



**Walmart Inc. (NYSE: WMT)**  
**Second Quarter Fiscal Year 2019 Earnings**  
**August 16, 2018**

**Dan Binder**  
**Walmart Inc., Vice President of Investor Relations**

The management commentary below contains statements that Walmart believes are “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, and that are intended to enjoy the protection of the safe harbor for forward-looking information provided by that Act. Please review our accompanying presentation for a cautionary statement regarding forward looking statements made below.

As a reminder, our earnings materials include the press release, management commentary and accompanying slide presentation - which are intended to be used together. All of this information, along with our fiscal 2019 earnings release dates, store counts, square footage and other materials are available on the investors’ portion of our corporate website – [stock.walmart.com](http://stock.walmart.com).

For our U.S. comp sales reporting in fiscal 2019, we utilize a 52-week calendar. Our Q2 reporting period ran from Saturday, April 28, 2018 through Friday, July 27, 2018.

I’d like to remind you of a few upcoming dates. Our annual Investment Community Meeting will be held in Northwest Arkansas on October 15 -16, 2018. It will be available for viewing via webcast through our website, [stock.walmart.com](http://stock.walmart.com). We will release third quarter earnings on Thursday, November 15, 2018.

## **Doug McMillon: President & CEO, Walmart**

We had a great quarter with strong top and bottom line results. Total revenue for the second quarter, on a constant currency basis, increased 3.6 percent and adjusted EPS grew more than 19 percent. There are some exciting highlights to share from every segment. The Walmart U.S. business delivered the best quarterly comp sales results in more than a decade, up 4.5 percent, excluding fuel. Walmart U.S. eCommerce sales accelerated to 40 percent growth. Sam's Club comp sales were up 6.5 percent, excluding fuel and a 150 basis point negative impact from tobacco. International had a good quarter with positive comp sales in our four largest markets -- Mexico, U.K., Canada and China, including a more than 5 percent comp increase at Walmex.

Our team is working together well and moving with more speed. We believe the results are largely driven by our efforts related to our four strategic objectives. They are:

1. Make every day easier for busy families – our focus here is not just to save our customers money, but to save them time, too. We're working to make shopping with us easy, fast, friendly and fun. I'm encouraged by the amount of innovation we're seeing from associates from all over the company. We're seeing an increase in new ideas and more speed in making them happen.
2. Change how we work – our priorities here are on diversity and inclusion, becoming more digital and fighting bureaucracy and complacency.
3. Operate with discipline – we can't afford to have waste in our system and we have to use our capital efficiently. We're focused on productivity and we're testing or scaling new automation efforts in several areas. Our mindset and specific plans and actions around cost management are vital.
4. Be the most trusted retailer – we were encouraged by a recent survey which asked over 6,600 Americans to name the company they view

as most ethically responsible. Walmart ranked number one as the most ethical brand that came to mind for respondents. We are pleased that Walmart is getting increasingly more credit for the good work our people do and we continue to work on raising awareness. We're shaping our systems to deliver shared value for customers, associates, communities and shareholders. It's rewarding work.

In addition to these focus areas, we're working on our strategic positioning. We continue to shape the portfolio to position it for the future. We are pleased to have received an unconditional approval by the Competition Commission of India for our acquisition of a majority stake in Flipkart and we continue to work through the approval process regarding the proposed combination of Asda with Sainsbury's in the U.K. We were pleased to gain regulatory approval in Brazil and closed the sale of 80 percent of that business earlier this month.

We continue to partner in the areas where it makes sense. The recent announcement with Microsoft is related to our ongoing digital transformation. Our ongoing relationships with Google, Rakuten and JD.com are productive and we enjoy building win/win collaborations to serve customers more effectively.

We're really proud of the team and appreciate the hard work they put into the quarter, but we also acknowledge that we benefitted from a favorable economic environment and weather. Customers tell us that they feel better about the current health of the U.S. economy as well as their personal finances. They're more confident about their employment opportunities. And, with warmer weather, sales of seasonal items like pools, air conditioners, swimwear, and gardening supplies really popped in May compared to April. No doubt we were aided by tail winds during the second quarter.

Now, let's get into more detail about each area of the business.

I'll start with **Walmart U.S.:**

Greg and the Walmart U.S. team continue to focus on price leadership, a compelling merchandise assortment and, importantly, on improving the experience of shopping at Walmart. The team is taking action to make shopping with us easy, fast, friendly and fun. For the quarter, we saw traffic growth of more than 2 percent in our stores as well as higher average baskets, which together contributed to the strong comp sales performance. Fresh food category sales were strong and led to the best grocery comp in 9 years. Customers continue to gravitate toward our selection of fresh produce, meat, and bakery items that offer great quality at low prices. General merchandise sales also recovered from the weather-related headwinds experienced in April, and sales momentum continued throughout the second quarter, especially in seasonal and apparel categories. We've also been pleased with the expense leverage delivered by the team as they drive efficiencies using better technology and training, and by managing inventory more effectively. Even with the strong sales performance, the team reduced comp store inventory again this quarter by 70 basis points, while maintaining strong in-stock levels.

To help deliver a more compelling store experience, we continue to bring digital capabilities to our stores to deliver a seamless experience for customers however they choose to shop. And as we do, we're equipping our associates with the tools they need to better serve customers—through improved apps, better training, higher wages and education initiatives. In June, we were proud to announce that we'll help U.S. associates earn a college degree at accredited universities. Associates who graduate from our training academies can even get college credit towards that degree. Associates are responding to these initiatives and compared to last year, we're seeing less turnover and better associate retention in our stores.

During the quarter, I was inspired by a visit with the team in Puerto Rico and saw firsthand how our associates are doing an outstanding job of taking care of customers during the continued recovery from last year's hurricanes. Comp sales are strong and it was great to see how they are having fun serving customers, being creative item merchants and providing much-needed supplies to the communities there.

We're also expanding our omni-channel capabilities and innovating to save customers time. We're leaning into automated pickup towers for general merchandise. Two years ago, we had no pickup towers and by the end of this year, we'll have more than 700. We're serving more grocery pickup and delivery customers and now have more than 1,800 locations with grocery pickup. We're also making good progress on activating grocery delivery to cover 40 percent of the U.S. population by year-end. Grocery pickup wait times continue to come down and our grocery delivery times are improving. We're continuing to innovate with trials of self-driving cars in Arizona for our grocery pickup customers and automated picking capabilities for grocery pickup in our store in Salem, New Hampshire. Overall, our omni-channel initiatives are contributing to comp sales growth and providing customers with new levels of shopping convenience.

We're pleased that Walmart U.S. eCommerce sales grew 40 percent in the quarter. I was in San Bruno with Marc and the team a few weeks ago and I'm encouraged by what I'm seeing. We continue to make good progress on executing the fundamentals, while also launching new initiatives aimed at elevating the eCommerce experience. On Walmart.com, we launched new features to the Home category shopping experience this past quarter, including a 3-dimensional virtual tour and the ability for customers to quickly "buy the room" based on their preferences. For parents preparing for the start of school, we've collaborated with schools to make their supply lists available through the Walmart app to help parents easily find the products in stores. Ultimately, throughout the season, we'll integrate over 1.5 million classroom supplies lists to make shopping easier for parents. In addition, we launched a new baby nursery destination this quarter, which makes it easier for parents to have all the necessities in anticipation of their baby's arrival.

We've added 1,100 new brands to Walmart.com year-to-date, including Zwilling J. A. Henckels cutlery and cookware, Therm-a-Rest outdoor products, O'Neill surf and water apparel, Shimano cycling products and the brands available on the dedicated Lord & Taylor shop, like Steve Madden footwear. This is a key area of focus for the team because we know that customers value an expanded assortment of these popular

brands. We have more work to do on our eCommerce assortment to get to the margin levels we desire and we're in discussions to bring more key brands to our site.

Jet announced plans to open a fresh fulfillment center that will offer a same-day grocery delivery to customers in New York City. We also continue to innovate and incubate technologies that will shape commerce tomorrow. We announced JetBlack, a subscription service that allows customers in New York City to simply text what they need and have it delivered the same day. We have a waiting list of potential customers wanting to join JetBlack. Last month at Outdoor Retailer, the largest U.S. tradeshow for the outdoor industry, one of our acquisitions, Spatialand, partnered with Moosejaw to showcase a virtual reality camping experience to give brands a glimpse at how we might create deeper engagement with customers in the future.

So, there's a lot of innovation in eCommerce to win with customers and drive growth, and we're encouraged by the team's progress.

We know our customers want to buy products that support the communities where they live so from Memorial Day to July 4 this year we did a better job of highlighting seasonal items that are made, sourced, grown or assembled in the U.S. Those items performed very well. Also in June, we welcomed 450 small businesses to Bentonville as part of our annual "Open Call" day which is part of our commitment to buy \$250 billion of products over a 10-year period that support American jobs. These entrepreneurs pitched hundreds of innovative products that are made in communities across America. Buyers had a high rate of interest in the products they saw and are continuing conversations with a majority of the attendees. These initiatives leverage Walmart's unique position of being in communities across the U.S. and demonstrate our ability to deliver shared value not only for the business, but society.

Our U.S. **Sam's Club** business continues to strengthen. We had our best comp sales performance in six years. The changes John and the team have made over the past year and a half have reinvigorated the team and

our members. We're driving strong volumes by focusing on great items at disruptive prices with high quality, including Member's Mark. As a result, we're seeing good traffic, both in clubs and online, and we're also seeing stronger membership trends. Fresh food continues to be a traffic generator, and we recently launched a fresh certification program to help associates build new skills and earn more pay. In addition, members are increasingly choosing our Members Mark private label items and we are excited about the response to our free shipping offer for Plus members. As we focus on becoming more efficient, we're continuing to give our associates new digital tools that help them simplify operations in the backroom and empower them to serve members better. So, we're excited about the overall health of the business.

Moving to **Walmart International**, Judith and the team delivered solid sales growth in the quarter, despite the unfavorable Easter calendar shift in some of our markets. The team continues to be thoughtful and deliberate on where we will position the company for growth. In addition to larger transactions announced earlier this year in the U.K., Brazil and India, we also recently announced an increased ownership stake to 10 percent in Dada-JD Daojia to bolster our last-mile delivery capabilities and further strengthen Walmart's omni-channel offering for customers. We will continue to evaluate strategic options and partnerships in markets where we see opportunities to better serve customers and our associates.

Let me highlight a few key takeaways from the quarter in our four major international markets...

Walmex has momentum with comp sales of more than 5 percent and continued gains in market share. Customers are responding well to the team's focus on price leadership and an improved store experience. We're investing in associate wages, new stores as well as our eCommerce and digital transformation. We're also differentiating our grocery pickup and delivery offer in Mexico with the launch of a new platform for customers during the quarter. The grocery pickup and delivery service is ramping quickly, and is now available in 40 percent of Walmart stores. In addition,

last month Walmex reached an agreement to acquire 52 stores in Costa Rica with excellent locations that complement our geographical footprint.

In China, we saw solid comp sales growth of 1.5 percent as the team continues to do a nice job of strengthening our offerings in key categories like fresh and private brands. We're also deepening our strategic relationships with Tencent by expanding the WeChat app features like Scan & Go to improve the customer experience in stores. With our growing omni-channel capabilities in China, we further expanded to reach about 200 Walmart stores that offer grocery delivery in less than one hour through the Dada-JD Daojia delivery platform. And during the quarter, we also launched this popular one-hour delivery service to the Sam's Club business. In fact, Walmart ranked first on the JD Daojia app in terms of total sales in June.

In Canada, we had a good quarter with comp sales growth of 2.6 percent. Customers continue to respond to our lower prices and this is contributing to market-share gains in key traffic-driving categories such as fresh foods. During the quarter, we completed the rollout of Walmart Pickup for general merchandise to all stores in Canada. Customers can now place an eCommerce order from Walmart.ca and pick it up in their local Walmart store for free.

In the U.K., comp sales were positive for the fifth consecutive quarter. We're focused on improving the experience in our stores and providing great value for customers through lower prices, especially within our private brand offerings.

In closing, we feel good about our position and it's really exciting to see the momentum in the business as we execute our plan to win. The results of the first half of the year and the momentum across the business give us confidence to increase our guidance in many aspects versus our guidance in February. We're working hard and moving quickly to leverage our unique strengths and delight customers in new ways.

Thanks for your interest in Walmart.



## **Brett Biggs: Walmart Inc. EVP & CFO**

I'm pleased with our results for the quarter and the momentum we have across the business. We are delivering on our promise to provide both value and convenience for customers, and they are responding. While doing that, we continue to provide good results for our shareholders.

Topline results were strong across the company. Total revenue grew 3.6 percent in constant currency to reach \$127.8 billion – an increase of \$4.4 billion dollars. Walmart U.S. eCommerce sales continued to accelerate with year-over-year growth of 40 percent.

Walmart U.S. had its highest comp sales performance in more than 10 years with comp growth, excluding fuel, of 4.5 percent. Sam's Club delivered its highest comp, excluding fuel, in six years at 5.0 percent, and International also performed well with our four largest markets having positive comps.

It was also a good quarter in terms of operating income. Both Walmart U.S. and Sam's Club grew operating income year-over-year, and excluding the \$0.4 billion gain in the prior year due to the sale of Suburbia, Walmart International would have grown operating income versus last year.

Adjusted EPS was \$1.29, an increase of 19.4 percent versus last year's adjusted EPS of \$1.08. From a GAAP perspective, the company posted a loss of \$0.29 per share in the period, which was impacted by a few items most notably a \$4.5 billion net loss from the sale of 80 percent of Walmart Brazil, with a significant part of that loss related to cumulative foreign currency translation losses. The transaction closed on August 1<sup>st</sup>, so Walmart Brazil will be deconsolidated going forward. Additionally, EPS was negatively impacted by \$0.04 and \$0.03, respectively by two additional items – an adjustment to the provisional tax amount related to tax reform and an unrealized loss on our equity investment in JD.com. As a reminder, due to a change in U.S. accounting principles this year, we are now required to include unrealized gains and losses of certain equity investments within net income, which is why we have the unrealized loss

on JD.com this quarter. Additional details of these adjustments are included in the company's second quarter earnings release.

Continuing with our consolidated results, gross profit margin declined 17 basis points primarily due to price investments in certain markets and increased transportation costs.

I'm encouraged by the progress we are making with cost transformation, and as a company we leveraged operating expenses by 19 basis points in the period. This is an important part of our culture and our teams continue to find new ways to work differently and operate more efficiently. We're embracing technology to help us save money and serve customers better. For example, the utilities team is using connectivity, monitoring and advanced analytics in the store to optimize HVAC, lighting and refrigeration with great potential savings.

Net interest expense declined 12.5 percent primarily due to the cost related to debt tenders we completed last year. It's also important to note that given the company's recent bond issuance related to the Flipkart transaction, we anticipate incremental interest expense for the current fiscal year of about \$250 million, which was included as part of the guidance we gave upon announcement related to the dilutive impacts of the transaction.

The company's effective tax rate for the quarter was highly impacted by the Walmart Brazil transaction. Additionally, the rate was negatively impacted by an adjustment this quarter in the provisional amount recorded related to tax reform. Without these adjustments, the tax rate would be in-line with our original annual guidance.

Share repurchases returned to a more normalized level in the latter half of Q2 following the suspension of buybacks in anticipation of the Flipkart announcement. During the quarter, the company returned \$2.8 billion to shareholders through dividends and share repurchases.

Before I move on to our operating segments, as well as Walmart U.S. eCommerce, let me address the recent events related to tariffs.

While we know questions persist about tariffs, the potential future impact is difficult to quantify. We are closely monitoring the tariff discussions and are actively working on mitigation strategies, particularly in light of potentially escalating duties. It's important to remember that in all of our markets where we have stores and eCommerce operations, the majority of our merchandise is purchased locally in that country. In fact, we buy more merchandise, by a wide margin, in the U.S. than from any other country. We'll do our best to update you on anything important related to tariffs in the quarters to come and continue to act on behalf of our customers and provide them with value on everything we sell.

U.S. eCommerce sales grew 40 percent in the quarter. We are improving the value proposition through enhancements to the site, app, assortment and experience, including the list of new initiatives that Doug mentioned. We remain focused on nailing the fundamentals. The team is making good progress on our Customer Value Index, or CVI, and we're particularly pleased with the trends related to price competitiveness and delivery promise. Given the advantage of having stores in our omni-channel offering, we are taking a more holistic view of the customer and accelerating investments in grocery pickup and delivery. We feel good about the direction of the business and remain confident in our ability to grow sales by about 40 percent for the full year.

### Walmart U.S.

Walmart U.S. delivered strong comp sales growth, excluding fuel, of 4.5 percent, marking the best performance in more than 10 years. Store traffic growth of 2.2 percent and ticket growth of 2.3 percent were strong across categories, and eCommerce contributed approximately 100 basis points to the comp. Momentum in the business was solid throughout the quarter, with warmer weather contributing to strong general merchandise sales primarily in seasonal lawn & garden and apparel, which positively impacted the Q2 comp. As you will recall, Q1 was hampered by very unseasonably cool weather in April and Q2 was benefitted by unseasonably warm weather in May. Year to date through Q2, Walmart U.S comp sales, excluding fuel, were 3.3 percent.

The grocery business remains strong with mid-single-digit comps and strong performances in key areas such as fresh food. Customers are responding favorably to updated offerings in areas such as bakery, as well as improved signing and presentation in meat and produce. Meanwhile our consistent focus on foundational areas such as associate training, supply chain and price are creating competitive advantages and enabling us to take market share.

Gross margin rate declined 34 basis points primarily related to price investments, higher transportation expenses due to higher fuel costs and third-party transportation rate pressure, and the increasing mix of our growing eCommerce business.

Operating expenses leveraged 26 basis points and the stores leveraged even more than that due to strong comp sales, as well as continuing to drive efficiencies that more than offset the impacts of higher associate wages and investments this quarter. The team continued focus on simplifying processes for associates and providing them with improved technology and apps to work more efficiently and better serve customers.

We are really pleased with the Q2 performance in the Walmart U.S. business. While we benefited somewhat from more favorable weather and consumer spending during the quarter, we continue to see good customer response to the actions we have taken, including investments in associates, cleaner and more organized stores, lower prices and significant progress on the omni-channel experience.

### Walmart International

We have momentum in many parts of the international business and continue to be thoughtful and deliberate as we make decisions about where and how we will grow. We're glad to have the Competition Commission's unconditional approval for our investment in Flipkart, and we look forward to closing the transaction as soon as reasonably practicable. In addition, just recently, we closed the transaction to divest of a majority stake in Walmart Brazil. We also just announced a further investment into the Dada-JD Daoija delivery business in China as we continue to focus on our

omni-channel activities across the world. We are executing on our strategy and positioning the business for the long-term.

Net sales in constant currency increased 3.1 percent and grew 4.0 percent on a reported basis. Changes in currency rates benefited net sales by approximately \$240 million. A couple of things pressured the sales growth rate in the quarter, including the timing of Easter and the wind-down of the first-party portion of our eCommerce business in Brazil last year.

Operating income declined 20.4 percent in constant currency and 19.1 percent as reported. The decline in profit is due to the overlap of the gain recorded in the prior year for the sale of Suburbia. Excluding the gain, operating income would have grown year on year faster than net sales in constant currency. Changes in currency rates benefited operating income by approximately \$20 million.

Let's now turn to highlights from key markets. The following results for the quarter are on a constant currency basis.

Walmex saw good results across all regions. Total sales increased 7.3 percent and comp sales increased 5.4 percent. All divisions and formats outpaced ANTAD self-service marking 14 consecutive quarters of outperformance. In Mexico, comp sales increased 6.5 percent despite the incremental comp headwind from the Easter calendar shift, and we continued to gain market share. In eCommerce, omni-channel sales growth was strong as we added new sellers to the marketplace and expanded the online grocery platform.

In Canada, net sales increased 2.8 percent with comp sales growth of 2.6 percent. We are pleased with the continued comp performance in this market, and according to Nielsen we gained market share in key categories such as fresh food, consumables and health & wellness.

Turning to China, net sales increased 4.3 percent and comp sales increased 1.5 percent. We saw good results in fresh, and we increased the penetration of private label brands. We are pleased with our omni-channel initiatives. The flagship stores on JD.com experienced significant growth

and we expanded the one-hour delivery service through JD Daojia, which is now available in nearly 200 stores.

In the U.K., net sales increased 2.4 percent and comp sales grew 0.4 percent, which is the fifth consecutive quarter of positive comps. The Easter timing shift resulted in an approximate 220 basis point incremental comp headwind in the quarter. Asda is improving its relative position within the U.K. grocery market, and we saw improvement sequentially in market share trends.

### Sam's Club

We continue to feel good about the momentum in the underlying business at Sam's Club. Total net sales declined by only 60 basis points even as closed clubs negatively impacted growth by about 8.0 percent. Comp sales, excluding fuel, increased 5.0 percent led by strong traffic, and 6.5 percent, excluding fuel and 150 basis points from tobacco. Our members recognize the value of being part of Sam's, and we continue to earn their business. In fact, the transfer of sales from closed clubs to existing clubs is tracking above what we originally anticipated and contributed about half of the comp growth, excluding fuel, during the period. eCommerce sales growth continued to be strong, up 31 percent.

Sam's leveraged expenses in the second quarter, and operating income increased 2.8 percent. It's important to note that during the second quarter of last year Sam's recorded a charge of about \$50 million as a result of impairments of certain assets and the decision to close underperforming clubs.

### Guidance

I'll close today with annual guidance for FY19, updated from February. As always, we have a number of assumptions in our guidance, including that economic conditions, currency rates and the tax and regulatory landscape in our largest markets remain generally consistent. The updated guidance does not include any assumed change in value in our investment in JD.com. Also, all of the guidance below excludes any

impact from our pending investment in Flipkart, as this transaction is yet to close. At the time we disclosed the transaction, we estimated a \$0.25 to \$0.30 negative EPS impact assuming the transaction closed mid-year, which includes interest expense related to the debt we took on to fund the acquisition. We still anticipate that level of EPS impact prorated for when the transaction actually closes during the year.

Let me start with consolidated net sales guidance. Our previous guidance for growth of 1.5 percent to 2.0 percent in constant currency included headwinds of about 140 basis points from several items, specifically:

- The decisions to close Sam's Club locations in the U.S. and remove tobacco from certain clubs.
- The wind-down of the first-party portion of eCommerce in Brazil, and
- The prior year divestiture of Suburbia

We now expect consolidated net sales growth to be about 2.0 percent in constant currency. The increase versus the guidance earlier in the year is driven by better underlying performance as well as an updated view on some of the expected headwinds I previously mentioned. We now expect the sales headwind from the Sam's-related items to be about 20 basis points less than we originally expected as the transfer of sales from closed clubs is tracking above what we originally anticipated and the tobacco actions have not had as significant an impact on sales as we expected.

The other significant change is related to the divestiture of the majority of Brazil, which was not anticipated when we gave sales guidance. Given that we will not be consolidating this entity in the future, we expect a negative impact of approximately 60 basis points which is included in the updated guidance.

Turning to comp sales, we expect growth at Walmart U.S., excluding fuel, to be around 3.0 percent for the year and expect Sam's Club, excluding fuel, to be about 3.0 percent, which reflects a negative impact from reduced tobacco sales of about 200 basis points. As a reminder, the comparisons are a bit more challenging in the back half of the year and

particularly in the 3<sup>rd</sup> quarter, due to the hurricanes last year which drove higher than expected sales.

We continue to make progress with expense leverage, and while we have more to do overall, we are making progress particularly in the U.S. stores. Our previous guidance anticipated slight expense leverage for the year as a company, and we are updating that to be around 10 basis points of leverage for the year. This estimate excludes the impact of discrete charges from the prior year and the current year.

As for operating margin, we expect consolidated operating income as a percentage of net sales to be around 4.4 percent in constant currency, which is at the top-end of our previous guidance. We now expect operating income to be flat to slightly down versus operating income last year, adjusted for discrete items. Our previous guidance reflected a low single-digit percentage decrease.

As to eCommerce losses, we mentioned at the start of the year that losses could be somewhat higher than last year and we now expect that to be the case as we continue to invest for the mid-to-long term with continued site enhancement, new tools and technology and Store No8 initiatives while working towards the right balance of assortment and margin. The strength of our company, particularly in the U.S. stores, gives us the ability to invest in parts of our business as we deem necessary in the short term to ensure we win with the entire business long term.

I'll finish with EPS expectations. On a reported basis, EPS for fiscal 2019 is expected to be \$2.90 to \$3.05. We currently expect the EPS benefit from currency to be a few pennies per share less than what we originally anticipated.

Adjusted EPS will range between \$4.90 and \$5.05, which is most comparable to our original guidance of \$4.75 to \$5.00. Adjusted EPS excludes the charge for the divestiture of a majority stake in Walmart Brazil, unrealized losses on the company's equity investment in JD.com, and changes during the year in the provisional tax amount related to tax reform. As previously noted, guidance for reported and adjusted EPS does not



consider the potential impact of Flipkart, including interest, as this transaction is yet to close.

I'm pleased that our first half results and continued momentum across the business give us the confidence to raise our guidance for the year.

In closing, we feel good about the competitive advantages we are building and our strong market position. Good execution of our strategic initiatives is translating to a superior value proposition and greater convenience for our customers, strong top-line momentum and share gains in key categories. We are optimistic about the back half of the year and look forward to speaking with you at our annual meeting for the investment community in mid-October.

Thank you for your interest in Walmart.