

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 or 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported):  
August 17, 2017

**Wal-Mart Stores, Inc.**

(Exact Name of Registrant as Specified in Charter)

Delaware  
(State or Other Jurisdiction of Incorporation)

001-06991  
(Commission File Number)

71-0415188  
(IRS Employer Identification No.)

702 S.W. 8th Street  
Bentonville, Arkansas 72716-0215  
(Address of Principal Executive Offices) (Zip code)

Registrant's telephone number, including area code:  
(479) 273-4000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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**Item 2.02. Results of Operations and Financial Condition.**

In accordance with Item 2.02 of Form 8-K of the Securities and Exchange Commission (the "SEC"), Wal-Mart Stores, Inc., a Delaware corporation (the "Company"), is furnishing to the SEC a press release that the Company will issue on August 17, 2017 (the "Press Release") and a financial presentation that will be first posted by the Company on the Company's website at <http://stock.walmart.com> on August 17, 2017 (the "Financial Presentation"). The Press Release and the Financial Presentation will disclose information regarding the Company's results of operations for the three and six months ended July 31, 2017, and the Company's financial condition as of July 31, 2017.

In accordance with General Instruction B.2 of Form 8-K, the information in this Item 2.02 of this Current Report on Form 8-K, including Exhibits 99.1 and 99.2 hereto, which are furnished herewith pursuant to and relate to this Item 2.02, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise be subject to the liabilities of Section 18 of the Exchange Act. The information in this Item 2.02 of this Current Report on Form 8-K and Exhibits 99.1 and 99.2 hereto shall not be incorporated by reference into any filing or other document filed by the Company with the SEC pursuant to the Securities Act of 1933, as amended, the rules and regulations of the SEC thereunder, the Exchange Act, or the rules and regulations of the SEC thereunder except as shall be expressly set forth by specific reference in such filing or document.

**Item 9.01. Financial Statements and Exhibits.**

Exhibit 99.1 - A copy of the Press Release being furnished pursuant to and that is related to the foregoing Item 2.02 is included herewith as Exhibit 99.1.

Exhibit 99.2 - A copy of the Financial Presentation being furnished pursuant to and that is related to the foregoing Item 2.02 is included herewith as Exhibit 99.2.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: August 17, 2017

WAL-MART STORES, INC.

By:	<u>/s/ M. Brett Biggs</u>
Name:	M. Brett Biggs
Title:	Executive Vice President and Chief Financial Officer



**Walmart U.S. Q2 comps<sup>1</sup> grew 1.8% and Walmart U.S. eCommerce GMV<sup>2</sup> grew 67%,  
Company reports Q2 FY18 GAAP EPS of \$0.96; Adjusted EPS<sup>3</sup> of \$1.08**


- ✱ Total revenue was \$123.4 billion, an increase of \$2.5 billion, or 2.1%. Excluding currency<sup>3</sup>, total revenue was \$124.4 billion, an increase of \$3.5 billion, or 2.9%.
- ✱ Walmart U.S. comp sales<sup>1</sup> increased 1.8% with traffic growth of 1.3%, marking the twelfth consecutive quarter with positive comp sales.
- ✱ E-commerce growth at Walmart U.S. remained strong, led by organic growth through Walmart.com. Net sales and GMV grew 60% and 67%, respectively, as customers continued to respond well to new initiatives and an expanded assortment of more than 67 million SKUs.
- ✱ Net sales at Walmart International were \$28.3 billion, a decrease of 1.0%. Excluding currency<sup>3</sup>, net sales were \$29.3 billion, an increase of 2.5%. Nine of eleven markets posted positive comp sales.
- ✱ Second quarter EPS included a charge of \$0.17 for loss on extinguishment of debt in connection with the company's recently completed debt tender offers. This discrete charge was partially offset by the gain from the sale of the Suburbia business in Mexico, which benefited EPS by \$0.05.

"Thanks to the team for delivering another solid quarter. Our customers are responding to the improvements in stores and online, and our results reflect this. Traffic increases at store level and the eCommerce growth rate are key highlights. We are moving faster and becoming more creative as we strive to make every day easier for busy families."

Doug McMillon  
President and CEO, Walmart

## Key results

(Amounts in millions, except as noted)

Walmart 	Q2 FY18		Q2 FY17		Change	
Revenue	\$123,355		\$120,854		\$2,501	2.1%
Revenue (constant currency) <sup>3</sup>	\$124,395		\$120,854		\$3,541	2.9%
Operating income	\$5,969		\$6,165		-\$196	-3.2%
Operating income (constant currency) <sup>3</sup>	\$6,069		\$6,165		-\$96	-1.6%

Free Cash Flow	YTD FY18		\$ Change	Returns to Shareholders	Q2 FY18	
					% Change	
Operating cash flow	\$11,360		-\$3,571	Dividends	\$1,539	-1.3%
Capital expenditures	\$4,423		-\$196	Share repurchases <sup>4</sup>	\$2,262	6.8%
Free cash flow <sup>3</sup>	\$6,937		-\$3,375	Total	\$3,801	3.4%

<sup>1</sup> Represents Walmart U.S. comparable sales excluding fuel. Including fuel, Walmart U.S. comparable sales grew 1.9%. See additional information at the end of this release regarding non-GAAP financial measures.

<sup>2</sup> GMV represents the total U.S. dollar volume of merchandise sold or services rendered for all transactions, including marketplace transactions, that are generally initiated through our eCommerce platforms or include our owned inventory sold on other third party platforms. For additional information, visit [stock.walmart.com](http://stock.walmart.com).

<sup>3</sup> See additional information at the end of this release regarding non-GAAP financial measures.

<sup>4</sup> \$4.8 billion remaining of \$20 billion authorization approved in October 2015. The company repurchased approximately 30 million shares in Q2 fiscal 2018.

## Guidance

- Fiscal year 2018 GAAP EPS: \$4.18 to \$4.28
- Fiscal year 2018 adjusted EPS<sup>1</sup>: \$4.30 to \$4.40
- Third quarter fiscal year 2018 EPS: \$0.90 to \$0.98
- Comp sales for the 13-week period ending Oct. 27, 2017:
  - Walmart U.S. (ex. fuel)<sup>1</sup>: +1.5% to +2.0%
  - Sam's Club (ex. fuel)<sup>1</sup>: +1.0% to +1.5%

## Segment results

Walmart U.S. Save money. Live better.	Q2 FY18	Q2 FY17	Change	
Net sales	\$78,738	\$76,241	\$2,497	3.3%
Comp sales (ex. fuel) <sup>1,2</sup>	1.8%	1.6%	20 bps	N/A
✱ Traffic	1.3%	1.2%	10 bps	N/A
✱ Ticket	0.5%	0.4%	10 bps	N/A
✱ E-commerce	~70 bps	~40 bps	~30 bps	N/A
Operating income	\$4,618	\$4,519	\$99	2.2%

Walmart International	Q2 FY18	Q2 FY17	Change	
Net sales	\$28,331	\$28,621	-\$290	-1.0%
Net sales (constant currency) <sup>1</sup>	\$29,326	\$28,621	\$705	2.5%
Operating income	\$1,592	\$1,727	-\$135	-7.8%
Operating income (constant currency) <sup>1</sup>	\$1,692	\$1,727	-\$35	-2.0%

Sam's Club Savings Made Simple	Q2 FY18	Q2 FY17	Change	
Net sales	\$14,880	\$14,543	\$337	2.3%
Comp sales (ex. fuel) <sup>1,2</sup>	1.2%	0.6%	60 bps	N/A
✱ Traffic	2.1%	-0.4%	250 bps	N/A
✱ Ticket	-0.9%	1.0%	-190 bps	N/A
✱ E-commerce	~80 bps	~60 bps	~20 bps	N/A
Operating income	\$404	\$472	-\$68	-14.4%

<sup>1</sup> See additional information at the end of this release regarding non-GAAP financial measures.

<sup>2</sup> 13-week period ended July 28, 2017, compared to 13-week period ended July 29, 2016, and excludes fuel.

Wal-Mart Stores, Inc. (NYSE: WMT) helps people around the world save money and live better - anytime and anywhere - in retail stores, online, and through their mobile devices. Each week, over 260 million customers and members visit our more than 11,600 stores under 59 banners in 28 countries and e-commerce websites in 11 countries. With fiscal year 2017 revenue of \$485.9 billion, Walmart employs approximately 2.3 million associates worldwide. Walmart continues to be a leader in sustainability, corporate philanthropy and employment opportunity. Additional information about Walmart can be found by visiting <http://corporate.walmart.com>, on Facebook at <http://facebook.com/walmart> and on Twitter at <http://twitter.com/walmart>.

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Along with this press release, Walmart makes available a recorded call with executive leaders and a financial presentation to review business results, provide strategic updates, and comment on expectations for the future. We provide that call in both audio form and in a written transcript. Details on accessing the call are as follows:

- 877-523-5612 (U.S. and Canada)
- 201-689-8483 (other countries)
- Passcode: 9256278 (Walmart)

The call is archived at [stock.walmart.com](http://stock.walmart.com)

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## Forward-Looking Statements

This release contains statements as to Walmart management's guidance regarding earnings per share for the three months ending October 31, 2017 and fiscal year ending January 31, 2018, and adjusted earnings per share for the fiscal year ending January 31, 2018, and Walmart U.S.'s comparable sales and Sam's Club's comparable sales, excluding fuel, for the 13 weeks ending October 27, 2017. Walmart believes such statements are "forward-looking statements" as defined in, and are intended to enjoy the protection of the safe harbor for forward-looking statements provided by, the Private Securities Litigation Reform Act of 1995, as amended. Assumptions on which such forward-looking statements are based are also forward-looking statements. Walmart's actual results may differ materially from the guidance provided as a result of changes in circumstances, assumptions not being realized or other risks, uncertainties and factors including:

- economic, geo-political, capital markets and business conditions, trends and events around the world and in the markets in which Walmart operates;
- currency exchange rate fluctuations, changes in market interest rates and commodity prices;
- unemployment levels;
- competitive pressures;
- inflation or deflation, generally and in particular product categories;
- consumer confidence, disposable income, credit availability, spending levels, shopping patterns, debt levels and demand for certain merchandise;
- consumer enrollment in health and drug insurance programs and such programs' reimbursement rates;
- the amount of Walmart's net sales denominated in the U.S. dollar and various foreign currencies;
- the impact of acquisitions, divestitures and store or club closures;
- Walmart's ability to successfully integrate acquired businesses, including within the e-commerce space;
- Walmart's effective tax rate and the factors affecting Walmart's effective tax rate, including assessments of certain tax contingencies, valuation allowances, changes in law, administrative audit outcomes, impact of discrete items and the mix of earnings between the U.S. and Walmart's international operations;
- customer traffic and average ticket in Walmart's stores and clubs and on its e-commerce websites;
- the mix of merchandise Walmart sells, the cost of goods it sells and the shrinkage it experiences;
- the amount of Walmart's total sales and operating expenses in the various markets in which it operates;
- transportation, energy and utility costs and the selling prices of gasoline and diesel fuel;
- supply chain disruptions and disruptions in seasonal buying patterns;
- consumer acceptance of and response to Walmart's stores, clubs, e-commerce websites, mobile apps, initiatives, programs and merchandise offerings;
- cyber security events affecting Walmart and related costs;
- developments in, outcomes of, and costs incurred in legal or regulatory proceedings to which Walmart is a party;
- casualty and accident-related costs and insurance costs;
- the turnover in Walmart's workforce and labor costs, including healthcare and other benefit costs;
- changes in accounting estimates or judgments;
- changes in existing tax, labor and other laws and regulations and changes in tax rates, trade agreements, trade restrictions and tariff rates;
- the level of public assistance payments;
- natural disasters, public health emergencies, civil disturbances, and terrorist attacks; and
- Walmart's expenditures for FCPA and other compliance related costs.

Such risks, uncertainties and factors also include the risks relating to Walmart's strategy, operations and performance and the financial, legal, tax, regulatory, compliance, reputational and other risks discussed in Walmart's most recent annual report on Form 10-K and subsequent quarterly reports on Form 10-Q filed with the SEC. Walmart urges you to consider all of the risks, uncertainties and factors identified above or discussed in such reports carefully in evaluating the forward-looking statements in this release. Walmart cannot assure you that the results reflected or implied by any forward-looking statement will be realized or, even if substantially realized, that those results will have the forecasted or expected consequences and effects for or on Walmart's operations or financial performance. The forward-looking statements made in this release are as of the date of this release. Walmart undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

**Wal-Mart Stores, Inc.**  
**Condensed Consolidated Statements of Income**  
**(Unaudited)**

	Three Months Ended			Six Months Ended		
	July 31,			July 31,		
	2017	2016	Percent Change	2017	2016	Percent Change
<i>(Dollars in millions, except per share data)</i>						
<b>Revenues:</b>						
Net sales	\$ 121,949	\$ 119,405	2.1 %	\$ 238,475	\$ 234,391	1.7 %
Membership and other income	1,406	1,449	(3.0)%	2,422	2,367	2.3 %
Total revenues	123,355	120,854	2.1 %	240,897	236,758	1.7 %
<b>Costs and expenses:</b>						
Cost of sales	91,521	89,485	2.3 %	179,209	176,029	1.8 %
Operating, selling, general and administrative expenses	25,865	25,204	2.6 %	50,482	49,289	2.4 %
<b>Operating income</b>	5,969	6,165	(3.2)%	11,206	11,440	(2.0)%
<b>Interest:</b>						
Debt	522	509	2.6 %	1,028	1,008	2.0 %
Capital lease and financing obligations	91	79	15.2 %	183	165	10.9 %
Interest income	(38)	(22)	72.7 %	(73)	(46)	58.7 %
Interest, net	575	566	1.6 %	1,138	1,127	1.0 %
Loss on extinguishment of debt	788	—	N/A	788	—	N/A
<b>Income before income taxes</b>	4,606	5,599	(17.7)%	9,280	10,313	(10.0)%
<b>Provision for income taxes</b>	1,502	1,710	(12.2)%	3,024	3,208	(5.7)%
<b>Consolidated net income</b>	3,104	3,889	(20.2)%	6,256	7,105	(11.9)%
Consolidated net income attributable to noncontrolling interest	(205)	(116)	76.7 %	(318)	(253)	25.7 %
<b>Consolidated net income attributable to Walmart</b>	<b>\$ 2,899</b>	<b>\$ 3,773</b>	<b>(23.2)%</b>	<b>\$ 5,938</b>	<b>\$ 6,852</b>	<b>(13.3)%</b>
<b>Net income per common share:</b>						
Basic net income per common share attributable to Walmart	\$ 0.96	\$ 1.21	(20.7)%	\$ 1.97	\$ 2.19	(10.0)%
Diluted net income per common share attributable to Walmart	\$ 0.96	\$ 1.21	(20.7)%	\$ 1.96	\$ 2.18	(10.1)%
<b>Weighted-average common shares outstanding:</b>						
Basic	3,008	3,109		3,021	3,126	
Diluted	3,021	3,119		3,034	3,136	
<b>Dividends declared per common share</b>	<b>\$ —</b>	<b>\$ —</b>		<b>\$ 2.04</b>	<b>\$ 2.00</b>	



**Wal-Mart Stores, Inc.**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

(Dollars in millions)

	July 31, 2017	January 31, 2017	July 31, 2016
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 6,469	\$ 6,867	\$ 7,676
Receivables, net	5,395	5,835	5,275
Inventories	43,442	43,046	43,453
Prepaid expenses and other	1,457	1,941	1,828
Total current assets	56,763	57,689	58,232
<b>Property and equipment:</b>			
Property and equipment	183,545	179,492	178,596
Less accumulated depreciation	(75,375)	(71,782)	(69,729)
Property and equipment, net	108,170	107,710	108,867
<b>Property under capital lease and financing obligations:</b>			
Property under capital lease and financing obligations	12,581	11,637	11,544
Less accumulated amortization	(5,398)	(5,169)	(5,001)
Property under capital lease and financing obligations, net	7,183	6,468	6,543
Goodwill	18,037	17,037	16,339
Other assets and deferred charges	11,413	9,921	7,905
<b>Total assets</b>	<b>\$ 201,566</b>	<b>\$ 198,825</b>	<b>\$ 197,886</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings	\$ 3,262	\$ 1,099	\$ 1,932
Accounts payable	42,389	41,433	39,902
Dividends payable	3,057	—	3,101
Accrued liabilities	19,686	20,654	19,651
Accrued income taxes	505	921	720
Long-term debt due within one year	3,254	2,256	2,265
Capital lease and financing obligations due within one year	658	565	551
Total current liabilities	72,811	66,928	68,122
Long-term debt	33,706	36,015	36,673
Long-term capital lease and financing obligations	6,763	6,003	6,070
Deferred income taxes and other	9,240	9,344	7,877
Commitments and contingencies			
<b>Equity:</b>			
Common stock	299	305	310
Capital in excess of par value	2,352	2,371	1,915
Retained earnings	84,838	89,354	85,972
Accumulated other comprehensive loss	(11,100)	(14,232)	(11,672)
Total Walmart shareholders' equity	76,389	77,798	76,525
Nonredeemable noncontrolling interest	2,657	2,737	2,619
Total equity	79,046	80,535	79,144
<b>Total liabilities and equity</b>	<b>\$ 201,566</b>	<b>\$ 198,825</b>	<b>\$ 197,886</b>

**Wal-Mart Stores, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

	Six Months Ended July 31,	
	2017	2016
<i>(Dollars in millions)</i>		
<b>Cash flows from operating activities:</b>		
Consolidated net income	\$ 6,256	\$ 7,105
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	5,169	4,905
Deferred income taxes	94	33
Other operating activities	772	(361)
Changes in certain assets and liabilities:		
Receivables, net	585	443
Inventories	233	1,055
Accounts payable	535	1,864
Accrued liabilities	(1,720)	(387)
Accrued income taxes	(564)	274
Net cash provided by operating activities	11,360	14,931
<b>Cash flows from investing activities:</b>		
Payments for property and equipment	(4,423)	(4,619)
Proceeds from the disposal of property and equipment	212	260
Proceeds from disposal of certain operations	1,012	—
Business acquisitions, net of cash acquired	(363)	—
Other investing activities	3	(57)
Net cash used in investing activities	(3,559)	(4,416)
<b>Cash flows from financing activities:</b>		
Net change in short-term borrowings	2,144	(857)
Proceeds from issuance of long-term debt	1,503	130
Payments of long-term debt	(4,177)	(2,026)
Dividends paid	(3,088)	(3,133)
Purchase of Company stock	(4,447)	(4,852)
Dividends paid to noncontrolling interest	(473)	(270)
Purchase of noncontrolling interest	(8)	(103)
Other financing activities	(85)	(103)
Net cash used in financing activities	(8,631)	(11,214)
Effect of exchange rates on cash and cash equivalents	432	(330)
Net increase (decrease) in cash and cash equivalents	(398)	(1,029)
Cash and cash equivalents at beginning of year	6,867	8,705
Cash and cash equivalents at end of year	\$ 6,469	\$ 7,676

**Wal-Mart Stores, Inc.**  
**Supplemental Financial Information**  
**(Unaudited)**

**Net sales and operating income**

	<b>Net Sales</b>			<b>Operating Income</b>		
	Three Months Ended			Three Months Ended		
	July 31,			July 31,		
<i>(dollars in millions)</i>	2017	2016	Percent Change	2017	2016	Percent Change
Walmart U.S.	\$ 78,738	\$ 76,241	3.3 %	\$ 4,618	\$ 4,519	2.2 %
Walmart International	28,331	28,621	-1.0 %	1,592	1,727	-7.8 %
Sam's Club	14,880	14,543	2.3 %	404	472	-14.4 %
Corporate and support	—	—	N/A	-645	-553	16.6 %
<b>Consolidated</b>	<b>\$ 121,949</b>	<b>\$ 119,405</b>	<b>2.1 %</b>	<b>\$ 5,969</b>	<b>\$ 6,165</b>	<b>-3.2 %</b>

**U.S. comparable sales results**

	<b>With Fuel</b>		<b>Without Fuel<sup>1</sup></b>		<b>Fuel Impact</b>	
	13 Weeks Ended		13 Weeks Ended		13 Weeks Ended	
	7/28/2017	7/29/2016	7/28/2017	7/29/2016	7/28/2017	7/29/2016
Walmart U.S.	1.9%	1.6%	1.8%	1.6%	0.1%	0.0%
Sam's Club	1.4%	-1.2%	1.2%	0.6%	0.2%	-1.8%
Total U.S.	1.8%	1.1%	1.7%	1.4%	0.1%	-0.3%

<sup>1</sup> See additional information at the end of this release regarding non-GAAP financial measures.

**Wal-Mart Stores, Inc.****Reconciliations of and Other Information Regarding Non-GAAP Financial Measures  
(Unaudited)**

The following information provides reconciliations of certain non-GAAP financial measures presented in the press release to which this reconciliation is attached to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles (GAAP). The company has provided the non-GAAP financial information presented in the press release, which is not calculated or presented in accordance with GAAP, as information supplemental and in addition to the financial measures presented in the press release that are calculated and presented in accordance with GAAP. Such non-GAAP financial measures should not be considered superior to, as a substitute for or alternative to, and should be considered in conjunction with, the GAAP financial measures presented in the press release. The non-GAAP financial measures in the press release may differ from similar measures used by other companies.

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## Free Cash Flow

We define free cash flow as net cash provided by operating activities in a period minus payments for property and equipment made in that period. We had net cash provided by operating activities of \$11.4 billion and \$14.9 billion for the six months ended July 31, 2017 and 2016, respectively. We generated free cash flow of \$6.9 billion and \$10.3 billion for the six months ended July 31, 2017 and 2016, respectively. The decreases in net cash provided by operating activities and free cash flow were due to an increase in incentive payments and timing of other payments. Additionally, the six months ended July 31, 2016 included a greater benefit from our improvement in working capital management.

Free cash flow is considered a non-GAAP financial measure. Management believes, however, that free cash flow, which measures our ability to generate additional cash from our business operations, is an important financial measure for use in evaluating the company's financial performance. Free cash flow should be considered in addition to, rather than as a substitute for, consolidated net income as a measure of our performance and net cash provided by operating activities as a measure of our liquidity.

Additionally, Walmart's definition of free cash flow is limited, in that it does not represent residual cash flows available for discretionary expenditures, due to the fact that the measure does not deduct the payments required for debt service and other contractual obligations or payments made for business acquisitions. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our Consolidated Statements of Cash Flows.

Although other companies report their free cash flow, numerous methods may exist for calculating a company's free cash flow. As a result, the method used by Walmart's management to calculate our free cash flow may differ from the methods used by other companies to calculate their free cash flow.

The following table sets forth a reconciliation of free cash flow, a non-GAAP financial measure, to net cash provided by operating activities, which we believe to be the GAAP financial measure most directly comparable to free cash flow, as well as information regarding net cash used in investing activities and net cash used in financing activities.

	Six Months Ended July 31,	
	2017	2016
<i>(Dollars in millions)</i>		
Net cash provided by operating activities	\$ 11,360	\$ 14,931
Payments for property and equipment (capital expenditures)	-4,423	-4,619
<b>Free cash flow</b>	<b>\$ 6,937</b>	<b>\$ 10,312</b>
Net cash used in investing activities <sup>1</sup>	\$ -3,559	\$ -4,416
Net cash used in financing activities	\$ -8,631	\$ -11,214

<sup>1</sup> "Net cash used in investing activities" includes payments for property and equipment, which is also included in our computation of free cash flow.

## Constant Currency

In discussing our operating results, the term currency exchange rates refers to the currency exchange rates we use to convert the operating results for all countries where the functional currency is not the U.S. dollar ("non-USD entities") into U.S. dollars. We calculate the effect of changes in currency exchange rates as the difference between current period activity translated using the current period's currency exchange rates, and the comparable prior year period's currency exchange rates. Throughout our discussion, we refer to the results of this calculation as the impact of currency exchange rate fluctuations. When we refer to constant currency operating results, this means operating results without the impact of the currency exchange rate fluctuations and without the impact of acquisitions of non-USD entities, if any, until such acquisitions are included in both comparable periods. The disclosure of constant currency amounts or results permits investors to better understand Walmart's underlying performance without the effects of currency exchange rate fluctuations or acquisitions of non-USD entities.

The table below reflects the calculation of constant currency for total revenues, net sales and operating income for the three and six months ended July 31, 2017.

	Three Months Ended July 31,				Six Months Ended July 31,			
	Walmart International		Consolidated		Walmart International		Consolidated	
	2017	Percent Change <sup>1</sup>	2017	Percent Change <sup>1</sup>	2017	Percent Change <sup>1</sup>	2017	Percent Change <sup>1</sup>
<i>(Dollars in millions)</i>								
<b>Total revenues:</b>								
As reported	\$ 29,000	-1.5 %	\$ 123,355	2.1 %	\$ 56,429	-2.4 %	\$ 240,897	1.7 %
Currency exchange rate fluctuations <sup>2</sup>	1,040	N/A	1,040	N/A	2,248	N/A	2,248	N/A
Constant currency total revenues	\$ 30,040	2.1 %	\$ 124,395	2.9 %	\$ 58,677	1.5 %	\$ 243,145	2.7 %
<b>Net sales:</b>								
As reported	\$ 28,331	-1.0 %	\$ 121,949	2.1 %	\$ 55,428	-2.3 %	\$ 238,475	1.7 %
Currency exchange rate fluctuations <sup>2</sup>	995	N/A	995	N/A	2,193	N/A	2,193	N/A
Constant currency net sales	\$ 29,326	2.5 %	\$ 122,944	3.0 %	\$ 57,621	1.6 %	\$ 240,668	2.7 %
<b>Operating income:</b>								
As reported	\$ 1,592	-7.8 %	\$ 5,969	-3.2 %	\$ 2,755	-4.7 %	\$ 11,206	-2.0 %
Currency exchange rate fluctuations <sup>2</sup>	100	N/A	100	N/A	206	N/A	206	N/A
Constant currency operating income	\$ 1,692	-2.0 %	\$ 6,069	-1.6 %	\$ 2,961	2.4 %	\$ 11,412	-0.2 %

<sup>1</sup> Change versus prior year comparable period.

<sup>2</sup> Excludes currency exchange rate fluctuations related to acquisitions until the acquisitions are included in both comparable periods.

## Adjusted EPS

The adjusted diluted earnings per share from continuing operations attributable to Walmart (Adjusted EPS) for each of the three-month periods ended July 31, 2017 and 2016 is considered a non-GAAP financial measure under the SEC's rules because the Adjusted EPS for each such period excludes certain amounts not excluded in the diluted earnings per share from continuing operations attributable to Walmart calculated in accordance with GAAP (EPS) for each of the three-month periods ended July 31, 2017 and 2016. Management believes that the Adjusted EPS for each of the three-month periods ended July 31, 2017 and 2016 is a meaningful measure to share with investors because that measure, which adjusts EPS for such period for certain items recorded in such period, is the measure that best allows comparison of the performance for the comparable period. In addition, the measure affords investors a view of what management considers Walmart's core earnings performance for each of the three-month periods ended July 31, 2017 and 2016 and also affords investors the ability to make a more informed assessment of such core earnings performance for the comparable period.

We have calculated Adjusted EPS for the three months ended July 31, 2017 by adjusting EPS for the following: (1) the loss on the early extinguishment of certain debt and (2) the gain on the sale of Suburbia in Mexico. Adjusted EPS for the three months ended July 31, 2017 is a non-GAAP financial measure. The most directly comparable financial measure calculated in accordance with GAAP is EPS for the three months ended July 31, 2017.

Three Months Ended July 31, 2017				
<b>Diluted earnings per share:</b>				
Reported EPS				\$0.96
<b>Adjustments:</b>				
	<b>Pre-Tax Impact</b>	<b>Tax Impact<sup>1</sup></b>	<b>NCI Impact<sup>2</sup></b>	<b>Net Impact</b>
Loss on Early Extinguishment of Debt	\$0.26	-\$0.09	\$—	\$0.17
Gain on Sale of Suburbia	-0.13	0.04	0.04	-0.05
<b>Net adjustments</b>				<b>\$0.12</b>
Adjusted EPS				\$1.08

<sup>1</sup> Calculated based on nature of item and statutory rate in effect for relevant jurisdiction.

<sup>2</sup> Calculated based on the ownership percentages of the country's noncontrolling interest.

As previously disclosed in our second quarter period ended July 31, 2016 press release, we have calculated Adjusted EPS for the three months ended July 31, 2016 by adjusting EPS for the amount of the dilutive impact of the gain on the sale of Yihaodian in China. Adjusted EPS for the three months ended July 31, 2016 is a non-GAAP financial measure. The most directly comparable financial measure calculated in accordance with GAAP is EPS for the three months ended July 31, 2016.

Three Months Ended July 31, 2016			
<b>Diluted earnings per share:</b>			
Reported EPS			\$1.21
<b>Adjustment:</b>			
	<b>Pre-Tax Impact</b>	<b>Tax Impact<sup>1</sup></b>	<b>Net Impact</b>
Gain on the Sale of Yihaodian in China	-\$0.17	\$0.03	-\$0.14
Adjusted EPS			\$1.07

<sup>1</sup> Calculated based on nature of item and statutory rate in effect for relevant jurisdiction.

## Adjusted EPS Guidance

Adjusted EPS Guidance is considered a non-GAAP financial measure. Management believes that Adjusted EPS Guidance for Fiscal 2018 is a meaningful metric to share with investors because that metric, which adjusts EPS for certain items to be recorded in the period, is the metric that best allows comparison of the expected performance for Fiscal 2018 to the comparable prior period. In addition, the metric affords investors a view of what management is forecasting for Walmart's core earnings performance for Fiscal 2018 and also affords investors the ability to make a more informed assessment of the core earnings performance for the comparable period.

We have calculated Adjusted EPS Guidance for Fiscal 2018 by adjusting for the amount of the impact of: (1) the loss on the early extinguishment of certain debt and (2) the gain on the sale of Suburbia in Mexico.

Fiscal 2018				
<b>Diluted net income per share:</b>				
Forecasted EPS				\$4.18 - \$4.28
<b>Adjustments:</b>	<b>Pre-Tax Impact</b>	<b>Tax Impact<sup>1</sup></b>	<b>NCI Impact<sup>2</sup></b>	<b>Net Impact</b>
Loss on Early Extinguishment of Debt	\$0.26	-\$0.09	\$—	\$0.17
Gain on Sale of Suburbia	-0.13	0.04	0.04	-0.05
<b>Net adjustments</b>				<b>\$0.12</b>
Adjusted EPS Guidance				\$4.30 - \$4.40

<sup>1</sup> Calculated based on nature of item and statutory rate in effect for relevant jurisdiction.

<sup>2</sup> Calculated based on the ownership percentages of the noncontrolling interest at Walmex.



**Comparable Sales Measures Excluding Fuel**

The comparable sales of the company's Walmart U.S. and Sam's Club operating segments for the 13-week period ended July 28, 2017, and July 29, 2016, and our guidance for comparable sales for the 13-week period ending October 27, 2017, in each case calculated or forecasted by excluding fuel sales for such periods (the "Comparable Sales Measures Excluding Fuel"), are non-GAAP financial measures as defined by the SEC's rules. We believe the most directly comparable financial measures computed in accordance with GAAP are the comparable sales calculated by including fuel sales for the corresponding periods.

We believe that the presentation of the Comparable Sales Measures Excluding Fuel provides useful information to investors regarding the company's financial condition and results of operations because that information permits investors to understand the effect of the fuel sales, which are affected by the volatility of fuel prices, on Walmart U.S. and Sam's Club's comparable sales for the periods presented.

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# Financial presentation to accompany management transcript



**Q2** FY18

# Safe harbor and non-GAAP measures

This presentation contains statements as to Walmart management's guidance regarding earnings per share for the three months ending October 31, 2017 and fiscal year ending January 31, 2018, adjusted earnings per share for the fiscal year ending January 31, 2018, Walmart U.S.'s comparable sales and Sam's Club's comparable sales, excluding fuel, for the 13-week period ending October 27, 2017, and the third-party FCPA- and compliance-related expenses expected to be incurred for year ending January 31, 2018. Assumptions on which such forward-looking statements are based, including without limitation assumptions regarding our effective tax rate for the year ending January 31, 2018, are also forward-looking statements. Walmart believes such statements are "forward-looking statements" as defined in, and are intended to enjoy the protection of the safe harbor for such statements provided by, the Private Securities Litigation Reform Act of 1995, as amended. Walmart's actual results may differ materially from the guidance provided as a result of changes in circumstances, assumptions not being realized or other risks, uncertainties and factors including:

- economic, geo-political, capital markets and business conditions, trends and events around the world and in the markets in which Walmart operates;
- currency exchange rate fluctuations, changes in market interest rates and commodity prices;
- unemployment levels;
- competitive pressures;
- inflation or deflation, generally and in particular product categories;
- consumer confidence, disposable income, credit availability, spending levels, shopping patterns, debt levels and demand for certain merchandise;
- consumer enrollment in health and drug insurance programs and such programs' reimbursement rates;
- the amount of Walmart's net sales denominated in the U.S. dollar and various foreign currencies;
- the impact of acquisitions, divestitures and store and club closures;
- Walmart's ability to successfully integrate acquired businesses, including within the e-commerce space;
- Walmart's effective tax rate and the factors affecting Walmart's effective tax rate, including assessments of certain tax contingencies, valuation allowances, changes in law, administrative audit outcomes, impact of discrete items and the mix of earnings between the U.S. and Walmart's international operations;
- customer traffic and average ticket in Walmart's stores and clubs and on its e-commerce websites;
- the mix of merchandise Walmart sells, the cost of goods it sells and the shrinkage it experiences;
- the amount of Walmart's total sales and operating expenses in the various markets in which it operates;
- transportation, energy and utility costs and the selling prices of gasoline and diesel fuel;
- supply chain disruptions and disruptions in seasonal buying patterns;
- consumer acceptance of and response to Walmart's stores, clubs, e-commerce websites, mobile apps, initiatives, programs and merchandise offerings;
- cyber security events affecting Walmart and related costs;
- developments in, outcomes of, and costs incurred in legal or regulatory proceedings to which Walmart is a party;
- casualty and accident-related costs and insurance costs;
- the turnover in Walmart's workforce and labor costs, including healthcare and other benefit costs;
- changes in accounting estimates or judgments;
- changes in existing tax, labor and other laws and regulations and changes in tax rates, trade agreements, trade restrictions and tariff rates;
- the level of public assistance payments;
- natural disasters, public health emergencies, civil disturbances, and terrorist attacks; and
- Walmart's expenditures for FCPA and other compliance related costs.

Such risks, uncertainties and factors also include the risks relating to Walmart's strategy, operations and performance and the financial, legal, tax, regulatory, compliance and other risks discussed in Walmart's most recent annual report on Form 10-K and subsequently filed quarterly reports on Form 10-Q filed with the SEC. You should read this presentation in conjunction with such annual report on Form 10-K and quarterly reports on Form 10-Q. You should consider all of the risks, uncertainties and other factors identified above and in those SEC reports carefully when evaluating the forward looking statements in this presentation. Walmart cannot assure you that the future results reflected in or implied by any such forward-looking statement will be realized or, even if substantially realized, will have the forecasted or expected consequences and effects for or on Walmart's operations or financial performance. Such forward-looking statements are made as of the date of this presentation, and Walmart undertakes no obligation to update such statements to reflect subsequent events or circumstances.

This presentation includes certain non-GAAP measures as defined under SEC rules, including net sales, revenue, and operating income on a constant currency basis, comp sales excluding fuel, free cash flow and return on investment. Refer to information about the non-GAAP measures contained in this presentation. Additional information as required by Regulation G and Item 10(e) of Regulation S-K regarding non-GAAP measures can be found in our most recent Form 10-K and our Form 8-K furnished as of the date of this presentation with the SEC, which are available at [www.stock.walmart.com](http://www.stock.walmart.com).



## Guidance



Q3 FY18 EPS:  
\$0.90 to \$0.98

FY18 GAAP EPS:  
\$4.18 to \$4.28

FY18 adjusted EPS<sup>2</sup>:  
\$4.30 to \$4.40



Comp sales for 13-week  
period, excluding fuel<sup>1,2</sup>:  
between +1.5% to +2.0%



Comp sales for 13-week  
period, excluding fuel<sup>1,2</sup>:  
between +1.0% to +1.5%



<sup>1</sup> 13-week period from July 29, 2017 through October 27, 2017, compared to 13-week period ended October 28, 2016.

<sup>2</sup> See press release located at [www.stock.walmart.com](http://www.stock.walmart.com) and additional information at the end of this presentation regarding non-GAAP financial measures.

# Wal-Mart Stores, Inc.

(Amounts in millions, except per share data)

	Q2	\$ Δ <sup>1</sup>	% Δ <sup>1</sup>	YTD	\$ Δ <sup>1</sup>	% Δ <sup>1</sup>
Total revenue	\$123,355	\$2,501	2.1%	\$240,897	\$4,139	1.7%
Total revenue, constant currency <sup>2</sup>	\$124,395	\$3,541	2.9%	\$243,145	\$6,387	2.7%
Net sales	\$121,949	\$2,544	2.1%	\$238,475	\$4,084	1.7%
Net sales, constant currency <sup>2</sup>	\$122,944	\$3,539	3.0%	\$240,668	\$6,277	2.7%
Membership & other income	\$1,406	-\$43	-3.0%	\$2,422	\$55	2.3%
Operating income	\$5,969	-\$196	-3.2%	\$11,206	-\$234	-2.0%
Operating income, constant currency <sup>2</sup>	\$6,069	-\$96	-1.6%	\$11,412	-\$28	-0.2%
Interest expense, net	\$575	\$9	1.6%	\$1,138	\$11	1.0%
Consolidated net income attributable to Walmart	\$2,899	-\$874	-23.2%	\$5,938	-\$914	-13.3%
Diluted EPS	\$0.96	-\$0.25	-20.7%	\$1.96	-\$0.22	-10.1%
Adjusted EPS <sup>2</sup>	\$1.08	\$0.01	0.9%	\$2.08	\$0.04	2.0%



<sup>1</sup> Change versus prior year comparable period.

<sup>2</sup> See press release located at [www.stock.walmart.com](http://www.stock.walmart.com) and reconciliations at the end of presentation regarding non-GAAP financial measures.

# Wal-Mart Stores, Inc.

	Q2	bps $\Delta^1$	YTD	bps $\Delta^1$
Gross profit rate	25.0%	-11 bps	24.9%	-5 bps
Operating expenses as a percentage of net sales	21.2%	10 bps	21.2%	14 bps
Effective tax rate	32.6%	207 bps	32.6%	148 bps
Debt to total capitalization <sup>2</sup>	NP	NP	38.4%	10 bps
Return on investment <sup>3,4</sup>	NP	NP	15.0%	-50 bps

<sup>1</sup> Basis points change versus prior year comparable period.

<sup>2</sup> Debt to total capitalization is calculated as of July 31, 2017. Debt includes short-term borrowings, long-term debt due within one year, capital lease and financing obligations due within one year, long-term debt, and long-term capital lease and financing obligations. Total capitalization includes debt and total Walmart shareholders' equity.

<sup>3</sup> ROI is calculated for the trailing 12 months ended July 31, 2017.

<sup>4</sup> See reconciliations at the end of presentation regarding non-GAAP financial measures.

NP - Not provided



# Wal-Mart Stores, Inc.

<i>(Amounts in millions)</i>	Q2	\$ $\Delta^1$	% $\Delta^1$
Receivables, net	\$5,395	\$120	2.3%
Inventories	\$43,442	-\$11	0.0%
Accounts payable	\$42,389	\$2,487	6.2%

<sup>1</sup> Change versus prior year comparable period.





# Wal-Mart Stores, Inc.

(Amounts in millions)	YTD	\$ $\Delta^1$
Operating cash flow	\$11,360	-\$3,571
Capital expenditures	\$4,423	-\$196
<b>Free cash flow<sup>2</sup></b>	<b>\$6,937</b>	<b>-\$3,375</b>



(Amounts in millions)	Q2	% $\Delta^1$	YTD	% $\Delta^1$
Dividends	\$1,539	-1.3%	\$3,088	-1.4%
Share repurchases <sup>3</sup>	\$2,262	6.8%	\$4,447	-8.3%
<b>Total</b>	<b>\$3,801</b>	<b>3.4%</b>	<b>\$7,535</b>	<b>-5.6%</b>



<sup>1</sup> Change versus prior year comparable period.

<sup>2</sup> See press release located at [www.stock.walmart.com](http://www.stock.walmart.com) and reconciliations at the end of this presentation regarding non-GAAP financial measures.

<sup>3</sup> \$4.8 billion remaining of \$20 billion authorization approved in October 2015.



# Walmart U.S.

(Amounts in millions)

	Q2	$\Delta^1$	YTD	$\Delta^1$
Net sales	\$78,738	3.3%	\$154,174	3.1%
Comparable sales <sup>2,3</sup>	1.8%	20 bps	1.6%	30 bps
• Comp traffic	1.3%	10 bps	NP	NP
• Comp ticket	0.5%	10 bps	NP	NP
E-commerce impact <sup>3,4</sup>	~0.7%	~30 bps	NP	NP
Neighborhood Market	~5.6%	~90 bps	NP	NP
Gross profit rate	Decrease	-5 bps	Decrease	-2 bps
Operating expense rate	Increase	13 bps	Increase	14 bps
Operating income	\$4,618	2.2%	\$8,887	1.6%

<sup>1</sup> Change versus prior year comparable period.

<sup>2</sup> Comp sales for the 13-week and 26-week periods ended July 28, 2017, excluding fuel. Including fuel, Walmart U.S. comparable sales are 1.9% and 1.7%, respectively. See press release located at [www.stock.walmart.com](http://www.stock.walmart.com) and reconciliations at the end of this presentation regarding non-GAAP financial measures.

<sup>3</sup> The results of new acquisitions are not included in our comp sales metrics as acquisitions are not included until the 13th month after acquisition.

<sup>4</sup> The company's e-commerce sales impact includes those sales initiated through the company's websites and fulfilled through the company's dedicated e-commerce distribution facilities, as well as an estimate for sales initiated online but fulfilled through the company's stores and clubs.

NP - Not provided



# Walmart U.S. - quarterly financial highlights

## Sales

- Comp sales<sup>1</sup> increased 1.8% led by strong comp traffic of 1.3%. On a 2-year stacked basis, comp sales and traffic were up 3.4% and 2.5%, respectively.
- Strength in grocery continued as food categories delivered the strongest quarterly comp sales performance in 5 years.
- Slight market inflation in food, excluding price investments, benefited food comp sales by approximately 30 basis points.
- Multi-channel sales growth was strong, including online grocery and general merchandise pickup in stores.

## Gross Margin

- Gross margin rate declined 5 basis points as savings from procuring merchandise benefited the margin rate, but were more than offset by the mix effects from our growing e-commerce business, as well as continued investments in price.

## Expenses

- Operating expenses increased 3.9%, primarily due to investments in e-commerce and technology. Physical stores leveraged expenses for the 2<sup>nd</sup> consecutive quarter.

## Inventory

- Total inventory declined approximately 0.6%, and comp store inventory declined approximately 3.8%, while in-stock levels remained high.

## Format growth

- We had 16 Supercenter net openings in the period, including conversions and relocations, and one Neighborhood Market net opening. We also remodeled 180 stores.
- As of the end of Q2, online grocery was offered in over 900 locations, which represents about 230 additional locations since Q1.



<sup>1</sup> Comp sales for the 13-week period ended July 28, 2017, excluding fuel. Including fuel, Walmart U.S. comparable sales grew 1.9%. See press release located at [www.stock.walmart.com](http://www.stock.walmart.com) and reconciliations at the end of this presentation regarding non-GAAP financial measures.

## Walmart U.S. - quarterly merchandise highlights

Category	Comp	Comments
Grocery <sup>1</sup>	+ low single-digit	Food and consumables had strong traffic throughout the quarter with solid unit growth. Slight market inflation in food, excluding price investments, benefited food comp sales by approximately 30 basis points.
Health & wellness	+ low single-digit	Customer traffic, branded drug inflation and script growth contributed to solid performances in pharmacy and over-the-counter for the period.
General merchandise <sup>2</sup>	+ low single-digit	Comp sales and traffic were solid across Hardlines and Home during the quarter. Entertainment sales were soft, but improved slightly from the first quarter.



<sup>1</sup> Includes food and consumables.

<sup>2</sup> General merchandise includes entertainment, toys, hardlines, apparel and home/seasonal.

# Walmart International

(Amounts in millions)	Reported		Constant currency <sup>1</sup>		Reported		Constant currency <sup>1</sup>	
	Q2	$\Delta^2$	Q2	$\Delta^2$	YTD	$\Delta^2$	YTD	$\Delta^2$
Net sales	\$28,331	-1.0%	\$29,326	2.5%	\$55,428	-2.3%	\$57,621	1.6%
Gross profit rate	Decrease	-27 bps	NP	NP	Decrease	-6 bps	NP	NP
Operating income	\$1,592	-7.8%	\$1,692	-2.0%	\$2,755	-4.7%	\$2,961	2.4%



<sup>1</sup> See press release located at [www.stock.walmart.com](http://www.stock.walmart.com) and reconciliations at the end of presentation regarding non-GAAP financial measures.

<sup>2</sup> Change versus prior year comparable period.

NP - Not provided

# Walmart International - quarterly financial highlights

## Sales

- The divestitures of Yihaodian and Suburbia created a headwind to sales of nearly \$520 million when compared to last year.
- Given the one-month reporting lag in markets except Canada, the timing of Easter benefited sales in some markets.
- 9 of 11 markets delivered positive comp sales, including the U.K.
- Currency exchange rate fluctuations negatively impacted net sales by \$1.0 billion.

## Operating income

- The net impact from the divestitures of Yihaodian and Suburbia benefited operating income by \$415 million this year and \$513 million last year in constant currency. Excluding these items, and on a constant currency basis, operating income increased 5.2 percent. In addition, we leveraged operating expenses during the quarter through an increased focus on expense management and store labor productivity.

## Inventory

- Inventory grew at a slower rate than sales.



<sup>1</sup> See press release located at [www.stock.walmart.com](http://www.stock.walmart.com) and reconciliations at the end of this presentation regarding non-GAAP financial measures.

## Walmart International - key markets quarterly results

Country <sup>1,2</sup>	Comp <sup>3</sup>			Net sales <sup>3</sup>	Gross profit rate <sup>3</sup>	Operating income <sup>3</sup>
	Sales	Traffic	Ticket			
United Kingdom <sup>4</sup>	1.8%	0.6%	1.2%	3.9%	Decrease	Decrease
Walmex <sup>5</sup>	7.2%	0.8%	6.4%	6.4%	Decrease	Increase
Canada	2.5%	1.4%	1.1%	3.4%	Decrease	Increase
China <sup>6</sup>	0.6%	-1.4%	2.0%	2.5%	Decrease	Decrease

<sup>1</sup> Results are presented on a constant currency basis. Net sales and comp sales are presented on a nominal, calendar basis.

<sup>2</sup> E-commerce results are included for each of the markets listed in the table.

<sup>3</sup> Change versus prior year comparable period.

<sup>4</sup> Comp sales for the United Kingdom are presented excluding fuel.

<sup>5</sup> Walmex includes the consolidated results of Mexico and Central America. Excluding Suburbia net sales of \$176 million in the comparable prior year period would result in an increase in Walmex net sales of 9.2% for the quarter.

<sup>6</sup> Excludes the impact of Yihaodian.



# Walmart International - key market quarterly highlights

## Walmex

- Momentum in sales continued across all countries and regions.
- Net sales increased 6.4 percent and comp sales increased 7.2 percent. Normalizing for Suburbia sales last year, net sales would have increased 9.2 percent.
- In Mexico specifically, comp sales increased over 7 percent or 15 percent on a two-year stacked basis, and all merchandise divisions outpaced ANTAD<sup>1</sup> self-service.
  - The Walmart Supercenter format delivered the strongest performance in the quarter followed by Sam's Club.
- Net sales in Central America increased 12 percent, and all countries delivered positive comp sales.
- Inventory grew at a slower rate than sales.

## Canada

- According to Nielsen, we continued to gain market share in key traffic driving areas such as food and consumables.
- Gross profit rate declined primarily due to planned price investments.
- Increased store labor productivity was the main contributor to operating expense leverage.
- inventory levels were reduced even as sales increased.



<sup>1</sup> ANTAD - Asociación Nacional de Tiendas de Autoservicio y Departamentales; The National Association of Supermarkets and Department Stores



# Walmart International - key market quarterly highlights

## U.K.

- Customers are responding to investments in the value proposition as we continue to see sequential improvement in the business.
- Comps were positive even when adjusting for the benefit from the timing of Easter.
- Gross profit rate declined primarily due to the continuation of planned price investments and the mix of sales related to the timing of Easter.

## China

- Momentum in the fresh and consumables categories continued in the period.
- We expanded our reach and omni-channel offering through the alliance with JD.com.
  - 134 Walmart Stores in 18 cities offer grocery delivery through JD Daojia.
  - The Walmart flagship and Sam's Club cross border stores were launched on JD.com.
- Inventory grew at a slower rate than sales.





# Sam's Club

(Amounts in millions)

	With fuel		Without fuel <sup>1</sup>		With fuel		Without fuel <sup>1</sup>	
	Q2	Δ <sup>2</sup>	Q2	Δ <sup>2</sup>	YTD	Δ <sup>2</sup>	YTD	Δ <sup>2</sup>
Net sales	\$14,880	2.3%	\$13,725	2.1%	\$28,873	2.6%	\$26,634	1.7%
Comparable sales <sup>3</sup>	1.4%	260 bps	1.2%	60 bps	2.2%	370 bps	1.4%	110 bps
• Comp traffic	NP	NP	2.1%	250 bps	NP	NP	NP	NP
• Comp ticket	NP	NP	-0.9%	-190 bps	NP	NP	NP	NP
E-commerce impact <sup>4</sup>	NP	NP	~0.8%	~20 bps	NP	NP	NP	NP
Gross profit rate	Decrease	-30 bps	Decrease	-40 bps	Decrease	-33 bps	Decrease	-31 bps
Membership income	NP	NP	NP	1.3%	NP	NP	NP	1.1%
Operating income	\$404	-14.4%	\$368	-18.9%	\$818	-7.6%	\$774	-10.2%

<sup>1</sup> See press release located at [www.stock.walmart.com](http://www.stock.walmart.com) and reconciliations at the end of this presentation regarding non-GAAP financial measures.

<sup>2</sup> Change versus prior year comparable period.

<sup>3</sup> Comp sales for the 13-week and 26-week periods ended July 28, 2017.

<sup>4</sup> The company's e-commerce sales impact includes those sales initiated through the company's websites and fulfilled through the company's dedicated e-commerce distribution facilities, as well as an estimate for sales initiated online but fulfilled through the company's stores and clubs.

NP - Not provided



# Sam's Club - quarterly financial highlights

## Sales

- Comp sales<sup>1</sup> for the period increased 1.2% with growth in comp traffic of 2.1%.
- Market inflation positively impacted comp sales by 1.3%, primarily in tobacco.
- In e-commerce, both Club Pickup and the direct to home business continued to have strong results.

## Gross Profit

- During the quarter, certain fresh supply expenses were reclassified from operating expenses to cost of goods sold. Gross profit was also impacted by investment in cash rewards, higher shrink and increased shipping costs at Samsclub.com.

## Operating Expenses

- Operating expenses de-levered 30 basis points, primarily due to a charge of approximately \$50 million resulting from the impairment of certain assets and our decision to close four underperforming clubs.

## Membership Income

- Membership income increased 1.3% versus last year. Plus penetration increased 150 basis points.

## Inventory

- Inventory increased 3.0% driven by food and seasonal. Comp club inventory increased 2.4%.



<sup>1</sup> Excludes fuel. See press release located at [www.stock.walmart.com](http://www.stock.walmart.com) and reconciliations at the end of this presentation regarding non-GAAP financial measures.

## Sam's Club - quarterly category highlights

Category	Comp	Comments
Fresh / Freezer / Cooler	+ low single-digit	Strong performance in fresh meat, produce and floral.
Grocery and beverage	- low single-digit	Softness in oils, vegetables and snacks was partially offset by positive results in adult beverage and baking items.
Consumables	+ low single-digit	New and refreshed Member's Mark items, along with Instant Savings offers, drove growth in paper goods and laundry & homecare.
Home and apparel	+ mid single-digit	Strong performance across most categories in homelines and apparel, particularly in outdoor living, toys and kitchen.
Technology, office and entertainment	- low single-digit	Softness in televisions was partially offset by strong growth in audio and office electronics.
Health and wellness	+ mid single-digit	Nutrition and protein drinks performed well, along with momentum in generic script counts.
Tobacco	- low single-digit	The category faced difficult comparisons given the surge in last year's sales volumes.



## Third-party FCPA- and compliance-related expenses

	Q2		YTD	
	FY18	FY17	FY18	FY17
<i>(Amounts in millions)</i>				
Ongoing inquiries and investigations	\$7	\$23	\$20	\$44
Global compliance program and organizational enhancements	5	5	8	9
<b>Total</b>	<b>\$12</b>	<b>\$28</b>	<b>\$28</b>	<b>\$53</b>

- In fiscal year 2018, we expect our third party FCPA- and compliance-related expenses to range between \$65 and \$85 million. These are included in our Corporate and support expenses.

# Non-GAAP measures - ROI

We include Return on Assets ("ROA"), which is calculated in accordance with generally accepted accounting principles in the U.S. ("GAAP") as well as Return on Investment ("ROI") as measures to assess returns on assets. Management believes ROI is a meaningful measure to share with investors because it helps investors assess how effectively Walmart is deploying its assets. Trends in ROI can fluctuate over time as management balances long-term potential strategic initiatives with possible short-term impacts. We consider ROA to be the financial measure computed in accordance with GAAP that is the most directly comparable financial measure to our calculation of ROI.

ROA was 6.7 percent and 7.7 percent for the trailing twelve months ended July 31, 2017 and 2016, respectively. ROI was 15.0 percent and 15.5 percent for the trailing twelve months ended July 31, 2017 and 2016, respectively. The decline in ROA was primarily due to a decrease in operating income and the loss on extinguishment of debt. The decline in ROI was primarily due to our decrease in operating income.

We define ROI as adjusted operating income (operating income plus interest income, depreciation and amortization, and rent expense) for the trailing 12 months divided by average invested capital during that period. We consider average invested capital to be the average of our beginning and ending total assets, plus average accumulated depreciation and average amortization, less average accounts payable and average accrued liabilities for that period, plus a rent factor equal to the rent for the fiscal year or trailing 12 months multiplied by a factor of 8. When we have discontinued operations, we exclude the impact of the discontinued operations.

Our calculation of ROI is considered a non-GAAP financial measure because we calculate ROI using financial measures that exclude and include amounts that are included and excluded in the most directly comparable GAAP financial measure. For example, we exclude the impact of depreciation and amortization from our reported operating income in calculating the numerator of our calculation of ROI. In addition, we include a factor of 8 for rent expense that estimates the hypothetical capitalization of our operating leases. As mentioned above, we consider return on assets to be the financial measure computed in accordance with generally accepted accounting principles most directly comparable to our calculation of ROI. ROI differs from ROA (which is consolidated net income for the period divided by average total assets for the period) because ROI: adjusts operating income to exclude certain expense items and adds interest income; adjusts total assets for the impact of accumulated depreciation and amortization, accounts payable and accrued liabilities; and incorporates a factor of rent to arrive at total invested capital. Because of the adjustments mentioned above, we believe ROI more accurately measures how we are deploying our key assets and is more meaningful to investors than ROA.

Although ROI is a standard financial measure, numerous methods exist for calculating a company's ROI. As a result, the method used by management to calculate our ROI may differ from the methods used by other companies to calculate their ROI.



# Non-GAAP measures - ROI cont.

The calculation of ROA and ROI, along with a reconciliation of ROI to the calculation of ROA, the most comparable GAAP financial measure, is as follows:

Wal-Mart Stores, Inc.									
Return on Assets and Return on Investment									
Trailing Twelve Months Ended July 31,					Trailing Twelve Months Ended July 31,				
(Dollars in millions)					(Dollars in millions)				
2017					2017				
2016					2016				
CALCULATION OF RETURN ON ASSETS					CALCULATION OF RETURN ON INVESTMENT				
<b>Numerator</b>					<b>Numerator</b>				
Consolidated net income	\$	13,444	\$	15,267	Operating income	\$	22,530	\$	23,796
<b>Denominator</b>					+ Interest income		127		83
Average total assets <sup>1</sup>	\$	199,726	\$	198,253	+ Depreciation and amortization		10,344		9,701
<b>Return on assets (ROA)</b>		6.7%		7.7%	+ Rent		2,608		2,453
					Adjusted operating income	\$	35,609	\$	36,033
<b>As of July 31,</b>					<b>Denominator</b>				
<b>Certain Balance Sheet Data</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>		Average total assets <sup>1</sup>	\$	199,726	\$	198,253
Total assets	\$	201,566	\$	197,886	+ Average accumulated depreciation and amortization <sup>1</sup>		77,752		72,156
Accumulated depreciation and amortization		80,773		74,730	- Average accounts payable <sup>1</sup>		41,146		38,564
Accounts payable		42,389		39,902	- Average accrued liabilities <sup>1</sup>		19,669		18,971
Accrued liabilities		19,686		19,651	+ Rent x 8		20,864		19,624
					Average invested capital	\$	237,527	\$	232,498
					<b>Return on investment (ROI)</b>		15.0%		15.5%



<sup>1</sup> The average is based on the addition of the account balance at the end of the current period to the account balance at the end of the prior period and dividing by 2.



# Non-GAAP measures - free cash flow

We define free cash flow as net cash provided by operating activities in a period minus payments for property and equipment made in that period. We had net cash provided by operating activities of \$11.4 billion and \$14.9 billion for the six months ended July 31, 2017 and 2016, respectively. We generated free cash flow of \$6.9 billion and \$10.3 billion for the six months ended July 31, 2017 and 2016, respectively. The decreases in net cash provided by operating activities and free cash flow were due to an increase in incentive payments and timing of other payments. Additionally, the six months ended July 31, 2016 included a greater benefit from our improvement in working capital management.

Free cash flow is considered a non-GAAP financial measure. Management believes, however, that free cash flow, which measures our ability to generate additional cash from our business operations, is an important financial measure for use in evaluating the company's financial performance. Free cash flow should be considered in addition to, rather than as a substitute for, consolidated net income as a measure of our performance and net cash provided by operating activities as a measure of our liquidity. Additionally, Walmart's definition of free cash flow is limited, in that it does not represent residual cash flows available for discretionary expenditures, due to the fact that the measure does not deduct the payments required for debt service and other contractual obligations or payments made for business acquisitions. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our Consolidated Statements of Cash Flows.

The following table sets forth a reconciliation of free cash flow, a non-GAAP financial measure, to net cash provided by operating activities, which we believe to be the GAAP financial measure most directly comparable to free cash flow, as well as information regarding net cash used in investing activities and net cash used in financing activities.

	Six Months Ended July 31,	
	2017	2016
<i>(Dollars in millions)</i>		
Net cash provided by operating activities	\$ 11,360	\$ 14,931
Payments for property and equipment (capital expenditures)	-4,423	-4,619
<b>Free cash flow</b>	<b>\$ 6,937</b>	<b>\$ 10,312</b>
Net cash used in investing activities <sup>1</sup>	\$ -3,559	\$ -4,416
Net cash used in financing activities	\$ -8,631	\$ -11,214

<sup>1</sup> "Net cash used in investing activities" includes payments for property and equipment, which is also included in our computation of free cash flow.



# Non-GAAP measures - constant currency

The term "currency exchange rates" refers to the currency exchange rates we use to convert the operating results for all countries where the functional currency is not the U.S. dollar ("non-USD entities") into U.S. dollars. We calculate the effect of changes in currency exchange rates as the difference between current period activity translated using the current period's currency exchange rates, and the comparable prior year period's currency exchange rates. Throughout our discussion, we refer to the results of this calculation as the impact of currency exchange rate fluctuations. When we refer to constant currency operating results, this means operating results without the impact of the currency exchange rate fluctuations and without the impact of acquisitions of non-USD entities, if any, until such acquisitions are included in both comparable periods. The disclosure of constant currency amounts or results permits investors to understand better Walmart's underlying performance without the effects of currency exchange rate fluctuations or acquisitions of non-USD entities.

The table below reflects the calculation of constant currency for total revenues, net sales and operating income for the three and six months ended July 31, 2017.

(Dollars in millions)	Three Months Ended July 31,				Six Months Ended July 31,			
	Walmart International		Consolidated		Walmart International		Consolidated	
	2017	Percent Change <sup>1</sup>	2017	Percent Change <sup>1</sup>	2017	Percent Change <sup>1</sup>	2017	Percent Change <sup>1</sup>
<b>Total revenues:</b>								
As reported	\$ 29,000	-1.5 %	\$ 123,355	2.1%	\$ 56,429	-2.4 %	\$ 240,897	1.7%
Currency exchange rate fluctuations <sup>2</sup>	1,040	N/A	1,040	N/A	2,248	N/A	2,248	N/A
Constant currency total revenues	\$ 30,040	2.1 %	\$ 124,395	2.9%	\$ 58,677	1.5 %	\$ 243,145	2.7%
<b>Net sales:</b>								
As reported	\$ 28,331	-1.0 %	\$ 121,949	2.1%	\$ 55,428	-2.3 %	\$ 238,475	1.7%
Currency exchange rate fluctuations <sup>2</sup>	995	N/A	995	N/A	2,193	N/A	2,193	N/A
Constant currency net sales	\$ 29,326	2.5 %	\$ 122,944	3.0%	\$ 57,621	1.6 %	\$ 240,668	2.7%
<b>Operating income:</b>								
As reported	\$ 1,592	-7.8 %	\$ 5,969	-3.2%	\$ 2,755	-4.7 %	\$ 11,206	-2.0%
Currency exchange rate fluctuations <sup>2</sup>	100	N/A	100	N/A	206	N/A	206	N/A
Constant currency operating income	\$ 1,692	-2.0 %	\$ 6,069	-1.6%	\$ 2,961	2.4 %	\$ 11,412	-0.2%



<sup>1</sup> Change versus prior year comparable period.

<sup>2</sup> Excludes currency exchange rate fluctuations related to acquisitions until the acquisitions are included in both comparable periods.



## Non-GAAP measures - fuel impact

The net sales, gross profit rate and operating income of Sam's Club for the three and six months ended July 31, 2017, the percentage changes in those financial measures from the respective comparable prior year period, comparable sales of Sam's Club and Walmart U.S. for the 13-week and 26-week periods ended July 28, 2017 and projected comparable sales for the 13-week period ending October 27, 2017, in each case calculated by excluding fuel sales for such periods, are non-GAAP financial measures. We believe the net sales, gross profit rate and operating income for the three and six months ended July 31, 2017, the percentage changes in those financial measures from the respective comparable prior year period, comparable sales for the 13-week and 26-week periods ended July 28, 2017, and projected comparable sales for the 13-week period ending October 27, 2017, in each case calculated by including fuel sales for such period, are, respectively, the financial measures computed in accordance with GAAP most directly comparable to the non-GAAP financial measures described above.

We believe that the presentation of the non-GAAP financial measures with respect to Sam's Club and Walmart U.S. described above provides useful information to investors regarding Walmart's financial condition and results of operations because that information permits investors to understand the effect of fuel sales, which are affected by the volatility of fuel prices, on Sam's Club's net sales and operating income and on Sam's Club's and Walmart U.S.'s comparable sales for the periods presented.



## Non-GAAP measures - fuel impact cont.

The table below reflects the calculation of the Sam's Club fuel impact for net sales and operating income for the three and six months ended July 31, 2017 and 2016.

(Dollars in millions)	Three Months Ended July 31,			Six Months Ended July 31,		
	2017	2016	% Change	2017	2016	% Change
<b>Sam's Club</b>						
<b>Net Sales:</b>						
As Reported	\$ 14,880	\$ 14,543	2.3%	\$ 28,873	\$ 28,151	2.6%
Less: Fuel Impact	1,155	1,094	N/A	2,239	1,975	N/A
Excluding Fuel	\$ 13,725	\$ 13,449	2.1%	\$ 26,634	\$ 26,176	1.7%
<b>Operating Income:</b>						
As Reported	\$ 404	\$ 472	-14.4%	\$ 818	\$ 885	-7.6%
Less: Fuel Impact	36	18	N/A	44	23	N/A
Excluding Fuel	\$ 368	\$ 454	-18.9%	\$ 774	\$ 862	-10.2%

The table below reflects the fuel impact for comparable club sales for the 13-week and 26-week periods ended July 28, 2017 and July 29, 2016.

	With Fuel		Without Fuel		Fuel Impact	
	13 Weeks Ended 7/28/2017	7/29/2016	13 Weeks Ended 7/28/2017	7/29/2016	13 Weeks Ended 7/28/2017	7/29/2016
Walmart U.S.	1.9%	1.6%	1.8%	1.6%	0.1%	0.0%
Sam's Club	1.4%	-1.2%	1.2%	0.6%	0.2%	-1.8%
	26 Weeks Ended		26 Weeks Ended		26 Weeks Ended	
	7/28/2017	7/29/2016	7/28/2017	7/29/2016	7/28/2017	7/29/2016
Walmart U.S.	1.7%	1.3%	1.6%	1.3%	0.1%	0.0%
Sam's Club	2.2%	-1.5%	1.4%	0.3%	0.8%	-1.8%



# Non-GAAP measures - adjusted EPS

The adjusted diluted earnings per share from continuing operations attributable to Walmart (Adjusted EPS) for each of the three- and six-month periods ended July 31, 2017 and 2016 is considered a non-GAAP financial measure under the SEC's rules because the Adjusted EPS for each such period excludes certain amounts not excluded in the diluted earnings per share from continuing operations attributable to Walmart calculated in accordance with GAAP (EPS) for each of the three- and six-month periods ended July 31, 2017 and 2016. Management believes that the Adjusted EPS for each of the three- and six-month periods ended July 31, 2017 and 2016 is a meaningful measure to share with investors because that measure, which adjusts EPS for such period for certain items recorded in such period, is the measure that best allows comparison of the performance for the comparable period. In addition, the measure affords investors a view of what management considers Walmart's core earnings performance for each of the three- and six-month periods ended July 31, 2017 and 2016 and also affords investors the ability to make a more informed assessment of such core earnings performance for the comparable period.

We have calculated Adjusted EPS for the three and six months ended July 31, 2017 by adjusting EPS for the following: (1) the loss on the early extinguishment of certain debt and (2) the gain on the sale of Suburbia in Mexico. Adjusted EPS for the three and six months ended July 31, 2017 is a non-GAAP financial measure. The most directly comparable financial measure calculated in accordance with GAAP is EPS for the three and six months ended July 31, 2017.

	Three Months Ended July 31, 2017				Six Months Ended July 31, 2017			
<b>Diluted earnings per share:</b>								
Reported EPS	\$0.96				\$1.96			
<b>Adjustments:</b>	<b>Pre-Tax Impact</b>	<b>Tax Impact<sup>1</sup></b>	<b>NCI Impact<sup>2</sup></b>	<b>Net Impact</b>	<b>Pre-Tax Impact</b>	<b>Tax Impact<sup>1</sup></b>	<b>NCI Impact<sup>2</sup></b>	<b>Net Impact</b>
Loss on Early Extinguishment of Debt	\$0.26	-\$0.09	\$—	\$0.17	\$0.26	-\$0.09	\$—	\$0.17
Gain on Sale of Suburbia	-0.13	0.04	0.04	-0.05	-0.13	0.04	0.04	-0.05
<b>Net adjustments</b>	<b>\$0.12</b>				<b>\$0.12</b>			
<b>Adjusted EPS</b>	<b>\$1.08</b>				<b>\$2.08</b>			



<sup>1</sup> Calculated based on nature of item and statutory rate in effect for relevant jurisdiction.

<sup>2</sup> Calculated based on the ownership percentages of the noncontrolling interest at Walmex.

# Non-GAAP measures - adjusted EPS

We have calculated Adjusted EPS for the three and six months ended July 31, 2016 by adjusting EPS for the amount of the impact of the gain from the sale of Yihaodian in China. Adjusted EPS for the three and six months ended July 31, 2016 is a non-GAAP financial measure. The most directly comparable financial measure calculated in accordance with GAAP is EPS for the three and six months ended July 31, 2016.

	Three Months Ended July 31, 2016			Six Months Ended July 31, 2016		
<b>Diluted earnings per share:</b>						
Reported EPS	\$1.21			\$2.18		
<b>Adjustments:</b>	<b>Pre-Tax Impact</b>	<b>Tax Impact<sup>1</sup></b>	<b>Net Impact</b>	<b>Pre-Tax Impact</b>	<b>Tax Impact<sup>1</sup></b>	<b>Net Impact</b>
Gain from the sale of Yihaodian in China	-\$0.17	\$0.03	-\$0.14	-\$0.17	\$0.03	-\$0.14
Adjusted EPS	\$1.07			\$2.04		



<sup>1</sup> Calculated based on nature of item and statutory rate in effect for relevant jurisdiction.

# Non-GAAP measures - adjusted EPS guidance

Adjusted EPS Guidance is considered a non-GAAP financial measure. Management believes that Adjusted EPS Guidance for Fiscal 2018 is a meaningful metric to share with investors because that metric, which adjusts EPS for certain items to be recorded in the period, is the metric that best allows comparison of the expected performance for Fiscal 2018 to the comparable prior period. In addition, the metric affords investors a view of what management is forecasting for Walmart's core earnings performance for Fiscal 2018 and also affords investors the ability to make a more informed assessment of the core earnings performance for the comparable period.

We have calculated Adjusted EPS Guidance for Fiscal 2018 by adjusting for the amount of the impact of: (1) the loss on the early extinguishment of certain debt and (2) the gain on the sale of Suburbia in Mexico.

Fiscal 2018				
Diluted net income per share:				
Forecasted EPS	\$4.18 - \$4.28			
Adjustments:	Pre-Tax Impact	Tax Impact <sup>1</sup>	NCI Impact <sup>2</sup>	Net Impact
Loss on Early Extinguishment of Debt	\$0.26	-\$0.09	\$—	\$0.17
Gain on Sale of Suburbia	-0.13	0.04	0.04	-0.05
Net adjustments	\$0.12			
Adjusted EPS Guidance	\$4.30 - \$4.40			



<sup>1</sup> Calculated based on nature of item and statutory rate in effect for relevant jurisdiction.

<sup>2</sup> Calculated based on the ownership percentages of the noncontrolling interest at Walmex.

## Additional resources at [stock.walmart.com](https://stock.walmart.com)

- Unit counts & square footage
- Comparable store sales
- Terminology
- Fiscal year 2018 earnings dates



