretty equal in terms of the composition of the improvement here. One is, we continue to see strength in things like advertising, that help subsidize that business. The second is we are getting more members and more people taking delivery of ecommerce, and that allows us to spread our costs over more volume. We refer to that as the densification of our network.

And the third is the continued increase of people that are willing to pay something more to have a delivery within one hour or within three hours. Monday night, my college son is home from school, and he was telling me that on Tuesday he wanted to play basketball, and unfortunately, we didn't have a basketball in the house. And so I said, watch this. And in 28 minutes later, we had a basketball delivered to our house, and he was a little bit mind-blown. Admittedly, he probably uses our competitors more than what I would like, but I noted, I said, I bet they can't do that. And so it's an example of what we can do.

And we've talked about it in increasing the catchment area of the number of areas in the country that we can now offer same day delivery to and so we just continue to make progress here. John Furner and his team have done a tremendous job of improving the economics of this. They've got a laser focus on this. But it's not just economics. I don't want people to think that we've got a myopic focus on the profitability at the expense of growth. We're managing both of these really well, and I think navigating this appropriately.

Kelly Bania
OK. That was helpful, appreciate those examples. I somehow ended up in the 5% of the population that does not have access to this expedited delivery, though, unfortunate for me.

John David Rainey
We're working on it, Kelly. We're working on it.

Kelly Bania
Yeah. So I guess, staying on ecommerce, so first of all, congratulations on achieving profitability. That's been something I feel like we've been talking about for a decade, so it is a pretty momentous quarter for Walmart. But I guess I wanted to turn the page forward, because John David, you've talked for some time that that view of that profitability is subsidized by these high margin businesses, but the ultimate goal is to get to profitability on a standalone basis.

So I guess as we look forward, how can we think about the milestones on this next stage of profitability? And I guess we have a lot of numbers to kind of think about what that might look because you've given so much disclosures on the advertising, but I guess there's some other components to that. So just maybe, can we step back and think about what the conversation will be on that front going forward?

John David Rainey
Kelly, can't you give us a moment to just enjoy this [ph]? [Inaudible] look, I think that's a few years down the road. It is within our five-year planning horizon, the fact that we expect to get

there, but it's not as eminent as when I was asked this question a year and a half ago, or, I guess a year ago, actually, about achieving profitability, including all the other areas, like advertising. But on a standalone basis, it's certainly something that we're trying to achieve. But I think it's a few years out, and it's -- again, we're kind of hoping to savor this moment and really move past this, because we don't really look at our business on an ecommerce versus in store basis. It's really omni, and those lines increasingly blur. And I could give you example of example how that happens.

And so I actually think a few years from now, this may not be as relevant of a question because of the continued blurring of those lines, but it's something we know that we can improve there. We could lower our cost of delivery. We can improve the economics of this on a standalone basis, and we're continuing to strive for that, but that's not something investors should expect in the next year or two.

Kelly Bania
All right. That's fair enough. Maybe we can just skip to kind of Marketplace here, because this is something we get a lot of questions on. It sounds like it can be a significant growth and margin expansion driver longer term. I guess the question is, how and why do you attract 3P merchants? What is your right to win here? I think you talked about in Dallas last month, that you have cheaper fees for Walmart fulfillment services than maybe your large competitor in that arena. How important is that to the equation here, and just kind of an overview of Marketplace?

John David Rainey
Sure. It's probably good to start at a high level here, because a Marketplace business is a network business, where you've got a party on both sides of that network, in this case, buyers and sellers. Not unlike what you might have with, think, Uber drivers and Uber riders or -- and financial payments, you've got similar situation. And in a network business, there's always a chicken and egg problem. In order to attract one side of that network, you need to have magnitude, or you need to have a substance to the other side of that network and that's what makes them difficult to grow organically.

Fortunately for us, we already had hundreds of millions of customers that are coming to our properties, digital and physical, already each week. And so it makes it very attractive if you're a seller, because whether you're a third-party seller or you're an advertiser, you want to go where the eyeballs are. And so as we've gained share over the last few years with our ecommerce offering, with a better assortment, with all the other things that we're doing, we're getting more customers coming to one side of the network, which attracts more sellers on the other side of the network.

And then, as people understand networks become stronger. They almost become self-sustaining, because each side reinforces the other. That's what's happening in our marketplace business. And so we really like the progress that we're making here, and this is a big part of what unlocks some of the advertising, what unlocks Walmart fulfillment services. We've talked about increasingly having more and more sellers that are availing themselves of our fulfillment services business, where we're doing all the delivery for them, the logistics for them. And so, we have a long ways to go before we are the size of what best-in-class is here, but we think this is a great compliment to our first party business, and excited about the advancements we've already made there.

Kelly Bania
OK. Perfect. You kind of touched on my next question there, which is one we get a lot and we've tried to do some work outlining this, but I guess as we think long term, the potential for advertising. I guess there's kind of two ways to look it. We talked at ICR, which feels like a long time ago, just a couple months ago, though, about kind of looking at it on a market share basis. So if Walmart has X percent of retail sales, they should get X percent of the retail media industry, which I believe was sized at $100 billion by 2028.

There's also the way that we tend to look at it by ad revenue as a ratio relative to GMV, which we don't exactly have your GMV, but we have some pretty good estimates. But I guess, does it matter which way you look at it, I guess is the question? Either way, it seems to point to a lot of growth in this area for Walmart, but maybe we can just talk about that.

John David Rainey
Well, you framed this in a really good way. Whether we're looking at it as a percent of GMV or taking our market share as a percentage of the overall retail media market, you kind of get to a similar number longer term. And so first I'll say, Is it achievable for us, I do think so. I'll also say, for us to achieve the financial guidance that we've provided out there over the long term, it doesn't assume that. We have to haircut some of the forecast just based upon execution risk and things like that.

But if you're thinking bigger picture and asking what if or what it could be, I do think that we have the ability to achieve that. And if you talk to Seth Dallaire, who runs our advertising business, he would actually even have more conviction in his statement around that. Keep in mind that there is not another company out there, certainly of our size, that has the ability to combine. Find the physical and the digital. And so there's a lot of apples-to-apples, comparisons made on advertising as a percent of GMV, but that's really just looking at mostly digital businesses. I think the real unlock here, where we have the ability to do maybe even something more than that, is by combining our physical and digital properties and VIZIO plays into that in a big way.

Kelly Bania
Yeah, that's a great segue. So how does VIZIO change that potential mix of the different buckets of ad dollars that you could maybe get into the system over time? And just maybe, how is that integration of VIZIO going so far? There's so many other things to talk about this quarter. I don't think we've really touched on it as much as we maybe would have otherwise, normally.

John David Rainey

Yeah, it's ironic that you asked that, because we just had a meeting this week to go over how the integration was going. I would say it's going exactly to plan, but you would hope so, given that it's so early into the integration. We just announced this last quarter. So I would be very disappointed to say anything other than that. I think very importantly, though, for anybody that's ever been a part of an acquisition or a merger, culture really matters on the integration success, and we are very culturally aligned with the VIZIO team, and so I have a high degree of confidence in how this integration will go.

Everything that I've seen thus far is really a positive indicator. So I'm excited about that. But more specific to what that means for our business, if you think about the type of advertising that we have today, we have what I'll refer to as endemic suppliers that are doing advertising, but first-party and third-party. A lot of that are, if you just look at the absolute number of advertisers, small and medium sized businesses that are advertising in our Marketplace. And so think of this as someone is selling a food product, and they're advertising on our digital channel.

What we don't have is non-endemic advertisers. And so think about Ford Motors selling an advertisement for F-150s. You might not do that on a Walmart ecommerce site, but you're absolutely going to want to do that on VIZIO. If you think about, without saying a number, we sell a very large percentage of TVs in the United States, and by having control of the operating system, the software, and importantly, the advertisements that can come from that, there are non-endemic advertisers, they're going to want to have space in those channels. And so I get pretty excited about that. We haven't even touched the tip of the iceberg on that yet. So the advertise, the advertising dollars that we have today are endemic to our endemic suppliers, ones that have a motivation to sell because they can sell their merchandise on our properties.

Kelly Bania
OK. That is helpful. Let's just shift to Walmart Plus, obviously, an important element of the strategy here. I think you gave some data points last month in Dallas about the expanding service area. So I believe it was up to 76% of the population just two years ago, maybe around 93% today, but 95% by the end of this year. I guess the question, as I've just been thinking about where this is growing, how much of Walmart Plus membership, which I think was up double digits again, how much is that being driven by expanding the service area versus continuing to penetrate members in markets that you already service?

John David Rainey
It's both. It's more penetration in markets that we're already in. I don't know the exact percentages off the top of my head, but certainly expanding the catchment area, the service area, is helping. But when you take advantage of buying something at Walmart and an ecommerce channel or fast delivery, you have a really good experience. We see that there's the frequency of shopping and the basket size increases in the future. So it's a great value proposition, and our customers and members recognize it.

And so we see, when they start taking advantage of this, we see a lot more frequency of use, so that penetration really begins to increase. And so we're excited about this. I mean, we've got, I think, a long ways to go here, but I don't want to limit ourselves by thinking like, OK, we've tapped into 95% of the US population, so now the growth is going to stop. That's not even the way that we're thinking about this at all.

Kelly Bania
OK. And I guess on that front, I think it was surprising to us several quarters ago, just the momentum that you were able to get with Walmart Plus Assist, and so was just curious if you could share an update on how that is going, the engagement in adoption, or just the engagement with that type of customer overall?

John David Rainey
There's nothing that I would say about Walmart Assist that I couldn't say about the Walmart Plus overall. The behaviors are very similar. We continue to make further inroads there. And again, I'll give you an example, just with Walmart Plus, not specific to Walmart Assist. The importance of fast delivery, of delivery but also fast delivery. When someone does their fourth fast delivery with us, we see that that's kind of an inflection point where their total spend both in store and online increases 3x. And so it gives you an idea of the maturity curve of those users and how they're using us by spending more of their baskets at Walmart. And so Walmart plus and Walmart assists are great vehicles to make that happen. It's such a compelling value proposition when you take advantage of it. So we think we've got a lot more opportunity there.

Kelly Bania
So just, just to make sure I heard that right. So you said, when they get to their fourth fast delivery. Is that just building that trust that they can count on that coming, that they allocate more of that -- yeah.

John David Rainey
Yeah, exactly. And keep in mind, Kelly, we've talked about this in the past, but we measure our effectiveness and how well we're doing on those deliveries, whether it's a normal delivery or a fast delivery, and so that measure of effectiveness, something we call a perfect order. And so some things that we look at in that example are when the customer or member comes to that channel and they're searching for something, do we have those things there that they want, once they put them in their basket, do we have to substitute it, or are we able to deliver exactly what they put in their basket? And then also the effectiveness of the delivery itself.

When we say that we're going to deliver within a certain window, maybe it's a 15-minute or an hour window, are we hitting that window? And we ding ourselves if we're late. We also ding ourselves if we're early, because people are relying on the accuracy of that. And so our perfect order scores continue to go up as we get a lot better here, and that translates into this very type of behavior that I'm talking about. When you've had a few good experiences here, we see that people will rely more on Walmart and they're willing to spend more of their dollars with us.

Kelly Bania
OK. Great. I think we have about five or six minutes left. Wanted to touch on CapEx here. Got this question from investors, and I think it's a really great one. As you look at CapEx, over the last decade or so, there's been about $70 billion, I believe, spent on ecommerce, supply chain, technology and other, and that's really stepped up even more so in the last three to four years. And I guess, when you look at the return on invested capital that Walmart generates, over 15%, some investors are looking at this and wondering, why aren't we going to have a major acceleration in earnings here if we maintain that level of return? So maybe just can you help us think about the math and timing of expected returns on this elevated level of CapEx?

John David Rainey
Well, I certainly respect the question, but I might challenge it a little bit. I would point to the fact that the last two years, we've grown our operating income 10%. We just announced this quarter that we achieved profitability on a global basis for ecommerce. Those are pretty good indicators of the acceleration that we've had because of a lot of these investments. That said, we obviously think that we have a lot more opportunity going forward.

And so another way of saying it, I guess, is that we're seeing those right now and we'll continue to see those. Some of the investments that we make in this level of supply chain automation, you need to have further penetration. Or maybe a better way of saying that is, it's not a linear relationship between the percentage of our supply chain that's automated and the benefits that correspond to that. And so there are kind of step changes. We have roughly 50% automated today, that we've talked about. We've seen a lot of improvements, but the benefits, 100%, will be more than 2x than what they are today.

Kelly Bania
Okay, that's helpful. And just another one on CapEx - sounds like we're in that 3% to 3.5% range in terms of percentage of sales. Should that stay in that range for the foreseeable future, or when or if will that come down at some point?

John David Rainey
Yeah. So let me tell you the way that I think about this, and then I'll get to the direct answer. But as I said on the call yesterday, I think that every dollar of capital has to compete for the alternatives out there for the highest return, whether that's returning it to the shareholders, whether that's merger or -- sorry -- or acquisition, or whether we're investing in ourselves through CapEx. We've been very fortunate, particularly to be a company that's over six decades old, to have the type of opportunity to invest in ourselves, organic investment that will drive returns that, in some cases, north of a 20% IRR.

If we have opportunities like that, that's probably going to be where we invest. As we look at the next five to seven years of a planning horizon, certainly, there's a limit to the amount of supply chain automation. Like, it's not -- that's not going to continue at the level it is into the future. But there might be other things that pop up that aren't on our radar today that, if they drive that type of return, maybe that warrants sending that on CapEx.

But as we look at and we think about that five plus years, 3% to 3.5% is a pretty good way to think about our business. We're probably more at the high side of that percentage right now, and maybe that comes down a little bit. But I've also done this long enough and observed enough other companies to recognize that, oftentimes, when companies get to that certain level of CapEx spending, you don't see it go back down by a [inaudible] amount. Like, it doesn't get cut in half. Usually, if there's a reason for that level of capital investment that's driving a return, there's something else that replaces it that can drive that return.

So I say that just to be very transparent that, while we think we have a bow wave [sp] of investment related to supply chain, there may be something out there that we don't see today that is going to warrant some level of investment.

That said, what we are focused on right now is driving improvements in free cash flow. And so I think we'd all argue that's going to be the biggest driver of shareholder value going forward. And I think we're at a point where we can start seeing those types of improvements where we're getting the operating income benefits from some of those capital investments that we've made.

Kelly Bania
Okay, that was very helpful. We have I think a minute or two left. Maybe we can just wrap up on the point of capital allocation. You did really step up buybacks this quarter. Is that a new run rate, or was that just unique, kind of given the dislocation that we saw in the stock this quarter? And then if you want to just close it out with any closing remarks, John David?

John David Rainey
Yeah, maybe I'll do both in my answer here. So it's not a new run rate. We're not going to spend $19 billion on share buyback probably this year. Well, depends, I guess, where our stock price goes. But that would be pretty farfetched.

But it was much more aggressive than what we did last year, and it was related to the dislocation of the stock price. Like, we have our own plans here, and sufficed to say, as any company would do, our own plans, we haircut before we provide guidance to the Street.

But we've got a lot of conviction in the achievement of that and the results that that strategy will have. And so when we see our share price where it is today and even going down into the 80s where it was earlier in the quarter, we're gonna be aggressive buyers. We think that there's a tremendous amount of return that can come through buying at those prices because we believe our stock price is going up over time.

Now, look, we have to execute, and we're not immune from the vagaries of the economy and what can happen, but when we look at this on a multi-year basis, like we want to be good capital allocators, and we think that those are attractive prices, given what we know.

And so you'll continue to see us be opportunistic as there's price dislocations in the market, but we'll also kind of continue to always be in the market because we think balance is good here. We want to have balance between investing in ourselves, investing -- I'm sorry -- returning cash to shareholders through share buyback but also paying a dividend that's growing roughly in line with earnings. So we've demonstrated that over the last couple of years, and that's a good way to think about our business going forward.

Kelly Bania
Wonderful. Well, this was incredibly helpful. Thank you so much, John David, and the rest of the Walmart team. We appreciate it, once again, and hope everybody has a good weekend. But we will wrap it up there.

John David Rainey
Okay. Thank you so much, Kelly.

Kelly Bania
Thanks.

Operator
This will conclude today's conference. You may disconnect your lines at this time. Thank you for your participation.