

2023 INVESTMENT COMMUNITY MEETING  
APRIL 4, 2023

» **Steph Wissink, SVP, Investor Relations, Walmart Inc.**

The information presented and the statements made may include forward-looking statements.

These statements are subject to risks and uncertainties that could cause actual results to differ materially from these statements.

These risks and uncertainties include, but are not limited to, the factors identified in our filings with the SEC.

Please refer to our cautionary statement regarding forward looking statements as well as our entire safe harbor statement and non-GAAP reconciliations on our website at [stock.walmart.com](http://stock.walmart.com).

Transcripts of today's presentations will be made available on our corporate website as soon as possible.

» **Doug McMillon, President and CEO, Walmart Inc.**

Good afternoon and welcome.

Thank you for being here.

You may have asked, "Why Florida?" The answer is supply chain innovation.

For a few years now, we've been working to perfect an automated storage and retrieval system for our ambient distribution centers and we're ready to show it to you.

This is one important piece of a new and different supply chain we'll be building these next few years.

What do I mean by new and different?

Our supply chain will become more automated, more connected and increasingly intelligent.

When Sam started the company, self-distribution was unusual.

Building our own DCs was a big decision. Two decades later, self-distribution in grocery was also a big decision.

Today, the more automated and connected system we're building is at least as significant as those moments in our history.

It will get us closer to inventory optimization than ever before and we're very excited about what it means for our customers, our associates and our shareholders.

We began working to automate our large ambient distribution centers almost six years ago.... those are our big DCs that don't require temperature control.

Over that period, we've developed a set of automation capabilities that cover more than just our ambient centers.

We're moving forward with several partners at once to also automate our perishable food DCs, eCommerce FCs, and develop an effective network of market fulfillment centers close to customers.

This is a story that includes improvement in the way we use data and software to drive automation, combined with a scaled, more cost-effective last mile capability.

Each piece is key.

You're going to see one piece today - but the ultimate win is in how they all work together so please keep the entire system in your mind and not just the automation we'll show you today.

In a few minutes, John Furner will describe how the pieces are coming together to create our new system in the U.S.

We have similar work underway in Mexico, Canada, Chile, and India.

We'll obviously talk about more than the supply chain while we're here.

You'll hear our priorities for the business for the next few years.

We know who we are. We know what our strengths are. We're excited about who we're becoming. And we're confident the areas we're investing in will drive improvement in our return on investment.

The three headlines to take away from our meeting are:

First: Growth. We'll continue to grow because we can serve customers and members however they want to shop.

Second: Margin. We will improve our operating margin through a combination of productivity improvement and our mix of businesses.

Third: Returns. We will improve our return on investment through that margin improvement and by being disciplined with capital.

John, please come up and tell us about what we're going to see today?

» **John Furner, President and CEO, Walmart U.S.**

Welcome. Thank you for your interest in Walmart and making the trip to join us here today in Florida.

I'm going to talk through our Supply Chain strategy.

My team and I are focused on winning in retail, and tomorrow I'll talk about other priorities like Merchandising, store remodels, and eCommerce enhancements.

But today we'll focus on Supply Chain, to give you some context on what you'll see this afternoon.

I want to start with a reminder of who Walmart is: we're here to serve customers and be the place America loves to shop.

And we do that by bringing our purpose to life – we help people save money and live better.

Today we're doing it in an omnichannel way – we have stores and digital ... and together that equals omni.

We're now offering convenience and quality and value.

We can serve customers in all the ways they want -- in the store, at the curb, and at their home.

Supply Chain is central to our purpose.

Everyday Low Prices are enabled by “Everyday Low Cost,” and a significant enabler of EDLC is a supply chain that operates with a sustainable cost advantage with a consistent flow of goods.

One reason we’ve never supported high/low pricing and constant promotions, for example, is they result in inventory fluctuations, which would increase costs and hinder our ability to maintain EDLC.

There are other reasons like trust -- but there’s always been a huge link between Supply Chain and EDLP.

To understand the impact of what we’re doing with our Supply Chain today, you need to understand our past:

When Walmart started, customers came to stores, and they bought general merchandise and consumables.

So we built an ambient supply chain that served stores. As our store footprint grew, that network grew.

When we added Grocery and Supercenters, we built a perishable supply chain -- with buildings to handle cold and frozen items. That one also serviced stores.

Then came eCommerce. So we built another fulfillment network and partnered with carriers to move products from FCs to customers’ homes.

And we layered in Pickup and Delivery too - from our stores.

We got by serving customers with these resources ... but they weren’t connected.

They operated in parallel, and they weren’t flexible.

They were each effective at completing the task they were built to perform.

Now that's changing. We've re-engineered our supply chain networks to connect all the assets we have.

Let me share four examples of what we did, then I'll show how it looks now.

First, we combined our digital catalogues together into a single App where customers search for everything we sell.

Second, we're using data and technology to match customer intent to our catalog of goods and services. Then we can optimize all the nodes in our network for speed, cost, and predictability.

Third, we have a talented team working the right way. Our supply chain leadership team is experienced, capable, and creative.

And they're part of the End-to-End team led by our Chief Operating Officer Chris Nicholas that looks over both Supply Chain and Stores. That's a huge step-change representing our evolution into an omnichannel organization.

One team is now looking at a product from production all the way to the customer.

Fourth, we're using automation – the best-of-the-best hardware and software combinations in retail.

Automation augments parts of the work to improve the experience customers have.

It improves accuracy, speed, and it helps us know what we own and where it is so we can successfully deliver perfect orders.

And it improves our associates' productivity and eases some of the most physical work. You'll see that later today.

Let me show you the result.

We're now able to fulfill customer needs with a flexible, connected omnichannel network, enabled by data.

We know what we own, where it is, and what we're actually doing is using data to optimize how much inventory we buy and where we place it.

In many cases, we don't need to build a new facility.

We're able to use the existing assets we have more flexibly and efficiently for new ways of working.

And importantly - we're able to consolidate an order as early as possible - even off-shore. And deconsolidate it as late as possible -- even in the customer's driveway.

That serves customers with the flexibility they want. It creates density across first, middle, and last mile. And it achieves EDLC.

We're in the early stages of this, and we've got lots of work to go. But the opportunity is big – big for our associates, our income statement, and our customers.

Today you'll see an example of automation. Specifically, an Ambient Distribution Center.

We're excited for you to see this, but understand you're just looking at one example and one piece of a broader strategy.

We also have automation being installed in eCommerce Fulfillment Centers, Perishable Distribution Centers, and Market Fulfillment Centers.

You'll see a different example if you join us in Arkansas in June.

Let me talk specifically about automation, and the decision to invest in it.

The answer to the question “Why automate?” is that investments in automation help our customers, and our associates and our business.

We are seeing this happen now:

- Automation helps our customers – We serve them with better accuracy, availability, and speed.
- Automation helps our associates. It results in less manual labor. Over time, we believe we'll have the same or more associates and a larger business overall. There will be new roles emerging that are less manual, better designed to serve customers, and which pay more.
- Automation helps our business – these systems increase productivity and help us reinforce an EDLC advantage, which provides a return.

**Our 4,700 stores are the core of our network.**

**For years we've said we're well positioned with inventory within ten miles of 90% of the U.S. population.**

**The reason that's important is we know customers want speed, and we also know the last mile costs more than the middle mile, and the middle mile costs more than the first mile.**

**Having 4,700 stores close to the customer shortens the last mile, lowers delivery times for customers, and lowers cost.**

**So we're picking and fulfilling orders from our stores, batching deliveries to create more density, and delivering to doorsteps, garages, and all the way into the customers' homes.**

**We have a strong store pickup business, and we need to become more competitive with to-home delivery, especially for general merchandise.**

**Automation greatly helps. It helps us combine orders and create more density.**

**We're thinking of that as we build more Market Fulfillment Centers – which are automated fulfillment centers attached to a store.**

**Something else that helps with density is our Walmart GoLocal program, where we deliver orders from other retailers.**

**And even as the role of the store continues to change – make no mistake. We know our stores still have to be great for in-store shoppers and attracting traffic.**

**Tomorrow you'll hear more about our priorities in areas like merchandising and remodels.**

**And let me end by talking about the financial aspect ...**

**As I've said we are investing in many End-to-End capabilities.**

**The one you'll see today is a piece of automation where our confidence is high and we're accelerating.**

**This is one, and we have others that solve for other challenges.**

We're showing you this because:

1. We've been developing it for awhile – almost 6 years. And it serves a large, growing part of our business
2. It improves the customer experience with increased capacity and better accuracy
3. It helps associates with productivity - it's changing jobs to be less manual and more fulfilling
4. We're very confident in the strong return it will deliver

We expect these investments to add more value every year.

As we make decisions to add more, we're being thoughtful and looking at financial returns as well as speed, accuracy, productivity, improvement, and customer and associate sentiment.

A few points to remember as you're out today:

1. First - the whole team is using data and all of our assets to optimize inventory placement based on demand and forecasting with suppliers and sellers.

And then they're flexibly delivering across all of our networks in a way that enables us to consolidate inventory as early as possible, and deconsolidate, or deliver, as late as possible.

2. Second - whether the customer wants to shop in stores, pickup, or have a delivery, we can optimize the process to:
  - Remove the friction
  - Help associates have less physical work
  - Lower our costs.

3. Third - we think our sustainable advantage on cost will enable us to win in retail.

Thank you.

We hope that context helps you better understand what you'll see today.