WAL-MART STORES, INC. (NYSE: WMT)
Fourth Quarter Fiscal Year 2014 Earnings Call
February 20, 2014
Management Call as recorded

Carol Schumacher
Wal-Mart Stores, Inc. Investor Relations

Hi, this is Carol Schumacher, vice president of investor relations for Wal-Mart Stores, Inc. Thanks for joining us today for our earnings call to review the fourth quarter and full year results of fiscal 2014. The date of this call is February 20, 2014. This call is the property of Wal-Mart Stores, Inc. and is intended for the use of Walmart shareholders and the investment community. It should not be reproduced in any way.

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- Press 4 and the # key to rewind playback 20 seconds.
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This call will contain statements that Walmart believes are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, and that are intended to enjoy the protection of the safe harbor for forward-looking statements provided by that Act. Please note that a cautionary statement regarding the forward-looking statements will be made following Charles Holley's remarks in this call.

Our press release and transcript are available on our corporate website – stock.walmart.com. Please also note that we have two additional releases out this morning. One release announces our annual dividend for fiscal 2015, and a second details our small store expansion strategy in Walmart U.S. for this fiscal year.

As a reminder, for fiscal 2014 which ended Jan. 31, 2014, we utilized a 53-week comp reporting calendar, with the 53rd week being included in the Q4 reporting period. Back in our Q3 earnings release, we provided you with an adjusted fiscal year 2013 Q4 14-week comp for comparability to our Q4 comp guidance for this fiscal year. Our Q4 reporting period began on Oct. 26, 2013 and ran through Jan. 31, 2014.

Consistent with industry practice, we will not adjust the reported fiscal 2014 comps. Therefore, for this year, quarter-to-date and year-to-date comps will be based upon 13- and 52-week periods, respectively, compared with 14-week and 53-week periods that we reported in fiscal 2014. We have posted a week-by-week comp reporting calendar under the comp sales link on the investor portion of our website.

In case you missed it, Walmart issued a pre-release about fourth quarter earnings on Friday, Jan. 31. That release updated EPS guidance, and included comments on comp sales performance. We refer to that release a number of times during this call. It's also available on the website. In this quarter we have significant discussion about underlying performance. Underlying EPS – by Walmart standards – is calculated to adjust for the impact on the company's reported EPS for the fourth quarter and the full fiscal year of certain discrete items that totaled $0.26 per share and that occurred in the fourth quarter.

Additional information regarding this term – underlying EPS – and others used in today's release including constant currency, gross profit and gross profit rate, are also available on our website.

One last reminder … As many of you know, on Monday, February 24, we will co-host our annual international meeting for the investment community with Walmex in Mexico City. For those of you unable to join us, the meeting will be webcast in both English and Spanish, and can be accessed via the investor portion of our corporate website, as well as the Walmex site.

So, now let's get down to our agenda for today's call.

- Doug McMillon, who took over Feb. 1 as president and CEO of Wal-Mart Stores, Inc. will cover key results and provide an overall assessment of our strengths as he leads us into fiscal 2015.

- Claire Babineaux-Fontenot, EVP of finance and treasurer, in her first call as Walmart's treasurer, will cover the financial details for both the fourth quarter and the full year.

Then, we'll cover the operating segments.

- Bill Simon, president and CEO of Walmart U.S., followed by
- David Cheesewright, who succeeded Doug as president and CEO of Walmart International on Feb.1.
- Rosalind Brewer, president and CEO of Sam's Club, will follow Dave.
- Charles Holley, Walmart's CFO, will wrap up with an analysis of how we did on our financial priorities of growth, leverage & returns, and as always, he'll cover guidance.

Now, I'm pleased to introduce our new CEO, Doug McMillon, to kick off our call. Doug …

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

Thanks, Carol, and good morning everyone. I'd like to share with you how excited and humbled I am to serve as the CEO of Walmart. It's truly an honor to lead this company and serve our associates. We have a dedicated team of associates around the world who work hard every day to deliver on our purpose. As I complete my third week in this role, I appreciate the support from Mike and the leadership team on carrying out a smooth transition. Being part of Walmart for over 23 years gives me some perspective and appreciation of the past, but most of all, I'm excited about our future.

Now, let's get to the business of today. On a consolidated basis, Walmart's underlying EPS rose 2.0 percent for the full year to $5.11, including the fourth quarter's EPS of $1.60. On a reported basis, EPS for fiscal 2014 decreased 3.2 percent to $4.85, including $1.34 in the fourth quarter. Claire will cover the details behind our EPS shortly.

Our company added $11.9 billion in net sales on a constant currency basis this year to reach more than $477 billion, an increase of 2.5 percent over last year. This excludes the negative impact of more than $5 billion from currency exchange rate fluctuations and an approximately $730 million benefit from acquisitions. While we made operational adjustments to lower our expense base, they were not sufficient to deliver leverage for the full year.

Consolidated underlying operating income rose 0.2 percent, but on a reported basis, operating income decreased 3.1 percent for the year. Walmart U.S. was a key contributor to our overall profit growth, with operating income up 4 percent.

Walmart U.S. also added almost $5 billion in annual net sales. We were encouraged by our comp performance in the first half of the fourth quarter, including the holiday period. But, like many other retailers, weather got the best of us throughout the back half, resulting in a fourth quarter period comp decrease of 0.4 percent. It's a credit to Bill and his team that Walmart U.S. leveraged expenses and invested in price for our customers.

Sam's Club had the strongest annual membership income growth in many years, driven primarily by the fee increase. But, net sales grew more slowly than expected. Roz and the team have taken steps to rebalance Sam's operational structure and enhance merchandise offerings. We expect these actions to provide a foundation for future growth and further benefit our fiscal 2015 financial results.

Walmart International delivered solid constant currency net sales growth to reach almost $141 billion, including more than $39 billion of constant currency net sales in the fourth quarter. The team improved operational efficiencies to lower expenses and reduce inventory, and this will continue to be a priority.

I'm pleased to have Dave Cheesewright leading Walmart International. Since joining the Walmart family over 15 years ago, Dave has been instrumental in strengthening our business, as well as gaining market share in our international markets. I've seen Dave make tough strategic decisions to better position us for long-term success, and I'm confident that his leadership will serve associates, customers and shareholders well.

Each operating segment strengthened its e-commerce platforms, and customers responded, driving annual Global eCommerce sales above the $10-billion mark, a 30 percent increase, including sales from our Yihaodian acquisition. We know that technology is changing how customers around the world shop, and we are changing with them. Under Neil's leadership and with company-wide support, we will continue to invest in this area that is critical to our success.

I'd like to spend my remaining time with you outlining what I see as Walmart's strengths that we will further capitalize on, and the areas that make me so excited about our company's future.

One of Sam Walton's fundamental principles that I really like is that we need to serve Walmart customers around the globe as if they're our boss … because they are. Listening to our customers and exceeding their expectations are the keys to our success. I will lead Walmart with a customer-centric focus.

I am working with the leadership team on enhancing the business to improve our customer relevance. We have a compelling customer proposition, but we can get better at running some of our core operations … and we will.

Walmart has a long history of embracing change. And this year, we'll certainly make some changes to improve our business. These changes will be made with a filter on increasing customer relevance. Customers' shopping habits are changing more rapidly than ever before. We must be more nimble and flexible as we operate our businesses to adapt to these changes. So, our focus is to invest in the capabilities that connect with customers on their terms.

We can accomplish this by accelerating our growth across the enterprise. This includes delivering improved comp sales by sharpening our EDLP focus and increasing merchandise innovation to drive more traffic. Comp sales improvement is a key priority, and we'll use a combination of price investment and enhanced service to accomplish this. We will also continue to get closer to our customers and provide them with additional shopping options. In the U.S., we see a great opportunity to accelerate our small format store rollout to complement Walmart's core supercenter fleet. Customers want this convenience, and they are responding by driving strong comps at existing small formats. You'll hear more from Bill about this shortly.

We also see an environment to create transformative growth in Global eCommerce and mobile commerce. Our ability to combine online and mobile with the assets of the world's largest retailer positions us to win at the intersection of physical and digital retail, which is a competitive advantage. Over the past year in particular, we have invested more significantly to improve our customer experience and fulfillment capacity. Cycle times on e-commerce related to capital investments are much more fluid than those for stores, so we can move faster and make decisions with speed. We'll increase our e-commerce investment as opportunities present themselves. And, we're committed to updating you more often on this important growth area.

Another area of focus is on operating with excellence. I am a firm believer in EDLP, because it builds customers' trust in Walmart. EDLP is a competitive advantage, and we will continue to transition the rest of our international markets to this pricing strategy. With EDLC, we can lower our cost structure so we can pass on savings to customers. Our operational excellence mindset compels us to deliver expense leverage by growing sales and driving the productivity loop. We'll also improve our capital efficiency in our core business and foster an environment that leverages best practices.

Our goal is to become the model of excellence in global compliance and ethics, and we've made significant progress on this commitment during the year. We also will continue to lead on social and environmental issues that build public trust with key stakeholders.

I'm proud that Walmart enables and empowers associates with opportunities to succeed. My career is testament to this. I'm also grateful for the opportunity I was given, starting as an hourly associate, to learn the business and what it takes to be a good merchant. And of course, we never stop learning. In fact, when I was riding along with one of our trucks delivering a load to a supercenter on my first day as CEO, the driver, Rickey, displayed a personal passion for serving customers. I saw that same passion from Rosie, one of our department managers, in a Memphis store last week. I was reminded how each of us, regardless of our roles at Walmart, has an important responsibility to serve our customers to the best of our abilities. And because of this, we will continue to invest in and develop talent that will move us into the future. This is really critical to our success.

Before I close, I want to appreciate Mike Duke for his service and accomplishments as CEO over the past 5 years and throughout his 18-year career with Walmart. Mike was instrumental in positioning Walmart for long-term success by making critical investments in technology and talent. He also broadened our company's commitment to lead on some of the most pressing social and environmental issues of our times. Under Mike's leadership, the company delivered strong financial results, and total shareholder returns improved dramatically. Without question, Mike's passion for retail and drive for continuous improvement has benefitted Walmart's associates, customers and shareholders.

As you've heard these past few minutes, we have much to achieve this year, and this will inevitably include change. But things that won't change include our core beliefs, our winning culture and our purpose of serving customers so that they can save money and have the freedom to do more with their hard earned money. I'm confident in our very strong leadership team and our more than 2 million associates to deliver for Walmart's customers, shareholders and each other. I'm honored to lead this incredible company and optimistic about our future. In this changing retail environment, Walmart will lead.

Now, I'll turn it over to Claire for more financial details. Claire …

Claire Babineaux-Fontenot
Consolidated Financials

Thank you, Doug. I'll begin by going through our fourth quarter P&L results and wrap up with a summary of our full year.

For the fourth quarter of fiscal 2014, Walmart reported diluted earnings per share from continuing operations of $1.34, compared to $1.67 last year. On January 31, we updated EPS guidance, including details on a number of discrete items, which impacted our fourth quarter results.

The total EPS impact of these discrete items on continuing operations for the quarter and the year was $0.26 per share. A detailed explanation for each of these items is indicated within today's press release. The discrete items and the respective EPS impact were as follows:

- Brazil non-income tax contingencies $0.06
- Brazil employment claim contingencies $0.05
- Brazil and China store closures $0.06
- China store lease expense charges $0.03
- India transaction $0.05
- Sam's Club U.S. staff restructuring & club closure $0.01

Therefore, our underlying EPS – meaning EPS excluding the discrete items – was $1.60.

Last quarter, we also increased our full-year estimate for our incremental investment in e-commerce to $0.10. However, during the fourth quarter, this investment was approximately $0.04 per share, bringing the total fiscal 2014 incremental investment in e-commerce to $0.11 per share.

Consolidated net sales increased 1.4 percent, or $1.8 billion, for a fourth quarter total of $128.8 billion. On a constant currency basis, consolidated net sales would have increased 2.8 percent over last year's fourth quarter to $130.6 billion.

With respect to comp sales … Total U.S. comp sales, without fuel, decreased 0.4 percent for the 14-week period ended January 31. Bill and Roz will provide more details for Walmart U.S. and Sam's Club.

Consolidated membership and other income increased 12.7 percent to $920 million. The increase was primarily driven by the sale of certain real estate assets within our U.S. segments, which was recognized in other income, and a solid 9.0 percent increase in membership income at Sam's Club.

Strategic price investment within all three operating segments contributed to a 40 basis point reduction in our gross profit rate, bringing it to 23.9 percent for the quarter.

Operating expenses as a percentage of sales were 18.9 percent, an increase of 73 basis points, driven primarily by Sam's Club and Walmart International. Discrete items impacted operating expenses by 71 basis points. Excluding the impact of discrete items, operating expenses as a percentage of sales, would have increased 2 basis points to approximately 18.2 percent compared to last year.

Corporate & support expenses, which include core corporate, Global eCommerce support, and Global leverage services, increased 8.3 percent for the quarter.

Core corporate expenses increased 5.8 percent. FCPA and compliance-related expenses were approximately $58 million, which was below our guidance of $75 to $80 million for the quarter. Approximately $38 million of these expenses represented costs incurred for the ongoing inquiries and investigations, while the remaining $20 million was related to our global compliance program and organizational enhancements. Excluding these FCPA and compliance matters, core corporate expenses would have increased 6.3 percent, primarily driven by technology investments for people systems and training.

Fourth quarter operating income decreased 14.4 percent to $7.3 billion. Discrete items impacted operating income by 10.6 percent. Excluding the impact of discrete items, operating income would have decreased 3.8 percent to $8.3 billion.

Net interest expense increased 16.1 percent to $554 million. The increase was primarily driven by interest accruals related to non-income tax discrete items in Brazil and higher debt balances, offset by a reclassification of certain international accounts payable discounts to cost of sales.

This leads us to income from continuing operations attributable to Walmart of $4.4 billion, a decrease of 21.0 percent compared to last year. Discrete items impacted income from continuing operations attributable to Walmart by 15.5 percent. Excluding the impact of the discrete items, income from continuing operations attributable to Walmart decreased 5.5 percent to $5.3 billion.

Capital expenditures were approximately $3.6 billion for the quarter. We added approximately 9.9 million retail square feet through 206 net new, expanded and relocated units.

Moving on to returns … During the quarter, the company repurchased approximately 11.2 million shares for approximately $877 million and also paid $1.5 billion in dividends. That wraps up our report of Q4.

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

For fiscal year 2014, Walmart reported diluted earnings per share of $4.85, versus last year's EPS of $5.01, a decrease of 3.2 percent. Our underlying EPS increased 2.0 percent to $5.11. Our effective tax rate was 32.9 percent, compared to 31.0 percent for the prior year. This was within our full year guidance of 31 to 33 percent.

Consolidated net sales were $473.1 billion, an increase of $7.5 billion, or 1.6 percent, over last year. Acquisitions added approximately $730 million to net sales, while fluctuations in currency negatively impacted net sales by $5.1 billion. Therefore, on a constant currency basis, net sales would have increased 2.5 percent to $477.5 billion.

For the 53-week period ended January 31, U.S. comp sales, without fuel, decreased 0.4 percent.

While our gross profit grew 1.5 percent, our gross profit rate declined 3 basis points to 24.3 percent, which reflects our ongoing investment in price, as well as our global merchandise mix.

For the year, operating expenses as a percentage of sales increased 27 basis points to 19.3 percent. Discrete items impacted operating expenses by 19 basis points. Excluding the impact of the discrete items, operating expenses as a percentage of total sales would have increased 8 basis points to 19.1 percent.

Corporate & support expenses increased 24.1 percent for the full year, primarily from our investments in leverage services and Global eCommerce. Core corporate expenses, which included $282 million in charges related to FCPA matters, increased 15.6 percent. Approximately $173 million of these expenses represented costs incurred for the ongoing inquiries and investigations, while the remaining $109 million was related to our global compliance program and organizational enhancements. Excluding these FCPA and compliance matters, core corporate expenses would have increased 6.7 percent.

Now, turning to our full year operating income … Operating income decreased 3.1 percent to $26.9 billion. Discrete items impacted operating income by 3.3 percent. Excluding the discrete items, operating income would have increased 0.2 percent to $27.8 billion.

Income from continuing operations attributable to Walmart for the full year decreased 5.7 percent to $16.0 billion, compared to $17.0 billion last year. Discrete items impacted income from continuing operations attributable to Walmart by 5.0 percent. Excluding the discrete items, income from continuing operations attributable to Walmart would have decreased 0.7 percent to $16.9 billion.

Consolidated inventory grew 2.4 percent, driven primarily by both U.S. operating segments. You'll hear more from the segment CEOs regarding the individual drivers of inventory growth.

We ended the year with capital expenditures of $13.1 billion, slightly above our range of $12.0 to $13.0 billion, primarily the result of additional small format activity in Walmart U.S. For the year, the company added approximately 32.6 million retail square feet through 529 net new, expanded and relocated units. You will hear more from Bill and Charles on our revised fiscal 2015 capital expenditure plan.

With respect to leverage … Our debt to total capitalization was 42.6 percent, compared to 41.5 percent last year.

Free cash flow for the 12 months ended January 31 was $10.1 billion, a decrease of $2.6 billion. The timing of tax payments, as well as slightly higher capital expenditures, were the primary drivers of the reduction.

Return on investment for the trailing 12 months ended January 31, 2014 was 17.0 percent, compared to 18.1 percent last year. The reduction in ROI is primarily attributable to a decrease in operating income, investments in fixed assets, and the impact of acquisitions. Discrete items impacted return on investment by 40 basis points. Excluding the impact of discrete items, ROI would have been 17.4 percent.

The company repurchased approximately 89.1 million shares for $6.7 billion and paid $6.1 billion in dividends. As of January 31, 2014, we have approximately $11.3 billion remaining under our current $15 billion share repurchase authorization.

Now, let's turn it over to our operating segments. We'll start with Walmart U.S. Bill …

Bill Simon
Walmart U.S.

Thank you, Claire.

In the fourth quarter, the U.S. retail business environment was challenging. It was marked by a shortened holiday season, severe winter storms, and reduced government benefits. While these factors impacted our business, they also brought out the best in our associates and have further cemented our customers' reliance on our commitment to price leadership.

Net sales grew by $1.8 billion or 2.4 percent. For the 14 weeks ending January 31, comp store sales were down 0.4 percent, with ticket up 1.3 percent and traffic down 1.7 percent. In the absence of a reduction of government SNAP benefits, which represented approximately 40 basis points of impact to comp sales, we believe the quarter would have been flat. Additionally, comps were pressured by winter storms, which forced the closure of over 200 stores at some point over the course of quarter.

While we're disappointed with comp sales, there are a number of things that made me particularly proud.

We kicked off the season with a successful Black Friday event, led by strong customer response to the one-hour-guarantee program. We followed that with an excellent Cyber Monday, which marked the biggest sales day in walmart.com's history. I'm pleased with our event execution and coordination between our online business and our physical stores. Our commitment to price leadership, aggressive marketing and strong execution helped us deliver a positive sales comp during the 6-week holiday season ending December 27, 2013. Due in large part to our holiday performance, we gained share across all of our tracked general merchandise categories, including entertainment, toys, automotive, stationery, home and apparel, for the 13 weeks ending January 4, 2014, according to The NPD Group.

In addition, we continue to be pleased with the strength of our small formats. These stores continue to deliver positive comp sales and traffic increases each quarter. In fact, comp sales, without fuel, for Neighborhood Markets grew approximately 5 percent for the 14-week period.

Now, let me share more detail about the financial results for the fourth quarter. We had modest year-over-year operating income growth to $6.4 billion.

Gross profit increased 0.8 percent, with our gross profit rate down 41 basis points, driven primarily by a commitment to price leadership. Our customers rely on us to deliver low prices on the items they want most. We believe our price investment was a material driver to accelerated share gains and positive comps during the holiday season.

We delivered 17 basis points of expense leverage. For the quarter, expenses increased only 1.4 percent in spite of headwind related to group health care costs.

The operations team executed holiday plans extremely well and efficiently transitioned stores between a normal day-to-day business and holiday events to serve a record number of customers during the Thanksgiving week. In fact, during the peak 4-hour period, our associates processed more than 10 million transactions. That's over 40,000 transactions per minute.

We also benefitted from a $33 million gain related to the sale of real estate that was recorded in other income.

Q4 inventory grew 3.8 percent, moderating from prior quarters, but still higher than the rate of sales. We remain committed to disciplined inventory management and are well positioned for spring seasonal conversion.

Now, let me cover some of the highlights from our merchandising areas.

Grocery, which includes food and consumables, gained 24 basis points of market share for the 13 weeks ending February 1, 2014 according to The Nielsen Company. Our overall grocery comp was in the low single-digit negative range, due in part to SNAP benefit reductions. Excluding those impacts, we're encouraged by the underlying business. We saw strong mid single-digit positive comps in produce and adult beverages, which benefitted from enhanced quality and price investments. Additionally, we had positive comps in other fresh departments, including meat, deli and bakery.

Health & wellness continued its momentum, delivering a low single-digit positive comp. Our prescription business was particularly strong, with a mid single-digit positive comp due in part to inflation. This helped offset pressure from a soft flu season, which also adversely impacted our over-the-counter business.

Hardlines, including seasonal, had a low single-digit positive comp for the quarter. Our Christmas seasonal business performed well, with strength across the entire business, including lights, trees, and décor. Hardware and paint, as well as automotive, also delivered solid comps, with strong sales in cold weather categories, such as car care and heaters.

Entertainment, including toys, posted a mid single-digit negative comp. However, we were able to grow market share. Our one-hour guarantee program, the “Chosen by Kids” program and a strong Black Friday event performance led to share gains for the 13 weeks ending January 4, 2014, according to The NPD Group. While we were pleased with our share performance, we continued to face challenges related to ongoing entertainment industry contraction.

Our home business reported a low single-digit positive comp. Broad assortment helped both bath & bedding, as well as cooking & dining, deliver strong mid single-digit positive comps. National brands such as Calphalon, Farberware, Keurig, and SodaStream also drove traffic and sales growth in home.

Our apparel business delivered a low single-digit positive comp, with strength across several categories. Sales of national brands, such as Avia and Russell, led the way during the quarter. Cold weather apparel and active wear posted particularly strong comps.

I’m happy to report that our e-commerce business continued to perform well. For the fourth quarter, it contributed approximately 30 basis points to the total Walmart U.S. comp. As I mentioned, we had our strongest Cyber Monday ever. Customers are rapidly adopting mobile, and we’re evolving quickly by enhancing the experience through improved apps. Continued enhancements of our e-commerce platform and fulfillment network are top priorities, and we invested strategically to strengthen these areas. Our Texas dotcom fulfillment center processed more orders than planned, and our new Pennsylvania center opens within the next few weeks. The strategic location of these fulfillment centers complement others already in place and allow us to reduce the time to deliver merchandise.

Now, let me now cover the financial results for the full year.

During the fiscal year, net sales increased $5.0 billion, or 1.8 percent, to $279.4 billion. Comp sales declined 0.6 percent for the 53-week period ending January 31, while operating income grew 4.0 percent – or more than twice the rate of sales – to $22.4 billion.

Gross profit for the year increased 1.8 percent, with a slight gross profit rate decline. Price investments were offset by cost of goods savings initiatives.

Expenses were up 0.9 percent. We successfully leveraged each quarter of the year. Within our supply chain, logistics utilized optimized routes and distribution center mechanization to drive efficiencies. Store operations leveraged technology investments, such as self-checkouts and MyGuide, to improve associate productivity. We're proud of our ongoing commitment to expense leverage. Since fiscal 2010, we've delivered 83 basis points of cumulative leverage. Those savings allow us to invest in price and fuel the productivity loop.

Despite improvements in overall operational efficiency, group health care expenses were a headwind for the year and will continue to be in fiscal 2015. As our health care plans already exceed the requirements of the Affordable Care Act, we didn't expect the implementation of ACA to materially impact our benefits costs. However, we've experienced higher-than-anticipated enrollment. This has placed pressure on our benefits expense. We've accounted for this in our financial guidance and will monitor it closely throughout the year.

With regards to real estate, our strategy is centered on providing customers access to the broadest array of products through a digitally connected, multi-format portfolio.

To this end, we accelerated the growth of our small format stores. We added 105 new Neighborhood Markets this year, bringing our current fleet to 346 total units. These stores delivered an approximately 4 percent sales comp for the year, driven by fresh and pharmacy. In fact, our Neighborhood Market fleet is performing comparable or favorable to leading grocers around the country. We also opened 7 Walmart Express units this year, bringing the total to 20. We continue to learn from these stores and are excited by the options this format offers.

Supercenters will also continue to play a role in our overall growth and are essential to the grocery stock-up and broader shopping trips. Including expansions, conversions and relocations, we opened 130 units this year.

Let me share with you some positive developments in our growth plans. Recall in October that we announced plans to build 120 to 150 new small stores for fiscal 2015. We've been working to improve our speed to market and lower capital costs to allow us to move more aggressively.

I'm very pleased to announce that we're further accelerating our small store growth and now anticipate opening between 270 and 300 this fiscal year. Our customers' needs and expectations are changing. I believe these stores will enable us to exceed their expectations by providing convenience and easy access to fresh foods, pharmacy and fuel. Through the intersection with walmart.com, we can connect our physical asset base to the broad assortment that is available online.

These increases will nearly double our small store fleet, driving retail growth as we enter the next generation of retail. Including expansions, conversions and relocations, we will deliver 385 to 415 new units versus our prior guidance of 235 to 265 new units. Total incremental square footage is anticipated to be between 21 and 23 million square feet, versus our previous guidance of 19 to 21 million square feet.

Given the small format acceleration, we are also updating our capital expenditure guidance, from a range of $5.8 billion to $6.3 billion to a new range of $6.4 billion to $6.9 billion.

We currently have over 4,200 stores and will grow that significantly this fiscal year. Our full fleet will serve as the physical access points for our digital business, combining these two worlds in a unique way. Site to Store, Ship from Store, Pay with Cash, and Scan & Go are great examples of what we're currently doing to marry digital and physical experiences.

In October, we expanded the grocery delivery test to the Denver market, and we're getting a great response. Almost 90 percent of the customers rate the service above average or outstanding. And just last month, we announced an easy pick-up option for online grocery and general merchandise orders in Denver. We're leveraging our global learning from the Asda Click and Collect program, a highly successful model. And, we'll continue to innovate in this space and invest in meaningful opportunities.

Reflecting on the year, I'm really proud of the impact we're having on our customers and communities. We launched our veterans hiring program in May and have since hired more than 30,000 honorably discharged veterans. We've also made great strides in our domestic manufacturing initiative. Our activity to date will lead to the creation of an estimated 58,000 new U.S. manufacturing-related jobs. We have strong commitments from suppliers and recently announced a $10-million, 5-year Walmart U.S. Manufacturing Innovation Fund to spur innovations that support America's growing manufacturing footprint.

For fiscal 2015, we're focusing on growth and returning to positive comps. We'll leverage what's already working well in areas, such as home, apparel, and produce, and continue to drive improvement in opportunity areas such as dry goods, snacks & beverages, consumables, and entertainment. We'll also address underperforming stores. We recognize the need to win at the convergence of digital and physical, and we'll leverage our more than 4,200 stores as access points for our digital business to further spur growth through e-commerce. And, of course, we'll do this in the Walmart way – leveraging expenses and remaining true to our every day low price promise.

In the first quarter, we expect the retail landscape to remain challenging. Comp sales were down at the beginning of the 13-week period, due largely to continued winter storms. However, we're encouraged by our underlying business trends and anticipate a positive sales comp for the balance of the quarter. Therefore, we expect a relatively flat sales comp for the 13-week period ending May 2. Last year's 13-week comp ending April 26, 2013 was down 1.4 percent.

With that, I'll turn it over to David for an update on Walmart International. Dave …

David Cheesewright
Walmart International

Thank you, Bill.

Let me start by saying how honored I am to lead Walmart's growing international business. I'm proud to be part of such a strong leadership team that is committed to advancing our global mission of saving people money so they can live better around the world.

As we've said for some time now, we're operating in a challenging global environment, with low inflation, relatively high unemployment and fragile consumer confidence leading to modest consumer spending. Having said that, we're aggressively focused on leading the business with a long-term view on our customer, and we're confident that our teams are aligned on the right strategies to succeed and deliver our core mission.

Our strategy is a simple promise of being in good businesses and running them well. This lays the groundwork for delivering our financial priorities – growth, leverage and returns. We've initiated actions in Mexico, Brazil, China and India to improve our operating model in those key countries, and this will continue to be a priority this year.

Looking forward, we're focused on several key areas:

- First is to deliver on our role of being a strong growth vehicle for the company. This can come in many forms, but we will continue to focus aggressively on driving comp sales in each of our markets. This is the most efficient manner for us to drive top-line as well as returns.

- We will be the lowest cost operator in each market. We're in good shape in many markets, but we have room to improve everywhere. Driving the productivity loop is core to our operating model and how we serve our customers.

- We will be passionate about price leadership wherever we operate.

- We will build a platform for profitable growth in China. We're encouraged by the progress we've made here and will continue to make this a priority.

- We're focused on stabilizing Brazil. This has been a challenging market for a number of reasons, and we're working on many fronts to improve our competitive position here.

- I'm very excited about our continuing growth in e-commerce globally. It's a big part of our plans going forward, and we're working closely with Neil's team around the world to ensure we're leading at the intersection of physical and digital. Just in the last year, we've grown Yihaodian and Brazil e-commerce sales at nearly twice the market rate. We're also seeing great progress in the U.K., Canada and Mexico.

Let me remind you of our announcement on February 6 of the completion of our purchase of approximately 25 percent of the shares of Walmart Chile from certain minority shareholders. As a result of this transaction, Walmart now owns approximately 99 percent of the outstanding shares of Walmart Chile, and we recently launched a cash tender offer for the remaining shares. We believe in the potential of this market, and this purchase continues Walmart's growth strategy.

Let's now turn to our results for the fourth quarter. Claire has provided detail on the discrete items that I'll be referring to. On a reported basis, International net sales were $37.7 billion, down 0.4 percent, with currency exchange fluctuations unfavorably impacting sales by approximately $1.8 billion. On a constant currency basis, sales increased 4.3 percent.

Around the globe, the holiday season was softer than we would've liked, particularly in our larger markets, as we continue to see customers manage on a relatively tight budget.

Gross profit rate, on a reported basis, fell 53 basis points and on a constant currency basis, decreased 44 basis points. This was primarily driven by price investments in Brazil, Canada and Mexico.

Relatively soft sales, along with the previously disclosed discrete items, impacted our ability to leverage expenses during the quarter. Operating expenses increased 12.5 percent on a reported basis, and increased 18.8 percent on a constant currency basis. The discrete items impacted operating expenses by 13.2 percentage points. Excluding these items, operating expenses would've grown 5.6 percent.

We are disappointed in our leverage performance for the quarter. As always, our teams are focused on operational efficiency and are making progress on several cost reduction initiatives. For example, in the U.K., plans are in place to roll hybrid checkout registers across 130 stores in early FY 15 and to expand on global scan and go initiatives. Mexico is improving associate productivity by optimizing modular, financial and promotional planning to drive improved layout accuracy and in-stock.

On a reported basis, operating income decreased 45.8 percent, compared to last year and decreased 44.3 percent on a constant currency basis. The discrete items impacted operating income by 37.8 percentage points. Excluding these items, operating income would've declined 6.5 percent on a constant currency basis due to higher operating expenses and price investment.

Inventory grew faster than sales, but we've made significant progress across our markets.

Let's turn to the results for the year. For fiscal 2014, reported net sales were $136.5 billion, growing 1.3 percent over last year. Currency exchange fluctuations negatively impacted sales by approximately $5.1 billion. On a constant currency basis, net sales increased 4.6 percent.

This is the first quarter our Yihaodian acquisition is included in our constant currency numbers. During the first three quarters of the year, Yihaodian contributed $730 million in sales, which were not included in our constant currency results.

We are especially pleased that in this tough environment, we grew market share in most countries and maintained share in a challenging Mexico market. We did experience share loss in the U.K. and Brazil. Competitors remained very aggressive with vouchering in the U.K., and around the world, we continue to focus on expanding price leadership.

Operating expenses on a reported basis were $27.4 billion, up 5.5 percent. On a constant currency basis, expenses increased 9.7 percent. Discrete items impacted operating expenses by 3.6 percentage points. Without these items, operating expenses would have grown 6.1 percent on a constant currency basis, driven by headwinds in Brazil and Mexico and investments in e-commerce.

The combination of soft sales, price investments, higher expenses, and investments in e-commerce, caused operating income for the year to decrease 17.6 percent on a reported basis and 14.8 percent on a constant currency basis. The discrete items impacted operating income by 13.8 percentage points. Without these items, operating income would have declined 1.0 percent on a constant currency basis.

Now let’s turn to the individual market results. As a reminder, the following discussion is on a constant currency basis and, unless otherwise stated, net sales and comp sales are presented on a nominal, calendar basis. In all countries except Brazil and China, our discussion of results is inclusive of e-commerce. For Brazil and China, we discuss stores and e-commerce separately.

For the fourth quarter, net sales in the U.K. increased 1.3 percent, while comparable sales declined 0.2 percent. We are pleased that traffic increased 0.2 percent, offset by a ticket decline of 0.4 percent. Gross profit rate was flat for the quarter, as sourcing benefits and efficiencies were invested into maintaining a strong price position.

The U.K. macroeconomic environment improved slightly in the fourth quarter with GDP growth of 0.7 percent and unemployment falling to a four-year low of 7.1 percent. However, the macro picture is masking a slower recovery from a consumer perspective, with staple item price inflation continuing to outstrip personal earnings growth. In this tough economic environment and with inflation slowing, total market growth for the 12 weeks ending January 5 was relatively modest at 2.9 percent. With online growth and a growing discount sector, all major retailers, including Asda, had overall share declines.

Operating expenses as a percentage of sales rose by 18 basis points. Headwinds in indirect taxation, employment costs and investments in e-commerce were offset somewhat by cost discipline across operations. We improved check-out efficiencies, procurement savings on supplies, supply chain efficiencies and energy savings, and we expect to deliver more benefits this year. Due to the expense headwinds, operating income decreased 1.5 percent.

Inventory was reduced 2.7 percent, driven by improved stock to sales control, as well as the conversion to the Global Replenishment System earlier in the year.

We recently announced a new strategy at Asda that we expect will redefine value retailing in the U.K. This will involve improving our core business by investing £1.25 billion in price and quality over the next 5 years. We will bring this value to more customers by improving access and reach across the U.K., focusing on online growth and expanding stores into the faster growing South East and London markets.

We became the first mainstream U.K. retailer to introduce a Black Friday event. Special prices across electronics and toys, procured with our global sourcing team, helped drive strong traffic growth, with 450,000 additional transactions on the first day of the event. We started off the New Year with a 50-pence store event designed to provide customers value when they need it most.

Our multichannel offering in the U.K. continues to strengthen, and online sales increased 18.6 percent. We added 87 Click & Collect sites in the U.K., including 6 Underground station locations as part of an innovative collaboration with Transport for London. We also added 160,000 square feet of net selling space within the quarter, adding stores in carefully selected areas, bringing access to new customers.

We continue to focus on supporting local communities in the U.K. Over the year, we raised over £7 million for a number of national charities and community organizations, exceeding our goal by 36 percent.

In Canada, fourth quarter net sales grew 0.4 percent, while comp sales decreased 1.7 percent. Comp traffic decreased 2.7 percent with ticket increasing 1.0 percent. The decrease in comp store sales was due to several factors, including exceptionally severe winter weather during December, declining consumer spending and price competition. Although we saw solid low single-digit comps across the board in food and consumables, this was offset by our Walmart discount stores, which struggled particularly in electronics and hardlines.

Despite the soft comp sales, we achieved an overall increase of 45 basis points of market share according to The Nielsen Company's measured channels for the most recently reported 12-week period ending January 25.

We remain excited about our e-commerce business. In fact, we had our best online sales day ever during our Black Friday event. For the quarter, online sales grew 145 percent.

Our gross margin rate decreased 88 basis points due to continued aggressive price investment. Operating expenses grew 0.9 percent. Higher costs for utilities, maintenance and repair, and investments in e-commerce were offset somewhat by store wage leverage. As a result of this, operating income decreased by 5.3 percent. Despite the sales softness, inventory was well managed, with total inventory flat to last year.

During the fourth quarter, we completed 9 new supercentres, 5 expansions and 7 in-box conversions in Canada. For the year, we added 10 net new stores, bringing our total count to 389 retail locations. In addition, we recently announced a C$500 million capital investment to continue our growth for stores and e-commerce.

Now, let's move to Africa. As you know, Massmart is a publicly held subsidiary that operates in 12 countries in Sub-Saharan Africa. Its fiscal year ends in December and the company will release its year-end results on February 27. We are pleased with the progress our management team is making in this market.

Now let's move on to our larger Latin American markets. The following summary includes the consolidated results of Mexico and Central America and is on a U.S. GAAP basis. Walmex separately reported fourth quarter results on February 18, under IFRS, so some numbers will differ from the Walmex-reported numbers. Our Mexico results exclude the impact of the pending Vips sale, whose operations results are recorded in discontinued operations.

For the quarter, Walmex consolidated net sales grew 3.5 percent. Gross profit rate decreased 44 basis points, driven by a decrease of 77 basis points in Mexico. Central America had a 183 basis point increase in gross profit rate that was driven by better markdown management and merchandising mix. Walmex operating expenses as a percentage of sales increased 72 basis points. Operating income decreased 8.1 percent.

In Mexico, net sales increased 3.1 percent over last year, but comparable stores sales decreased 1.6 percent. Sales were negatively impacted by the country's continued economic slowdown and especially soft performance by Sam's Club.

Mexico's self service formats – Bodega Aurrera, Superama and Walmart Supercenters – plus Sam's, lagged the market by 60 basis points. Excluding Sam's, our self service formats, outpaced the market by 70 basis points.

Gross margin declined 77 basis points as a result of price investment and an aggressive competitive environment. Operating expenses increased 9.0 percent, and operating income declined 10.3 percent. Operating expenses were negatively impacted 3.3 percentage points by a non-cash charge to rent expense to properly state certain store lease liabilities. Excluding this item, operating expenses would've increased 5.7 percent. Operating income was impacted by 3.8 percentage points, resulting in a comparable operating income decrease of 6.5 percent.

Inventory grew faster than sales, but inventory quality remains good, and we expect to right-size our position in the first quarter.

During the quarter, we opened 100 net new stores and 211 during the year to bring our total store count to 2,199.

For fiscal 2015, we expect continued economic pressures, including a new tax on high-calorie food and beverages, and an increase of VAT in border cities. We expect moderate improvement in the economy, driven by government investment and increased remittances from the U.S. In addition, our co-branded credit card agreement with BBVA Bancomer ended, which is having some impact on extending and usage of credit for our customers. We are exploring strategic alternatives to strengthen the financial service offerings to our customer.

Mexico is reinforcing its fundamentals and is reaffirming its price leadership position in the market. In our Sam's Clubs, we're improving the value proposition for our members by offering better assortment and lower price points.

We continue to invest in and are pleased with our e-commerce sales growth. According to Comscore, we are the third most visited site in Mexico, and according to Euromonitor International, we are number one in online grocery sales due to our Superama delivery program.

We are encouraged by the performance of Central America, where net sales increased 6.1 percent, with comparable store sales increasing 1.8 percent. Gross profit rate increased 183 basis points, due to improved markdown management compared with the prior year. Operating expenses increased 9.5 percent and operating income increased 39.4 percent. Operating expenses were impacted 3.7 percentage points by the similar rent expense charge as mentioned earlier with Mexico. In addition, operating income was also impacted by 19.6 percentage points by the rent charge. Excluding this charge, operating expense grew 5.8 percent and operating income increased 59.0 percent.

During the quarter, we opened 4 net new stores and 19 during the year, bringing our total store count in Central America to 661.

Moving on to Brazil … Fourth quarter net sales grew 5.3 percent, with total comp sales up 4.6 percent. We've seen improved performance in our retail formats, driven by our food and consumables categories, but wholesale formats remain soft. Average ticket grew 8.0 percent, and traffic declined 3.4 percent. Gross profit rate decreased 328 basis points, as we continue to invest to drive price leadership. We're driving the productivity loop, with investments in systems integration in both retail and wholesale formats.

Operating expenses were up 75.2 percent, resulting in an operating loss for the quarter. The discrete items mentioned earlier impacted operating expenses by 68.5 percentage points. Excluding the discrete items, operating expenses increased 6.7 percent and resulted in a smaller operating loss.

Confronted with wage inflation, the Brazil team has responded with productivity initiatives to help offset these headwinds. As a result, labor productivity for the year increased approximately 7 percent.

With a new site launched in October, Brazil's e-commerce continued its strong track record of sales growth and market share gains. We had a strong performance in unique visitors during the period. The top-performing online categories included phones, phone accessories and electronics. For the year, online sales grew at about twice the rate of the market.

Our position in Brazil remains challenging, but we are implementing a number of initiatives to stabilize the business and to put us on a stronger foundation going forward.

Now let's move on to Asia. Walmart China sales grew 3.7 percent during the fourth quarter, with comp sales up 0.4 percent. Comp was driven by an 8.6 percent increase in ticket, while traffic declined 8.2 percent, as customer behavior continued to shift towards fewer trips and larger baskets.

Gross profit as a percentage of sales during the quarter improved 42 basis points as "Buy 4 Less" initiatives delivered cost savings even with investments in price. China had an operating loss for the quarter, driven by expense growth of 34.2 percent. However, expenses were impacted 38.8 percentage points by the discrete items. After adjusting for the discrete items, expenses decreased 4.6 percent, and operating income increased by 416.4 percent, measured against a relatively low base.

On a full year basis, China's sales grew 4.3 percent, with comp sales growth of 0.7 percent. Operating income decreased 139 percent. The discrete items impacted operating income 177.5 percentage points. Excluding the discrete items, operating income would have increased 38.5 percent.

We've made progress on our "Worry Free" price campaign in China. Continued price investments, supported by our "Buy 4 Less" initiatives, have saved customers money, while increasing full year gross margin by 11 basis points versus last year.

The China strategy embodies our “Every Day Low Cost” philosophy, and we continue to lower expenses and increase wage productivity. Operating expenses were up 11.3 percent for the year. The discrete items impacted operating expenses by 9.9 percentage points. Without the discrete items, operating expenses would have increased 1.4 percent for the year.

The overall market in China remains challenged, due to headwinds from the ongoing government austerity campaign on gift giving, as well as price deflation in key categories such as liquor, edible oil and rice.

Yihaodian sales grew at triple digit rates, significantly outgrowing the market. In Q4, we improved our customer experience by recombining the marketplace with the Yihaodian site. We continue to be the top seller of key merchandise, such as imported foods, including milk, which is helping to drive loyalty and repeat visits.

Turning to Japan … I’m happy to share that we delivered positive comp sales for the second straight quarter. Comp sales grew 0.7 percent, with an overall sales growth of 1.6 percent. While comp ticket grew at 3.0 percent, store traffic declined 2.3 percent.

Net sales for the year grew 0.3 percent; however, comp sales were negative 0.5 percent. Despite investments in price, Walmart Japan increased gross margin 15 basis points, driven by increases in private brand penetration, direct imports, as well as managing fresh throws. In addition, Japan has been able to increase the price gap with the competition.

I also want to acknowledge the effort put in by the Japan team on controlling costs, leveraging full year operating expenses by 34 basis points as a percentage of sales, despite continued increases in energy costs. The benefit from insurance proceeds related to the 2010 earthquake helped offset operating expenses. Benefiting from a relatively small base, Japan ended the year with an operating income increase of 25.2 percent.

Looking forward in Japan, we are monitoring the potential impact of the new consumption tax that will take effect on April 1. We expect that the pending tax will pull forward buying activity for bigger ticket items into the first quarter. We are pleased with our continued improvement in Japan.

In India, we completed the separation with our joint venture partner, Bharti Enterprises, on December 31, 2013, and now own 100 percent of the Best Price Modern Wholesale Cash & Carry operations. Cash and carry stores delivered a healthy comp of 19.7 percent this year, and we remain committed to the Indian market with this strong format.

Looking ahead for the International segment as a whole, we expect global macroeconomic conditions to remain challenging, but are seeing some green shoots of economic recovery in various markets. For example, the economic outlook in the U.K. is improving, the outlook for China appears to be stable, and inflation should help a few markets.

As a global company, we have responsibilities to the countries in which we operate. We earn trust through our commitment to compliance, social and environmental issues. Over the past year, we've invested in compliance processes, training and building talented teams and will continue to do so. These processes are very important for us going forward.

In addition, I'm delighted to be part of a company that's donated millions to support charities and is leading on environmental sustainability. I'm very proud of the work Walmart does to support our communities around the world.

In closing, let me stress again how excited I am to be in this role and how optimistic I am about what the future holds for Walmart International. We are sharply focused on the priorities I discussed earlier. We have the talent in place and the right strategies to meet these objectives, and I look forward to updating you in the months and years to come about our progress.

Now I'll turn it over to Roz for the Sam's Club results. Roz …

Sam's Club
Rosalind Brewer

Thanks, Dave.

I want to begin by talking about the organizational changes we recently made. After extensive analysis, we rebalanced our field structure to better align our club resources with the current and potential sales volume of each club. While these decisions were not taken lightly, we believe these changes will allow us to be more agile, focusing on long-term growth opportunities within the club. Moreover, these changes will allow us to better develop our internal talent **and** improve service for our members, well positioning us for fiscal 15.

Let's begin with the Q4 results. Similar to other retailers, the unforeseen winter weather was a significant headwind to the quarter. There were a number of bright spots, however, such as positive savings member traffic and their strong response to our new merchandise. Let me walk you through the highs and lows of Q4.

Going into the quarter, we were solidly positioned to have a successful holiday season. Sales and club traffic accelerated at the beginning of Thanksgiving week, led primarily by our exclusive Sunday evening VIP Event, which posted a very strong high single-digit comp.

However, traffic slowed following Thanksgiving, as severe winter weather covered geographic areas where we are highly penetrated, particularly the Midwest and the Plains regions. This caused a rather pronounced sales lull prior to Christmas, disrupting critical holiday shopping weekends and cancelling many holiday functions. This impact was further compounded by a shortened selling season, which limited our opportunity to recover sales, particularly in our food and beverage categories. While this boosted our online performance, we were disappointed to see that sales did not materialize as expected.

Our comp for the 14-week period ending Jan. 31, 2014, excluding fuel, declined 0.1 percent, comprised of a traffic increase of 1.2 percent and a ticket decline of 1.3 percent.

On a positive note, our new merchandise is resonating well with our savings member segment, or those shopping for their personal needs. However, the continued shortfalls in our business member segment, driven primarily by convenience store consolidation and a declining tobacco business, pressured our results. Business member traffic and ticket were both negative this quarter.

If you're familiar with our business, it shouldn't surprise you that our business member base has been declining. Many of the small businesses we serve make a big difference to the economic environment that we all share. According to Gallup, micro-businesses – those with five or fewer employees – make up about 80 percent of all companies in the U.S. Clearly, the efforts of these businesses matter to the health of the economy, and they especially matter to us at Sam's Club.

To serve our business members, we'll be rolling out new member services this coming year, initially geared at supporting the needs of our micro-business members and strengthening renewal rates. You'll hear more about these services in the coming year.

Now, on to the financials … As Claire previously mentioned, there are two discrete items affecting comparability of our reported financials that represent an unfavorable net impact. During the quarter, we recorded operating expense charges of approximately $59 million related to the implementation of a new in-club staffing structure and the closure of one club.

Net sales, including fuel, were $14.7 billion, up 1.3 percent over last year. Fuel prices decreased 2.6 percent compared to last year, and gallons sold were up 4.5 percent, contributing 10 basis points to overall sales. Sam's gross profit rate decreased 18 basis points. Operating expenses as a percentage of net sales increased by 82 basis points. Operating income decreased 15.3 percent to $425 million. Inventory, including fuel, was up 3.2 percent, largely a result of new club openings.

Volatility in fuel prices can influence our financial results. Therefore, the remainder of our discussion is focused on our core business, **excluding fuel,** for comparative purposes.

Net sales for the quarter were $13.2 billion, up 1.2 percent from last year. Retail inflation across the club was essentially flat. Cost inflation remained slightly inflationary.

Now let's discuss the merchandising results ... Over the past year, we have worked to sharpen our merchandising focus around price, bulk, quality and excitement, with very positive results. Our home and apparel categories have done exceptionally well, as our merchants brought in new, exciting merchandise that really resonated with our members. In the coming months, we will roll out even more new merchandise to additional areas across the club.

There were three factors that affected our Q4 merchandising results – the winter weather I mentioned, the reduction in SNAP benefits and disinflation. Despite these headwinds, the majority of our merchandising categories reported positive comp sales.

We continue to place an emphasis on fresh, driving a low single-digit positive comp within fresh, freezer and cooler. A focus on newness and quality helped boost our Thanksgiving meal performance, with fresh sides and fresh meat both delivering low single-digit positive comps for the quarter. Deflationary pressures, specifically in dairy and cooler categories, tempered our growth.

Grocery and beverage reported an essentially flat comp. The combination of price investments and new SKUs drove unit growth in our snacks category. This growth was offset by sales declines in weather-sensitive categories, such as juice and water.

Tobacco performance was in line with prior quarters, with a low single-digit negative comp.

Our Instant Savings events are driving awareness of our merchandise offering, resulting in market share gains in categories like table top, trash bags, and food storage, as measured by The Nielsen Group for the 13-week period ending January 18, 2014. This growth was offset by declines in our pet business, resulting in a flat comp for consumables.

We are optimistic about the growth opportunities in health and wellness. For the quarter, health and wellness delivered a low single-digit positive comp. Member response to our pharmacist-administered immunizations drove traffic and pharmacy script counts grew. Over-the-counter sales decelerated from the prior quarter, as we lap strong prior year performance in key diet and nutrition items.

Home, apparel and hardlines delivered a mid single-digit comp. The merchants have really transformed this area, bringing in new items and driving excitement. In December alone, we transitioned the clubs three times, focusing on apparel at the beginning of the month, giftable items prior to Christmas, and then a home gallery vignette set on December 26, that performed exceptionally well.

Within technology and entertainment, our VIP event and cyber week delivered solid growth. Samsclub.com is becoming even more important, with member usage increasing. During non-peak times, however, sales were soft, especially in highly competitive categories like TVs, portable electronics, and wireless. This ultimately led to a mid single-digit negative comp. Technology and entertainment has been challenged over the past year, experiencing deflationary pressures and ever-changing member preferences. The team is actively working to reenergize our assortment, predominantly in mobile, driving sales with new and exciting technology.

As our eCommerce business continues to strengthen, Black Friday and Cyber Week offers led to another quarter of double-digit sales growth. E-commerce sales contributed approximately 40 basis points for the 14-week comp period ending January 31, 2014. Year-long site improvements have strengthened conversion, particularly in mobile transactions. To continue supporting this growth, we've named Jamie Iannone CEO of samsclub.com, fully integrating the Sam's Club eCommerce team with the Walmart Global eCommerce team. The integration allows us to build on our collective strengths and improve the member experience.

Now let's continue with the reported financials … Gross profit rate decreased 21 basis points. The gross profit rate was unfavorably impacted by an adjustment to our product warranty liabilities of $39 million, or 30 basis points. Excluding this adjustment, our gross profit rate increased 9 basis points due to the merchandise mix. Our merchants continue to invest in price leadership and have managed our gross profit rate well in a very competitive pricing environment.

Operating expenses as a percentage of sales were up 91 basis points, due to changes in our staffing structure and sales challenges. The charge related to our new staffing structure and the closure of one club negatively impacted operating expenses as a percentage of sales by 45 basis points. Excluding this, operating expenses as a percentage of sales would have increased by 46 basis points. Expense reduction, improved productivity, and innovation are even greater priorities for us in this fiscal year.

Now, I'd like to call out membership income, which grew **9.0 percent**, making Q4 our **strongest quarter of the year**. Back in May, we took our first fee increase since 2006 and coincidently launched Instant Savings for all. Response to Instant Savings has been incredibly well received, providing a disciplined opportunity to demonstrate price leadership. Our members have welcomed Instant Savings, both in-club and online, and it will continue to be one of several ways we communicate value.

Investments such as Instant Savings and our new merchandise have strengthened our membership offering, growing our new sign-ups and improving our Plus level membership renewals and upgrades. While part of our growth is attributable to new clubs, we've also utilized innovative ways to reach new prospects, such as leveraging social media campaigns. In November, we launched a social media initiative to drive new membership growth through compelling online offerings. This drove over 160,000 redemptions and helped grow our member base.

In other income, sales charged to the Sam's Club credit card reached record highs, resulting in a financial benefit from a profit sharing arrangement with our credit card provider. Additionally, we realized gains of $24 million for the sale of two real estate properties, increasing other income as a percentage of sales by 18 basis points. These factors contributed to our membership and other income growth of 23.4 percent.

Our fourth quarter operating income was $412 million, a 15.7 percent decline from last year. Excluding the charges for the new club structure, the closure of one club, product warranties and the real estate gains, which net to $74 million, operating income declined 0.6 percent.

Let's turn to the results for the year. Our annual performance was solid, especially for the first half of the year.

With fuel, net sales were $57.2 billion, up 1.3 percent over last year. Our gross profit rate was flat. Operating expenses as a percentage of sales increased 26 basis points. Operating income increased 0.8 percent to $2.0 billion.

Net sales, **excluding fuel**, were $50.6 billion, up 1.6 percent. For the 53-week period ending January 31, 2014, comp sales increased 0.7 percent. Comp traffic was up 2 percent and ticket was down 1.3 percent.

Membership income increased 5.9 percent. This has been our strongest year of membership income growth in many years, driven by new member signups and the fee increase taken last May.

Gross profit rate was essentially flat. Operating expenses grew 3.8 percent. Operating expenses as a percentage of sales increased 26 basis points. Operating income was $1.9 billion, a 1.9 percent increase over last year, growing slightly faster than sales.

The charges we took in Q4, along with the real estate gain, impacted our gross profit rate by 8 basis points, operating expenses as a percentage of sales by 12 basis points, and operating income by 3.9 percent. Excluding these items, gross profit rate increased 7 basis points, operating expenses as a percentage of sales increased 14 basis points, and operating income grew 5.8 percent. That concludes our fiscal 14 discussion.

Fiscal 15 is now under way, and we are confident that we have the right strategy and the right structure in place to execute our growth plans. The investments we made in fiscal 14, such as transforming our merchandise offering, raising our base fee, rebalancing our field structure and accelerating real estate openings positions us well to boost our top-line performance. To accomplish this, we have three key areas of focus:

First, we will continue to elevate our merchandise offering, building upon the success of home and apparel this past year. Our strategy of merchandise differentiation has resonated extremely well with our savings members, and we are excited to continue this transformation. When you visit our clubs this year, you should expect to see a strong merchandise assortment and unrelenting price leadership.

Second, we're committed to growing at the intersection of "bricks and clicks," delivering anytime, anywhere access for our members. This includes two key areas of investment to propel our growth – samsclub.com and member personalization. We're going to utilize Big Data to serve our members better, and we're going to invest not only in samsclub.com, but the connection between our online presence and our clubs.

Finally, the importance of delivering member value has never been greater, as we strive to become an even more valued membership organization. We remain optimistic about our growth opportunities, and plan to open between 17 and 22 new, relocated, and expanded units this year. Most of our capital commitment goes to new clubs. We will, however, continue to maintain and improve our fleet by remodeling between 55 and 60 units this year.

Continued severe winter storms have resulted in a soft start to the quarter. Because of this, we expect comp sales, without fuel, for the 13-week period from February 1 to May 2, to be relatively flat. For the 13-week period last year, comp sales, excluding fuel, increased 0.2 percent.

We remain optimistic about the growth opportunities at Sam's Club. The underlying health of the business is sound. The restructuring efforts implemented are allowing us to be more agile, focusing on the growth opportunities within the club channel. The strategies we have in place will deliver value to our members, helping to grow the business and drive strong financial performance in fiscal 15.

Now, I'll pass things over to Charles. Charles …

Charles Holley
Guidance

Thanks, Roz.

Let me wrap up today's discussion by providing some thoughts on the company's performance last year. On the positive:

- We delivered over $473 billion in net sales. E-commerce sales grew over 30 percent to more than $10 billion, including acquisitions.
- Walmart U.S. continued their excellent trend of leveraging expenses.
- International made progress on reducing inventory.
- Sam's Club had solid growth in membership income.
- And, despite tough, sluggish economies, we grew underlying operating income over last year.

Now, we did have some challenges:

- Currency negatively impacted consolidated net sales by over $5 billion.
- Our U.S. businesses faced several headwinds this past year, including the reversal of the two percent payroll tax cut, the overhang of sequestration, a reduction in government food benefits, and severe weather in the fourth quarter affected sales more than we had anticipated. All of these negatively affected comp sales.

- Sluggish sales, our stepped up investment in Global eCommerce, as well as ongoing investments in our leverage and compliance organizations, made it difficult to leverage operating expenses as a company.
- We also did not anticipate the 26 cents of discrete items in the fourth quarter.

Now, let me frame the remainder of my comments today around the areas where we need to focus. Our financial priorities of growth, leverage and returns continue to guide us.

I'll begin with **growth**. As Doug said, Walmart needs to be more nimble and responsive to stay ahead in the fast-changing retail industry. We're very focused on driving better customer traffic and growing comp sales. You should expect that we will continue to invest in price and improving service. We will also continue to invest in growing our store base.

Small formats represent a great growth opportunity for us in many of our markets, including the U.S., Mexico and the U.K. You heard earlier from Bill about the opportunity for us to accelerate the rollout of Neighborhood Markets and Walmart Express, given their strong comp sales performance. Customers appreciate the convenience and assortment these two formats offer, and today, we're expanding our capital allocation plan to increase the Walmart U.S. budget by approximately $600 million to accomplish this goal. It's an aggressive plan, considering that we are doing this in addition to our original forecast of large and small formats.

Walmart International will continue to grow, with new store square footage predominantly across some of our key markets, including the U.K., Canada, Mexico and China. And, Sam's Club will also open between 17 and 22 clubs in the U.S. this year, building on the 12 clubs opened in fiscal 2014.

Our company will continue to invest in and grow through e-commerce. We've already made significant progress through site enhancements, search capabilities and fulfillment. We would expect this improvement to continue. We'll also continue to make strategic acquisitions to build out our technology, talent and capabilities, and we will increase our investment when the right opportunity or acquisition presents itself. The acquisition of Yihaodian, for example, has helped us build a strong e-commerce base in China.

We expect to grow Global eCommerce sales to over $13 billion this fiscal year, with continued focus on the U.S., U.K., China and Brazil. Our websites in Canada and Mexico are starting to gain even more customer traffic. We continue to step up investments in Pangaea, our global technology platform, which helped drive sales across our retail websites in the U.S., the U.K. and Brazil. This growth is enabled by investments we're also making in fulfillment and replenishment. Our online websites had their most successful year in fiscal 2014, and we continue to offer a great omni-channel experience for our customers. We launched a new fulfillment center in Texas in September, and it exceeded expectations during the busy holiday season. We're also launching two new fulfillment facilities in Pennsylvania and Brazil in the coming weeks.

Now, let's turn to **leverage**. The productivity loop is the basis on which we deliver on our promise of every day low cost and every day low price. We're committed to operating expense leverage across our businesses. We will continue to focus on being best-in-class operators, which will allow us to invest heavily in price and deliver stronger top-line results. We made significant price investments during the fourth quarter in Walmart U.S., along with all of our markets, and in this fiscal year, you should expect to see even greater investment in price leadership – whether you're a customer in London or Louisville.

We continue to receive great support from the Walmart leverage organization, and this is an area where we will continue to invest. The teams are helping us build better sourcing capabilities, implement best practices across the organization, and improve back office efficiencies. We are strengthening our ability to leverage Big Data and analytics to help us better understand buying patterns so we can put the right product on the shelf for the right time. This allows us to better anticipate and serve the needs of our customers.

Let's move on to **returns**. Return on investment for the 12 months ended January 31, 2014 was 17.0 percent, down from the 18.1 percent we reported at this time last year. Remember that our reported results included the discrete items we've already mentioned. If you exclude these items that accounted for 40 basis points, return on investment would have been about 17.4 percent when compared to the prior period. As Claire has already covered, return on investment was impacted by the decrease in operating income, investments in fixed assets, and acquisitions.

Improved operating results and better management of working capital, including inventory, will drive stronger cash flow. We plan to be very focused on our working capital this year to ensure we maximize our free cash flow in the future.

Let's turn to **guidance.** We expect economic factors to have more negative than positive effect on our outlook. Now, you've heard today about some of the factors affecting the U.S. business, including reductions in government benefits, and along with higher taxes and tight credit, these items will continue to weigh on our customers.

In October, we forecasted a 3 to 5 percent net sales increase for this new fiscal year. Additionally, all guidance provided today assumes currency exchange rates remain at current levels. Now, if the currency rates remain where they are today, this would cause a negative impact to net sales of approximately $3.5 billion for fiscal 2015, when compared to actual exchange rates in 2014. Because of this, and the economic factors just mentioned, we expect to be toward the low end of that net sales guidance.

During the first quarter of this year, we will begin to anniversary the increased costs we've incurred for FCPA matters, including compliance program enhancements and the ongoing investigations. These costs will remain in the Corporate and Support area, and we anticipate expenses to be between $200 million and $240 million for the year. As you heard from Bill, we expect to incur more expense than originally anticipated from higher health care benefit utilization by our U.S. associates, and this will impact fiscal 2015 earnings by approximately $330 million.

In addition, the increased investment in Global eCommerce will be between 2 and 4 cents per share over the 11 cents we invested in fiscal 2014. As of today, we would expect currency to have a negative impact on operating income of approximately $125 million for the year.

When you take all these headwinds into account, and we adjust for the lower government benefits impacting U.S. sales, we still expect to grow operating income, although it may not grow at the same or faster rate than sales.

With all this in mind, we expect first quarter fiscal year 2015 earnings per share from continuing operations to be between $1.10 and $1.20. This compares to $1.14 last year. We expect full year earnings per share from continuing operations to be in the range of $5.10 and $5.45. This compares to a reported earnings per share of $4.85 in fiscal 2014, which included the discrete items we told you about. Underlying earnings per share for fiscal 2014 were $5.11.

Our EPS guidance is based on our forecast of the fiscal 2015 effective tax rate to range between 32 and 34 percent. Our tax rate will likely fluctuate from quarter to quarter and may be impacted by a number of factors, including changes in our assessment of certain tax contingencies, valuation allowances, changes in law, outcomes of administrative audits, the impacts of discrete items, and the mix of earnings among our U.S. and international operations.

As a reminder, the pending sale of the Vips restaurant business in Mexico remains subject to regulatory approval and is now expected to be completed in the first quarter of fiscal 2015. The Vips results are recorded in discontinued operations and the estimated future gain from the sale is expected to be approximately $0.06 per share.

Now, let me take a minute to provide an update on our capital plans for this year. You’re familiar with how we prioritize our cash and the first priority is organic growth. Accelerating the U.S. small format growth will require additional investments over what we announced in October.

- So, first, we said total company capital expenditures were projected to range between $11.8 and $12.8 billion for the year. Today, we are updating this range to $12.4 to $13.4 billion, an increase of approximately $600 million for Walmart U.S.
- Next, we said the company would add between 33 and 37 million square feet of retail space for the year, including approximately 19 to 21 million square feet in Walmart U.S. We are now updating this range to 35 to 39 million square feet, including approximately 21 to 23 million square feet in Walmart U.S. Projected capital expenditures and square footage exclude the impact of future acquisitions.
- And, Bill covered the details on the change in unit counts for Walmart U.S.

Our second priority for capital deployment is for strategic acquisitions. We always evaluate available acquisition opportunities that will either add to our retail platform or support our operations. As Dave discussed, we completed the transaction in Chile and now own approximately 99 percent of the shares of Walmart Chile. During the first quarter of fiscal 2015, we paid approximately $1.5 billion to complete this transaction. Additionally, continued investment in e-commerce is critical to the future of our business, and we will be opportunistic in the e-commerce space as we evaluate potential acquisitions.

After growth organically or by acquisition, our remaining cash flows provide shareholder returns in the form of dividends and share repurchases. We announced today that our dividend will be $1.92 per share for fiscal 2015, to be paid out quarterly. We've now increased our dividend each year for **41** years. As of January 31, 2014, the company had approximately $11.3 billion remaining under our current $15 billion share repurchase authorization. We will continue to be opportunistic at times with share repurchases. Market conditions, general business trends and a focus on maintaining our AA credit rating, among other factors, influence our share repurchase activity.

We've provided a lot of information on today's call, and hopefully it helps in understanding where we are headed for this fiscal year. We are extremely focused on improving comp sales across the organization. Our investments in new stores and e-commerce will strengthen our market share position and allow us to better serve our customers. We will continue to drive expenses out of the operations and enhance productivity. And, as always, we will continue on delivering good returns for our shareholders.

Thank you for your interest in Walmart. Have a great day!

Detailed Cautionary Statement Regarding Forward-Looking Statements

This call included certain forward-looking statements. Those forward-looking statements are intended to enjoy the safe harbor protections of the Private Securities Litigation Reform Act of 1995, as amended, and generally are identified by the use of the words or phrases "anticipate," "are committed," "are expanding," "are focusing," "are updating," "expect," "focus," "focusing," "forecast," "forecasted," "goal," "growth," "guidance," "invest," "investment," "is anticipated," "is expected," "plan," "plans," "priority," "priorities," "projected," "will address," "will be," "will begin to anniversary," "will bring," "will continue," "will deliver," "will drive," "will grow," "will impact," "will improve," "will increase," "will involve," "will leverage," "will likely fluctuate," "will nearly double," "will open," "will roll out," "will strengthen," and "will use," or a variation of one of those words or phrases in those statements, or by the use of words and phrases of similar import. Similarly, descriptions of Walmart's objectives, plans, goals, targets or expectations are forward-looking statements.

The forward-looking statements in this call included statements relating to management's forecasts, expectations and objectives for and regarding: Walmart's diluted earnings per share from continuing operations attributable to Walmart for the quarter ending Apr. 30, 2014 and the year ending Jan. 31, 2015 and the comparable store sales of the Walmart U.S. operating segment and the comparable club sales, excluding fuel, of the Sam's Club operating segment for the 13-week period ending May 2, 2014 (and statements of certain assumptions underlying such forecasts); the range of the company's effective tax rate in fiscal year 2015 and for the effective tax rate to fluctuate from quarter to quarter; the range of growth in

Walmart's net sales for fiscal year 2015 and that such growth will be at the low end of that range; continued and increased investment in Walmart's e-commerce operations; growing operating income in fiscal year 2015, although it may not grow at the same or faster rate than sales; the approximate expected amount by which currency exchange rate fluctuations will impact the company's earnings for fiscal year 2015; the approximate impact of higher health care benefit utilization in fiscal year 2015 on the company's earnings for fiscal year 2015; the range of the per share increase in the company's investment in Global eCommerce in fiscal year 2015 over the company's Global eCommerce investment in fiscal year 2014; the expected approximate negative impact of currency on the company's operating income for fiscal year 2015; continued investment in growing the company's store base; the number of new, expanded and relocated stores to be added by the company in fiscal year 2015; for the amount and percentage of net retail square footage that will be added in fiscal year 2015 and the capital expenditures related to the net retail square footage to be added by the company in fiscal year 2015; the range of capital expenditures of the company for fiscal year 2015, including an increased amount of investment by the Walmart U.S. operating segment; anticipated total Global eCommerce sales growth for fiscal year 2015; the range of expenses expected to be incurred in connection with FCPA-related matters in fiscal year 2015 and increased expenses relating to such matters beginning to anniversary in the quarter ending Apr. 30, 2014; the gain per share on the sale of the Vips restaurant business in Mexico; the amount of the per share dividend to be paid by the company in fiscal year 2015; and continued opportunistic share repurchases by the company.

Those statements also include statements relating to management's expectations: for the company to make even greater investment in price leadership; for continued transition of the rest of the company's markets to the every day low price pricing strategy; that the company will continue to invest in and grow through e-commerce and increase investment in e-commerce if the right opportunity or acquisition presents itself; for the company's use of a combination of price investment and enhanced service to accomplish the key priority of comparable store sales improvement; for the company to have a focus on working capital in fiscal year 2015; for continued investment in strategic acquisitions to build out Walmart's technology, talent and capabilities; continued focus on e-commerce sales growth in the U.S., the U.K., China and Brazil; for investment in new stores and e-commerce strengthening the company's market share position; for continued investment in the Walmart leverage organization; and improved operating results and better management of working capital driving stronger cash flow.

The forward-looking statements also include statements of management's forecasts, expectations or plans for the Walmart U.S. operating segment, including for: the accelerated roll-out of new Neighborhood Markets and Walmart Express units and increased capital expenditures by the Walmart U.S. operating segment in connection with that accelerated roll-out; increased group health care expenses to be incurred by the operating segment in fiscal year 2015; the addition of a certain number of small format stores in fiscal year 2015; the addition of certain amounts of net retail square footage and certain numbers of new units of all formats in fiscal year 2015; addressing underperforming stores; the range of capital expenditures by the Walmart U.S. operating segment for fiscal year 2015; continued innovation and investment in online grocery and general merchandise order pick-ups; focus in fiscal year 2015 on growth and returning to positive comparable store sales; leveraging physical store locations as access points to help grow e-commerce business; and leveraging expenses.

Such forward-looking statements include management's expectations or plans for the Walmart International operating segment including: that the Walmart International operating segment will continue to grow; that improving operational efficiencies to lower expenses and reduce inventory will continue to be a priority for the Walmart International operating segment; continued focus on price leadership and on aggressively driving comparable store sales in its markets; plans to add hybrid checkout registers early in fiscal year 2015, and to expand global scan and go initiatives, in the U.K.; plans to improve the core Asda business by investing in price, quality and remodeling over the next 5 years; plans to improve access and reach across the U.K. by focusing on online growth and expanding stores into certain faster growing markets; planned capital investment intended to continue growth of stores and e-commerce in Canada; plans to right-size the inventory position in Mexico during the first quarter of fiscal year 2015; and the effect that the new consumption tax in Japan will have on buying activity in the first quarter of fiscal year 2015.

Such forward-looking statements include management's expectations or plans for the Sam's Club operating segment, including: the roll out of new member services and products in fiscal year 2015; the increased priorities of expense reduction, improved productivity and innovation in fiscal year 2015; continued elevation of merchandise offerings in fiscal year 2015, with strong merchandise assortment and price leadership; plans to grow the intersection of “bricks and clicks” by investing in both samsclub.com and in the connection between the Sam’s Club operating segment’s online presence and its clubs; and the addition of a certain number of new, relocated and expanded units and the number of clubs to be remodeled in fiscal year 2015.

The forward-looking statements also discuss other goals and objectives of Walmart and the anticipation and expectations of Walmart and its management as to other future occurrences, trends, and results.

All of these forward-looking statements are subject to risks, uncertainties and other factors, domestically and internationally, including: general economic conditions; business trends in our markets; economic conditions affecting specific markets in which we operate; competitive initiatives of other retailers and other competitive pressures; the amount of inflation or deflation that occurs, both generally and in certain product categories; consumer confidence, disposable income, credit availability, spending levels, spending patterns and debt levels; customer traffic in Walmart’s stores and clubs and average ticket size; consumer acceptance of Walmart’s product offerings; consumer acceptance of the company’s stores and merchandise in the markets in which new units are opened; consumer shopping patterns in the markets in which the small store expansion of the Walmart U.S. operating segment occurs; disruption in the seasonal buying patterns in the United States and other markets; consumer demand for certain merchandise; geo-political conditions and events; the availability of attractive acquisition candidates among e-commerce and other retail-related companies; weather conditions and events and their effects; catastrophic events and natural disasters and their effects; public health emergencies; civil unrest and disturbances and terrorist attacks; commodity prices; the cost of goods Walmart sells; transportation costs; the cost of diesel fuel, gasoline, natural gas and electricity; the selling prices of gasoline; disruption of Walmart’s supply chain, including transport of goods from foreign suppliers; Walmart’s ability to identify and implement additional productivity gains and expense reductions; information security and information security costs; trade restrictions; changes in tariff and freight rates; labor costs; the availability of qualified labor pools in Walmart’s markets; changes in employment laws and regulations; the cost of health care and other benefits; the number of associates enrolling in Walmart's healthcare plans; casualty and other insurance costs; accident-related costs; the availability and cost of appropriate locations for new and relocated stores, clubs and other facilities; local real estate, zoning, land use and other laws, ordinances, legal restrictions and initiatives that impose limitations on the company's ability to build, relocate or expand stores in certain locations; delays in construction of new, expanded or relocated units planned to be opened by certain dates; availability of persons with the necessary skills and abilities necessary to meet the company's needs for managing and staffing new units and conducting their operations; availability of necessary utilities for new units; availability of skilled labor and labor, material and other construction costs in areas in which new units are proposed to be constructed or in which existing units are to be relocated, expanded or remodeled; adoption of or changes in tax and other laws and regulations that affect Walmart's business, including changes in individual or corporate tax rates; developments in and the outcome of legal and regulatory proceedings to which Walmart is a party or is subject and the costs associated therewith; requirements for expenditures in connection with FCPA-related matters and compliance programs; currency exchange rate fluctuations; changes in market interest rates; conditions and events affecting domestic and global financial and capital markets; Walmart not obtaining the necessary approval for the sale of the Vips restaurant business; the failure of the purchaser of the Vips restaurant business to perform its obligations regarding the purchase of the Vips restaurant business; the unanticipated need to change Walmart's objectives and plans; factors that may affect Walmart's effective tax rate, including changes in Walmart's assessment of certain tax contingencies, valuation allowances, changes in law, outcomes of administrative audits, the impact of discrete items, and the mix of earnings among Walmart's U.S. and international operations; changes in generally accepted accounting principles; unanticipated changes in accounting estimates or judgments; and other risks. Walmart discusses certain of these matters more fully in its filings with the SEC, including its most recent Annual Report on Form 10-K (in which Walmart also discusses certain risk factors that may affect its operations, its results of operations and comparable store and club sales), and the information on this call should be read in conjunction with that Annual Report on Form 10-K, and together with all of Walmart's other filings made with the SEC through the date of this call, including its Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. We urge you to consider all of these risks, uncertainties and other factors carefully in evaluating the forward-looking statements made in this call. Because of these factors, changes in facts, assumptions not being realized or other circumstances, Walmart's actual results may differ materially from anticipated results expressed or implied in these forward-looking statements. The forward-looking statements made in this call are made on and as of the date of this call, and Walmart undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

The comparable store sales for our total U.S. operations and comparable club sales for our Sam's Club operating segment and certain other financial measures discussed on this call exclude the effect of the fuel sales of our Sam's Club operating segment. In addition, our underlying earnings per share from continuing operations attributable to Walmart, our underlying consolidated operating expenses as a percentage of sales, underlying operating income, underlying income from continuing operations attributable to Walmart and underlying return on investment, segment underlying gross profit rates, segment operating underlying expenses as a percentage of sales, segment underlying operating income and certain other underlying measures for the three months and fiscal year ending January 31, 2014, and certain period-over-period changes in those underlying financial measures exclude the effects of certain discrete items as discussed in the call. Those measures, as well as our return on investment, free cash flow, amounts stated on a constant currency basis and certain other financial measures discussed in this call may be considered non-GAAP financial measures. Information regarding certain of these non-GAAP financial measures and reconciliations of certain of these non-GAAP financial measures to their most directly comparable GAAP measures are available for review on the Investor's section of our corporate website at stock.walmart.com and in the information included in our earnings release, which is an exhibit to our Current Report on Form 8-K that we furnished to the SEC on February 20, 2014.

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