



**WAL-MART STORES, INC. (NYSE: WMT)  
Third Quarter Fiscal Year 2014 Earnings Call  
November 14, 2013  
Management Call as recorded**

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This call will contain statements that Walmart believes are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, and that are intended to enjoy the protection of the safe harbor for forward-looking statements provided by that Act. Please note that a cautionary statement regarding the forward-looking statements will be made following Charles Holley’s remarks in this call.

**Carol Schumacher  
Introduction**

Hi, this is Carol Schumacher, vice president of investor relations for Wal-Mart Stores, Inc. Thanks for joining us today for our third quarter earnings call of fiscal year 2014. Our press release and transcript of this call are available on our website; and again, that’s [stock.walmart.com](http://stock.walmart.com).

Here's today's agenda.

- Mike Duke, president and CEO of Wal-Mart Stores, Inc., will kick us off with an overview on the quarter's results and our company's strategies for this important fourth quarter.
- Jeff Davis, EVP and treasurer, will cover the consolidated financial results.

Then, we'll move to the operating segments.

- Bill Simon, president and CEO of Walmart U.S. will start, followed by
- Doug McMillon, president and CEO of Walmart International, and then
- Rosalind Brewer, president and CEO of Sam's Club.
- Charles Holley, our CFO, will wrap up the call with comments on our financial priorities, as well as detailed analysis on guidance for the fourth quarter and the full year.

Discussions about e-commerce are included throughout the operating segments.

We recognize that our retail comp reporting calendar for Walmart U.S. and Sam's Club is different than some of our competitors. Our comp sales week begins on Saturday and ends on Friday. As a reminder, this fiscal year, we utilized a 53-week reporting calendar, with 4-5-5 reporting for Q4. Therefore, week 53 of this fiscal year will be compared to week one of the same current fiscal year 2014. Our fiscal 2014 Q4 reporting period began on October 26 and runs through January 31, 2014. This compares to the 14-week period last year from October 27, 2012 through February 1, 2013.

We have posted a fiscal 2014 and fiscal 2015 week-by-week comp reporting calendar under the comp sales link on the investor's portion of our site.

Additional information regarding some of the terms we use at Walmart, including constant currency, gross profit and gross profit rate are also available on our website.

We have a lot to cover today. Mike will start us off. Mike ...

**Mike Duke**  
**Wal-Mart Stores, Inc. President & CEO**

Thanks, Carol, and good morning everyone.

Today, I am pleased to report a 6.5 percent increase in diluted earnings per share from continuing operations of \$1.14 for the third quarter. Walmart delivered solid earnings growth that was also within our guidance range.

Our most important priority is growing top line sales, including comps, by providing quality merchandise at great prices to customers around the world. The retail environment, both in stores and online, remains competitive. At the same time, some customers feel uncertainty about the economy, government, jobs stability and their need to take care of their families through the holidays. Walmart has aggressive plans to help our customers enjoy the holiday season and find fantastic gifts for their loved ones -- while maximizing their budgets at the same time. There is no doubt that we plan to win for our customers and shareholders throughout the holidays.

Now let's take a closer look at how our business performed in the third quarter. Consolidated net sales, impacted significantly by currency, were below expectations. However, we had strong operating income across our segments. Walmart U.S. grew operating income almost 6 percent, Sam's Club was up more than 9 percent, and International delivered an increase of 8 percent on a constant currency basis. Consolidated operating income was \$6.3 billion, an increase of 3.6 percent.

Walmart U.S. grew net sales 2.4 percent to nearly \$68 billion in the third quarter. Comp sales declined 0.3 percent in the 13-week period ended October 25. Traffic continued to improve from the first half of the year, and we gained market share again in some of our most important categories. Our Neighborhood Markets produced comp sales in line with best-in-class competitors. We're on pace to increase this small format fleet by almost 50 percent this year. And as you heard at our October analyst meeting, we are utilizing our small formats to develop the market ecosystem that is a critical part of our long-term growth strategy.

Bill's team continues to invest in price to drive sales – utilizing savings from our supply chain, logistics and operational efficiencies to help fund these investments. We kicked off the holiday season already, starting with some walmart.com early bird specials on November 1. We are excited about some incredible merchandise opportunities for Black Friday.

Sam's Club comp sales, without fuel, increased 1.1 percent for the 13-week period. Traffic increased for both business and Savings members this quarter. Roz's team had one of our strongest grand opening quarters in years, with 13 clubs added this quarter. These clubs are well ahead of plan, an example of our greater discipline and focus on delivering higher capital returns. Like Walmart U.S., Sam's is well positioned for the holidays, and will offer members tremendous value through two Instant Savings Books.

Walmart International's constant currency net sales were up 4.1 percent. Operating income on a constant currency basis increased at nearly twice the rate of sales. Doug's team is progressing on lowering expenses to a rate that is more in line with sales, and is improving our inventory performance. As you know, last month we announced decisions to streamline our International business by actively managing our portfolio and being the best-in-class operator. International continues to be an important growth engine for Walmart and we will add stores that will position us better in the future for stronger returns.

Global eCommerce continues to deliver impressive sales results. Including sales from Yihaodian, acquired last year, third quarter sales grew nearly 40 percent. We're investing in fulfillment centers – like the facility recently opened in Fort Worth, Texas – to be closer to our customers and to expedite the delivery of their merchandise. We are accelerating the integration of e-commerce with our business segments. I'm really excited about the fantastic growth opportunities that lie ahead of us, as Walmart serves millions of additional customers through our e-commerce sites in 10 countries.

Throughout the company, we constantly focus on effectively managing our costs, so we can provide the low prices that our customers count on. During the third quarter, we continued to make progress with expense leverage. On a consolidated basis, we improved expense leverage 22 basis points from the second quarter. Walmart U.S. delivered strong expense leverage in the third quarter and International made progress in expense management. By taking advantage of opportunities in areas such as technology, logistics, sourcing and workforce planning, we have reinforced our long-term commitment to leverage on an annual basis. As you all know, our 5-year goal is to reduce operating expenses as a percentage of sales by at least 100 basis points by 2017 ... and we are committed to that goal.

Today, one of the success areas that I am most proud of is our work on capital discipline. We've really made great strides. Our renewed focus on the productivity of our stores around the world is producing meaningful results. We're bringing down the cost to build, expand and remodel and we're able to open stores more quickly. In fact, over the past two years, the cost per square foot for new construction of both supercenters and small formats in the United States has come down by over 15 percent. And, when I was in China last month, I saw firsthand how great store layouts can dramatically improve customer experience and new store openings performance. Clearly, this type of capital discipline is critical to the future growth of this important market.

Compliance is an essential part of our growth strategy. In the third quarter, we continued to invest in strengthening Walmart's compliance organization. Through enhanced processes and procedures, increased associate training and improved organizational leadership, we have become an even better company. Our progress with compliance makes us a stronger business for the long-term.

Walmart has tremendous associates. They're passionate about serving our customers and we appreciate everything they are doing throughout this very busy fourth quarter. When I visit our stores in the U.S. and around the world – like I did recently in China – associates often tell me about their opportunities for building a career and expanding their skills. I love these testimonials. We want to see our talented and dedicated associates advance to positions of greater leadership within the company. In fact, Walmart U.S. will promote more than 160,000 associates to jobs with higher pay and more responsibility this year.

We're also pleased with the progress we made in our veterans' initiative. Since Memorial Day, when we kicked off this program, Walmart U.S. and Sam's Club have now hired more than 20,000 U.S. veterans to our associate teams.

As I close my remarks, let me reiterate that Walmart is geared up for the holidays. We are focused on delivering a strong fourth quarter performance. We have the merchandise that customers want online and in the stores – all at great prices. And, our associates are energized to serve our customers and to grow sales.

On behalf of everyone at Walmart, I wish you happy holidays, Merry Christmas and a great new year. I hope to see you shopping in our stores and on walmart.com in the weeks ahead!

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

**Jeff Davis**  
**Consolidated Financials**

Thank you, Mike.

For the third quarter of fiscal 2014, Walmart reported diluted earnings per share from continuing operations attributable to Walmart of \$1.14, which was within our guidance of \$1.11 to \$1.16. This compares to \$1.07 last year, and reflects \$0.01 per share from the Vips restaurant business in Mexico. You should note that we reflected the operating results of Vips as discontinued operations in our financial statements for the current and prior periods. The Vips sale is subject to regulatory approval, but we expect it to be completed by year-end.

As you recall, our plan was to invest an incremental \$0.09 per share in e-commerce for fiscal 2014. In Q3, we invested \$0.03 per share, bringing the year-to-date total to approximately \$0.08 per share. However, we now expect the fiscal 2014 incremental impact to be approximately \$0.10 per share.

Now let's turn our attention to the detailed financial results for the quarter. Consolidated net sales increased 1.6 percent or \$1.8 billion, to \$114.9 billion. Net sales were impacted by approximately \$1.6 billion from currency exchange rate fluctuations, and we benefitted \$314 million from acquisitions. Therefore, on a constant currency basis, net sales would have increased 2.7 percent to \$116.2 billion.

Membership and other income increased 12.3 percent to \$800 million, primarily driven by a solid 8.1 percent increase in membership income at Sam's Club.

Therefore, coupled with net sales, total revenue was \$115.7 billion, a 1.7 percent increase over last year.

Our gross profit rate for Q3 was 24.5 percent, an increase of 13 basis points compared to last year. The increase was primarily driven by Sam's Club and Walmart U.S.

Operating expenses as a percentage of sales were 19.8 percent, an increase of 8 basis points compared to last year. However, this represents a 22-basis point improvement from last quarter. We appreciate our teams across the globe for their collective hard work to reduce expenses.

As we do every quarter, we will review Corporate & support expenses, which increased 21.2 percent, and are comprised of 3 areas:

- Core corporate
- Global eCommerce support, and
- Global leverage services

Core corporate expenses increased 15.1 percent. FCPA and compliance related expenses were approximately \$69.0 million, which was below our guidance of \$75 to \$80 million. Approximately \$43.0 million of these expenses represented costs incurred for the ongoing inquiries and investigations. Approximately \$26.0 million is related to our global compliance program and organizational enhancements. Excluding these FCPA and compliance matters, core corporate expenses would have increased approximately 10.4 percent, primarily due to the timing of charitable giving.

The remaining areas, global leverage services and Global eCommerce support, collectively increased approximately 31.9 percent for the quarter. As a reminder, global leverage services includes investments for technology. We continue to invest in the global rollout of our SAP enterprise systems across our finance, people and merchandising organizations. A little later, you will hear more from Charles regarding our Global eCommerce investments.

This leads us to consolidated operating income, which grew 3.6 percent to \$6.3 billion. On a constant currency basis, consolidated operating income was up 5 percent to \$6.4 billion. It is important to note that all three business segments grew operating income at a faster rate than sales.

Net interest expense was up 6.2 percent to \$580 million. While interest expense increased slightly, interest income declined \$32 million, primarily attributable to the reclassification of certain international accounts payable discounts to cost of sales.

That brings us to income from continuing operations attributable to Walmart of \$3.7 billion, an increase of 2.8 percent over last year.

Our effective tax rate for the quarter was approximately 32.5 percent, and Charles will cover our tax guidance for the year.

Turning to our balance sheet ... Consolidated inventory increased 4.6 percent, primarily driven by increases within our U.S. operating segments to support our upcoming holiday plans.



Payables as a percentage of inventory was 79 percent, which compares to 85 percent last year. The decrease was primarily driven by the timing of payments and higher inventory balances.

Debt to total capitalization was 45.7 percent at the end of the quarter, compared to 43.7 percent last year. The increase was primarily driven by higher short term debt balances and a slight reduction to shareholders' equity. The reduction in equity is principally related to foreign currency translation losses and a fair value adjustment to redeemable noncontrolling interests on our balance sheet. During September, certain minority interest shareholders in Chile exercised their irrevocable put options to Walmart, whereby, Walmart's ownership of Walmart Chile will increase from approximately 75 percent to approximately 97 percent. As a result of the exercise, the redeemable non-controlling interest was marked to market on the balance sheet in the third quarter, with a corresponding offset to capital in excess of par value. We expect this transaction to be completed in early calendar 2014.

Free cash flow was \$3.8 billion for the nine months ended October 31, 2013, compared to \$7 billion last year. Timing of payments associated with taxes and payables, as well as higher capital expenditures, were the primary drivers of the reduction.

As Mike and Charles affirmed during the investor meeting last month, we have a financial priority to return value to our shareholders through dividends and share repurchases. In Q3, we paid \$1.5 billion in dividends and repurchased approximately 23 million shares for approximately \$1.7 billion. This leaves approximately \$12.2 billion remaining under our \$15 billion share repurchase authorization announced in June 2013.

Return on investment or ROI for the trailing 12 months ended October 31, 2013 was 17.5 percent, compared to 18.0 percent for the prior year. The decline is principally due to investments in fixed assets, growth in working capital, and the impact of acquisitions. The U.S. business segments will provide more details regarding the significant additions in net new store and club openings this quarter.

Now, Bill will start off the discussion of our operating segments with Walmart U.S. Bill...

**Bill Simon**  
**Walmart U.S.**

Thank you, Jeff.

In the third quarter, we delivered strong profit results in a challenging sales environment. I continue to be impressed by the resilience of our customers in the face of economic headwinds and fiscal uncertainty, and I'm proud of our associates for their commitment to managing the business and serving our customers.

Net sales grew to \$67.7 billion, up approximately \$1.6 billion or 2.4 percent, while comp sales declined 0.3 percent, driven by a 0.4 percent decline in traffic. Comp traffic was up slightly from the second quarter. Operating income increased 5.8 percent to over \$5.1 billion.

Walmart U.S. delivered another quarter of market share gains, with an increase of 18 basis points in the measured category of "food, consumables and health & wellness/OTC" during the 13 weeks ending October 26, according to The Nielsen Company. Throughout the quarter, we continued to see strength in produce, home, apparel and wireless. Our focus on improved quality, pricing and brand innovation produced strong sales in these areas.

Overall, the quarter started slower than we've liked, but comp sales picked up in September and October. The team aggressively drove value through two mass merchandising events -- 'Stock-up and Save' and 'October Savings'. These events featured core multi-pack consumables at a great value, and helped offset additional consumer noise in the third quarter related to the government shutdown and debt ceiling discussions. As the quarter progressed, we also saw improvement in the more challenging categories of TVs and snacks and beverages. We will continue to drive excitement and value across the store through these kinds of events, focusing on key areas and delivering a strong holiday season for our customers.

Let me share more details about our financial results for the third quarter. Our gross profit rate was up slightly at 9 basis points, with gross profit dollars up 2.7 percent. This was less than the 23 basis points increase in the second quarter. We continued to strategically invest in price, funded by cost of goods savings and expense leverage.

Inventory grew 5.1 percent, partly due to aggressive holiday buys. This is down from the 6.9 percent increase at the end of the second quarter.

Our stores and logistics teams again did a great job diligently managing expenses, allowing us to deliver strong profit growth and leverage for the quarter. Operating expenses grew only 1.6 percent to \$13.8 billion, providing 16 basis points of expense leverage.

I'm really proud of **how** we've leveraged expenses. We have a great team and they're generating efficiencies, while keeping a close eye on in-stock and customer experience. In fact, our in-stock performance across our three business units is at the highest levels of the year and our customers are telling us their experience at our stores keeps improving. One of our greatest areas of improvement is in our "fast" scores and it's indicative of our focus on higher cashier productivity, along with our investment in self-checkouts. Customers continue to tell us they appreciate the convenience of self-checkouts. We're also more strategic in scheduling associate hours, allocating additional hours to peak times to ensure we're well-stocked and ready for the customer. This has an additional benefit of associates consistently getting more hours versus last year.

Before I cover the performance by merchandise area, let me remind you that the majority of layaway sales are deferred for reporting purposes until the fourth quarter, and are not reflected in the third quarter results discussed here.

As we discussed at our investor conference a few weeks ago, we're seeing strong comps in a number of departments, but some challenging results in areas like dry grocery and entertainment. I'm pleased with the strength of our seasonal business which continues to deliver solid results across the store. For Halloween, comp sales were higher than last year, mostly driven by strength in candy and costumes.

For the quarter, our grocery business, which includes food and consumables, had a low single-digit negative comp at 0.7 percent. Inflation in dairy, meat, and produce was slightly higher than last year; however, overall grocery inflation was muted and in line with last year.

I'm pleased with the continued strength in produce and adult beverages which delivered a mid single-digit and high single-digit positive comp, respectively. I'm also encouraged by the improvement throughout the quarter from our aggressive mass merchandising events. As I mentioned, 'Stock-up and Save' and 'October Savings' helped sales particularly in areas like snacks and beverages, baby consumables and paper products. In fact, in carbonated soft drinks, an important traffic-driving category, these initiatives helped us gain over 240 basis points of unit share for the 13-weeks ending October 26, according to The Nielsen Company. Throughout the fourth quarter, we'll be focused on mass merchandising, featured items and special holiday promotions in grocery to help customers stretch their paychecks a little further.

Health and wellness reported a low single-digit positive comp, which is also an improvement over the prior quarter. Our prescription business delivered a low single-digit positive comp, and now that we've lapped the majority of generic drug launches from last year, we anticipate less brand-to-generic impact going forward. Comp script counts were essentially flat. Our over-the-counter business also posted another quarter of low single-digit positive comps, with continued sales strength in core categories such as analgesics, diabetics and first aid.

Hardlines, including seasonal, had a low single-digit positive comp. Sporting goods led hardlines, with a mid single-digit positive comp, and sales were driven by expanded assortment in outdoor categories, such as camping, hunting and fishing. New brands like Bostitch and Hitachi helped the hardware and paint category achieve a low single-digit positive comp. Stationery and crafts also had a low single-digit positive comp, with over 50 basis points of market share gains in stationery for the three months ending September, according to The NPD Group. We saw significant market share growth in back-to-school categories, such as "writing & activity" and "notebooks & paper."

Entertainment, including toys, posted a mid single-digit negative comp, due to ongoing industry softness and deflation. We made some progress in TVs, as we've sharpened our pricing strategy on key brands and improved our offering, overcoming share losses in the second quarter. In fact, we gained 80 basis points of market share for the 3 months ending September 2013, according to The NPD Group. We also saw continued strength in wireless and are pleased with the early results of new smartphone and tablet trade-in programs. In toys, the industry faces some challenges, as kids are adopting electronics at an earlier age. However, we're encouraged by our strong finish to the summer season and the early results of our top toys for the holidays. For the first time, approximately 1,000 kids selected their favorite toys and we've marketed our "Chosen by Kids" items for the holidays.

We have aggressive plans in toys this holiday season to be the retail destination on assortment and price, and we will adjust as necessary to deliver for the customer.

Apparel reported a low single-digit positive comp. We remain focused on basics and the addition of national brands, both of which continue to deliver results. We saw sales improve throughout the quarter in our men's, ladies' and children's departments, due to a strong fall seasonal assortment. From a brands perspective, customers are responding to the quality and value of our apparel. The launch of Avia continues to benefit shoes, which finished the third quarter with an impressive mid single-digit positive comp. We're also excited about early results of the Russell brand in the men and boys' departments.

Home also reported a low single-digit positive comp. Similar to apparel, we're focused on getting the basics right, while adding top national brands. We continue to refine our assortment in bath and bedding and saw comp sales improve throughout the quarter. We also had a mid single-digit positive comp in cooking and dining. National brands such as Farberware, Rachel Ray and the newly launched Calphalon provide our customers a broad assortment of top merchandise.

We're focused on providing customers with great products at everyday low prices and our domestic manufacturing commitment will help us do more. Since our Made in the USA summit in August, manufacturers have committed to create more than 1,600 jobs here in the U.S. and there are more than 150 active projects under way. Together with our suppliers, we've announced new facilities to supply toys and home and apparel items, which will help our customers and our communities by adding quality jobs.

As we discussed during our investor conference last month, we have a robust real estate strategy to further strengthen customer access and market share across the country. In the third quarter, we opened 54 supercenters, including new stores, expansions, relocations and conversions. Supercenters remain a strong growth vehicle for us, as we focus on opportunities to reinforce our brand position within core markets.

We also continued to accelerate our small formats, opening 32 Neighborhood Markets and an additional Express store during the quarter. I'm excited by the consistent performance of our Neighborhood Market fleet, which delivered a comp of approximately 3.4 percent for the third quarter. We saw continued strength in our fresh departments, particularly in produce and meat, along with adult beverages and key consumable categories. In addition, our focus on pharmacy has driven consistent growth, with notably stronger prescription counts in new stores. The strength of our Neighborhood Market results is an indication of the unique combination of convenience, price and quality this format provides.

Walmart Express stores continue to deliver solid results. We continue to refine this format and are encouraged about the role they can play in the future as we look to fill in and expand our presence in core markets.

For the third quarter, Walmart added 7.1 million net new square feet across the country.

In the fourth quarter, we plan to open about 50 stores, including new stores, expansions, relocations and conversions. These will be comprised of both large and small formats and represent approximately 3.7 million incremental square feet.

Each of our formats is rapidly converging with our digital platforms through the continued development of programs like ship from store, Scan & Go, lockers and more. We're focused on innovative ways to serve the customer, like the grocery delivery test which we recently expanded to Denver. To complement these programs, we're expanding our endless aisle, giving our customers the ability to shop anytime and anywhere. We've more than doubled our online assortment over last year, going from 2 million skus to more than 5 million, primarily driven by Marketplace growth. We're also investing in our digital platform, building fulfillment facilities to further enable convergence, improve shipping speed and drive supply chain efficiencies.

As Mike said, we're geared up and ready to serve our customers in the fourth quarter. The team has developed what I believe to be our best holiday plan ever. Starting in November with Thanksgiving and all the way through January, we're committed to being the number one retail destination for customers.

We invested heavily in marketing this year to ensure everyone hears our message. We'll have the number one share of voice each week of the season, with approximately 25 billion impressions this year. We're making sure our shelves are well-stocked with the most popular toys, and we're guaranteeing low prices all season in the store through the Christmas Ad Match program. We also launched holiday specials on walmart.com a month earlier than last year and are offering free shipping on a basket of \$50 or more.

Our customers across the country continue to take advantage of our free layaway program, with no opening fees. TVs, tablets and video game consoles are the top items on layaway.

What's really exciting is our Black Friday plan. As always, we'll have great prices on key items across the store including nearly seven times the number of one-hour guarantee items compared to last year. This exciting program guarantees our shoppers access to the most popular items of the season at our Black Friday prices. While other retailers may have limited quantities, as long as you're in our stores during the event times, we guarantee you'll get one.

On Monday, we shared publicly many of the items in our Black Friday event, so let me highlight a few. Some of the top guarantee items include a 32-inch LED TV for \$98, the 16GB iPad mini wifi for \$299 -- with a \$100 Walmart gift card, and Furby Boom! for \$29. We'll also be the exclusive destination for several new products. Black Friday at our stores will become a full weekend of excitement and value across all departments. And, we're making it easier than ever for our customers. We'll be enhancing the in-store queuing process for the one-hour guarantee items by distributing wristbands, so customers can shop the entire store instead of waiting in line for one item. Also, the Black Friday hub at walmart.com will be the shopper's number one source for all shopping tips, maps, and item research. Not to mention, there will be exciting offers both in stores and online for Cyber Monday, a truly integrated experience.

We know our holiday plans wouldn't be possible without the work of our associates. I'm inspired by their dedication and confident in their ability to execute in the fourth quarter. To put a special focus on career opportunities and to appreciate our associates for their hard work, members of the leadership team recently surprised several store associates with on-the-spot promotions across the country. This was an exciting time for the associates and a great opportunity for us to remind our teams in the stores that the company is invested in their success. We are proud that we'll promote more than 160,000 associates this year to jobs with higher responsibility and pay.

We have robust plans in place to help our customers save money this holiday season. While we're somewhat encouraged by the momentum coming out of the third quarter, we know the customer continues to be challenged by ongoing uncertainty around healthcare costs, the payroll tax increase and recent SNAP reductions.

Based on these factors, we're currently forecasting a relatively flat comp in the fourth quarter for the 14 weeks ending January 31, 2014, according to our 4-5-5 retail calendar. Last year's 14-week comp was up 0.3 percent.

With that, we'll move to International. Doug...



**Doug McMillon**  
**Walmart International**

Thanks Bill.

Let's talk about International's overall results, and then I'll move on to a discussion of our six largest markets. As Jeff covered, we had significant impact from currency exchange rate fluctuations on net sales. We had a 0.2 percent increase in net sales, achieving \$33.1 billion. On a constant currency basis, net sales were \$34.4 billion, up 4.1 percent. Currency negatively impacted sales by approximately \$1.6 billion, and our Yihaodian acquisition in China added \$314 million in sales.

Our gross profit rate, on a reported basis, was relatively flat to last year. On a constant currency basis, it increased 28 basis points, driven by rate improvements primarily in the U.K. and Mexico.

We are committed to leveraging expenses and continue to work on our goal of reducing spending to a rate that is in line with slower sales. As we covered in our recent investor conference, we also continue to deal with the headwinds of wage inflation and higher indirect taxes. We also continue to make investments in e-commerce. Operating expenses increased 0.5 percent and 5 percent on a constant currency basis. So, you can see we made progress on the absolute expense dollar growth, but the softness in sales hurt our ability to leverage.

Operating income increased 1.7 percent to \$1.5 billion and improved 8 percent on a constant currency basis to \$1.5 billion also. I'm proud of our team for delivering that 8 percent increase in this slow growth sales environment.

Inventory was up 2.6 percent compared to sales growth of 0.2 percent. On a constant currency basis, inventory grew 7.6 percent on sales growth of 4.1 percent. Inventory days on hand were well managed in Canada, Brazil, and Japan.

You'll recall that on October 15, we covered several actions to improve our operational effectiveness. We had announced in September the pending sale of our Vips restaurants in Mexico. We also made the decision to independently run our 20-unit cash and carry business in India and end our joint venture with Bharti; and we announced the closure of approximately 50 underperforming stores in Brazil and China. As Jeff mentioned earlier, Vips is now reflected in our third quarter results as discontinued operations, and we expect the sale to finalize in the fourth quarter. We expect the net result of ending our India joint venture and store closure decisions will be reflected in our financial results in the fourth quarter. Both Vips and India transactions require regulatory approval.

As Jeff also mentioned, certain minority shareholders in Chile exercised their put options and Walmart will buy the corresponding shares, increasing our ownership of Walmart Chile to approximately 97 percent. This transaction is still not complete, but we're excited about our business in Chile and our increase in ownership.

Let's turn to the results by market. The following discussion is on a constant currency basis and, unless otherwise stated, net sales and comp sales are presented on an unadjusted nominal, calendar basis. In all countries except Brazil and China, our stores and e-commerce businesses are integrated and led by the same management teams. Therefore, our discussion of results is about the total operation. For Brazil and China, we will provide insights on the stores and e-commerce separately.

The U.K. economy experienced some "green shoots" during the third quarter, with GDP growth of 0.8 percent, up slightly from Q2. However, customers continued to feel pressure on their family budgets. The latest Asda Income Tracker, issued on October 18, showed costs of essential food and household items growing at 2.8 percent, well ahead of wage growth of 0.8 percent. Growth within the grocery channel was driven entirely by price inflation, with negative unit growth.

According to Kantar's data, Asda market share declined by 40 basis points for the 12 weeks ended October 13. Total market growth for the 12 weeks ended October 13 was 3 percent.

Net sales increased 3 percent, and sales excluding fuel, were up 2.4 percent. Comparable sales grew 0.7 percent, excluding fuel, driven by an increase in traffic of 1.4 percent, but offset by a ticket decline of 0.7 percent. Gross profit rate increased 48 basis points due to improved efficiency in sourcing through our IPL and GAAT businesses, and reduced non-food markdowns. As noted in the first half of this fiscal year, property taxes and insurance continue to pressure expenses. However, our “We operate for less” program helps offset some of those pressures. Operating expenses grew only slightly ahead of sales at 3.2 percent. Operating income grew faster than sales at 13.2 percent.

We maintained our focus on driving EDLP and price leadership in Asda essentials and produce, while investing further in rollbacks for seasonal fresh items such as salads and vegetables. As a result, we drove share across these categories and maintained our overall food price inflation at roughly half that of the market.

Online sales were up more than 15 percent. We significantly increased capacity, rolling out 120 additional Click & Collect sites to 218 stores, representing almost half of our total units. In addition, we launched the “delivery pass” during Q3, which allows a customer to receive a free delivery of one order of grocery or general merchandise per day.

We also continue to make a difference in our communities and we’re recognized by winning the Community Retailer of the Year award at the 2013 Retail Industry Awards. In addition, we continue to support efforts to fight hunger by expanding our FareShare program mentioned in our Q2 call. Our program was extended to all 17 of Asda’s chilled warehouses and all chilled suppliers. More than 1,000 local charities are benefitting from this program to fight hunger.

In Canada, our net sales grew 3.8 percent, benefitting from last year’s record expansion program. Operating income grew 3.6 percent, slightly slower than sales, due to our investments in new stores and our rapidly growing e-commerce business.

Comparable sales decreased 1.3 percent, with ticket up 0.2 percent and traffic down 1.5 percent. We had strong comp sales in food and consumables, but continued to see softer sales in entertainment as industry-specific challenges persist. In The Nielsen Company measured categories of food and consumables, we gained 100 basis points of market share, reinforcing the strength of our supercentre food business. Warmer weather in September and early October negatively impacted sales in hardlines and apparel.

Gross profit rate decreased as we continue to invest in price for our customers. We have realized increased savings from product shipped through direct import channels. Canada leveraged operating expenses by 6 basis points through EDLC initiatives focused on supply chain and operations productivity.

Walmart Canada's website offers primarily general merchandise, with an emphasis on heritage categories including home, apparel, electronics and hardlines. Information about our fresh food selection available in our supercenters is also provided. Walmart Canada offers shipping to home and in the majority of cases, it is free. We are pleased with the results of our e-commerce business in Canada. During the quarter, traffic was up 42 percent and sales up 96 percent over the prior year.

During the quarter, we completed 4 supercentre expansions and 6 in-box conversions. We now operate 380 stores across all Canadian provinces, with 227 supercentres and 153 discount stores. Included in these projects were 4 new supercenters in Atlantic Canada, as we continue to bring our one-stop shopping offer to eastern Canada.

Now, let's take a moment to discuss Africa. As you know, Massmart is a publicly held subsidiary that operates in 12 countries in Sub-Saharan Africa. The fiscal year ends in December, and the company will release their year-end results in February 2014.

I just got back from spending last week in South Africa, and I continue to be excited about the Massmart business. We have a strong, deep management team, a breadth of relevant formats and room to grow. The environment in South Africa remains challenging in the short term with high unemployment, rising utility rates, and tighter consumer credit. But our team continues to take steps to make the business even stronger for the future in food and general merchandise. For example, during my visit, I saw our first small pilot of George baby apparel in our Makro units in Johannesburg.

Now, let's take a look at Latin America. The following summary includes the consolidated results of Mexico and Central America and is on a U.S. GAAP basis. Walmex separately reported third quarter results on October 23, under IFRS, so some numbers will differ from the Walmex-reported numbers.

As I mentioned, Walmex announced on September 10 that it had reached a definitive agreement with Alsea, under which Alsea will acquire 100 percent of the restaurant division of Walmex. The closing of the transaction is still subject to approval of regulatory authorities. This quarter, the results of our Vips business were reported as discontinued operations.

For the quarter, consolidated net sales grew 2.2 percent, led by Central America. Gross profit rate increased by 49 basis points, driven by increases in both Mexico and Central America. In Central America, the gross margin improvement was driven by both EDLC and EDLP execution. The consolidated operating expenses deleveraged 12 basis points. Operating income grew 6.3 percent, faster than sales, primarily due to strong gross profit margins.

Mexico's sales increased 1.7 percent over last year and comparable store sales decreased 2.8 percent, negatively impacted by the country's economic slowdown. Ticket was up 0.4 percent and traffic was down 3.2 percent. In the third quarter, ANTAD's comparable store sales, excluding Walmex, decreased 2.2 percent, while our self-service and Sam's Club comps declined 2.8 percent and 1.6 percent without Sam's Club.

In Mexico, gross margin rate was up 30 basis points. Operating expenses grew 1.9 percent, only slightly higher than sales, as we worked to offset expense growth with productivity initiatives and disciplined expense management. Operating income increased 5.8 percent, growing faster than sales.

Given the current consumption slowdown in Mexico, our focus is on reinforcing our price leadership by driving simplicity, improving operational efficiency and reducing costs. We continue to focus on bending the cost curve in Mexico where, over the same quarter last year, we improved case productivity in our distribution centers by 3.9 percent, labor productivity in our stores by 4.1 percent and decreased energy usage at comparable stores by 4.2 percent.

Central America increased net sales from the previous year by 4.8 percent. Comparable store sales grew 1.1 percent. Gross profit rate increased 1.6 percent versus last year, driven by our investments in distribution and the integration of Walmart systems. Expenses deleveraged 60 basis points, growing faster than sales. We are focused on maintaining an adequate price gap in each country and format, increasing productivity, and controlling expenses is a top priority. Operating income increased 17.9 percent.

Moving on to Brazil ... Third quarter net sales grew 6.9 percent, with comp sales up 4.7 percent. Average ticket grew 8.8 percent, and traffic declined 4.1 percent.

Gross profit rate decreased 60 basis points and operating expenses grew faster than sales, deleveraging 14 basis points. We reported an operating loss for the quarter. We continue to invest in price and systems integration in both retail and wholesale formats.

We're pleased with the growth of e-commerce sales in Brazil where we now average 12 million monthly visitors. Our Brazilian web site was voted the top e-commerce site by eBit, who also awarded the Blue Diamond award to us for the third year in a row. We expect to add 1 million skus by the end of the year. After updating the site last month, page views are up 40 percent since the update; customers spend more time on the site. Overall, sales are up more than 50 percent versus this time last year.

Like Walmex and Massmart, Walmart Chile is also a publicly held company and will release third quarter earnings on November 29.

Now let's move on to Asia. Walmart China grew sales 2 percent. During the past 12 months, we opened 17 net new stores, bringing our total store count to 401. We continue to focus on being the clear price leader in China by lowering expenses through our supply chain and our "worry-free" pricing initiative. "Worry free" is the best English translation to describe how we're communicating our EDLP transition to customers.

Comparable sales were negative 0.9 percent. Comp ticket grew 7.1 percent in China, while traffic declined 8 percent as the customer behavior shift toward fewer trips continued in the third quarter. Our growth was slightly below the market compared to modern retail, yet according to The Nielsen Company, we outperformed the hypermarket segment for the quarter.

Through our ongoing centralization program, we continue to buy for less. A portion of these savings was reinvested in price and a portion into profitability, resulting in our gross margin rate increasing 61 basis points. China did not leverage operating expenses for the third quarter, but operating income was up over 90 percent, growing faster than sales.

While I was in China in October, we announced that we will open approximately 110 new stores between now and the end of 2016. While we are growing, we are also dealing with a number of store locations that are not performing at acceptable levels.

Yihaodian continues to be one of China's fastest growing e-commerce sites, covering both grocery and general merchandise. We won a Cannes Media Lions award for the Yihaodian 2.0 app. We continue to leverage the sourcing opportunities of Walmart's global network – everything from Asda milk to Danish cookies. In fact, Yihaodian is now selling over 90,000 units of imported milk per day.

Japan continues to be a challenging retail environment. Net sales increased 1.2 percent, and we delivered positive comp sales, the first comp increase since the second quarter of fiscal year 2013. Average ticket was up 2 percent and traffic was down 1.9 percent. According to statistics released by the Japanese Ministry of the Economy, Trade and Industry, overall supermarket comparable sales for the third quarter declined 1 percent, indicating that Walmart continues to outperform the market.

Through strict expense management, we gained efficiencies in our supply chain and store labor productivity, and leveraged operating expenses as a percentage of sales. Gross profit rate increased 73 basis points versus last year. Operating income was slightly positive, compared to a loss last year.

We continue to be excited about our iconic “85 yen” pricing – equivalent to dollar pricing -- and will continue this program through the end of the year. Our Japanese customers continue to appreciate our EDLP position in the market and we continue to invest in price to keep a competitive advantage.

We continue to grow within International and I’m pleased to report that we added 3.3 million net square feet this quarter, moving to our goal of 14 million additional square feet this fiscal year.

As an international division, we continue to invest in compliance. In every country in which we operate, we are focused on improving processes, increasing training and strengthening leadership. We view compliance as a foundational issue that strengthens customer confidence, which in turn supports business growth and serves as another competitive advantage to help people save money and live better.



The fourth quarter is well under way for our markets. The slow-growth macroeconomic environment is persisting through the first month of this quarter, and the markets continue to be competitive. Expense leverage will be difficult, as sales growth continues to be challenging. We will manage our cost dollars well and stay focused on growing sales to give ourselves the opportunity to leverage. We also remain committed to growing our e-commerce business aggressively.

Now I'll turn it over to Roz for an update on the Sam's Club business. Roz...

**Rosalind Brewer**  
**Sam's Club**

Thanks Doug.

At Sam's Club, we continue to deliver superior member value, driving strong membership income and profit growth. Overall, we're pleased with our third quarter results, especially our positive comp sales and steady increase in traffic. I'd like to take a moment to cover the highlights of the quarter before discussing our financial results.

During the third quarter, members noticed our merchandise transformation. There was a great deal of excitement in the clubs that translated into traffic and sales. Our merchants are bringing in great new items at exceptional values, and our operators are making the merchandise come to life with inviting displays. I'm pleased with this merchandising evolution, which will continue both in club and online.

We remain satisfied with the investments we've made in price leadership, as well as our strategy to provide differentiated merchandise and to accelerate our club openings. These investments will continue to strengthen our top line results going forward.

We've ramped up our new club openings, sharpening our focus on new member acquisition. In Q3, we opened 13 new and relocated clubs, the greatest number of clubs opened during one quarter within the past few years. I attended several grand openings and it's clear that both member **and** associate excitement levels are high. Many of our new clubs are exceeding sales expectations based on the strength of the new club member acquisitions, which is helping generate early momentum and driving traffic.

We strive to be the overall price leader in the club channel, through consistently low prices **and** strategic price investments. Our Instant Savings program is one form of price investment, allowing us to provide additional value with special offers that are above and beyond our normal members-only prices.

In Q3, members received one Instant Savings book, valid from August 28 through September 22, that included more than \$4,500 in savings. These savings are automatically loaded onto every member's card. The books are bringing members into categories previously not shopped, and some of these members have continued shopping these categories after the event.

Now, let's discuss third quarter results. Sam's Club generated a comp of 1.1 percent, without fuel, for the 13-week retail sales period. Comp traffic grew 2.4 percent and comp ticket declined by 1.3 percent, driven by softness in our tobacco business. Both business and Savings members posted positive traffic this quarter, with growth primarily coming from our Savings members.

Net sales, including fuel, were \$14.1 billion, up 1.1 percent over last year. Fuel prices decreased 7.7 percent and gallons sold were up 2 percent, creating a burden to overall sales of 1 percent. Sam's gross profit rate increased 26 basis points. Operating expenses as a percentage of net sales increased by 31 basis points. Operating income increased 9.2 percent to \$474 million.

Inventory including fuel, grew 6.3 percent during the third quarter, significantly less than this time last year. New club growth, strategic builds for our Instant Savings events, and holiday merchandise inflated our inventory position, while sell-through of summer inventory was in line with expectations.

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

Net sales for the quarter were \$12.4 billion, up 2.1 percent from last year. Comps remained positive across all divisions, with performance led by the Mid-Atlantic and Southwest regions.

Retail inflation across the club, excluding fuel, was essentially flat, compared to 70 to 100 basis points last year. If you exclude both fuel and tobacco, our business was actually deflationary.

Now let's discuss the merchandising highlights of the quarter...

Fresh / freezer / cooler posted a low single-digit sales comp. In fresh, mid single-digit comp growth was partially offset by disinflation within freezer / cooler. In gourmet deli and home meal solutions, our professional chefs have developed new gourmet items like Chicken Marsala and Shrimp and Lobster Ravioli. Members love these delicious entrees, which are helping to lift comp and unit growth mid single-digits.

Grocery and beverage reported a low single-digit comp. The introduction of new products within our snacks category, such as Brownie Brittle and Greek Yogurt Drizzled Popcorn, benefitted dry grocery sales. Within beverages, craft beers and high-end spirits are performing well, and our adult beverage Instant Savings program, now in 11 states, is driving awareness and sales.

Consumables had a low single-digit comp. During the Instant Savings event, we gained 60 basis points of share in tabletop, according to The Nielsen Group, for the 4-week period ending September 28, 2013.

Tobacco sales were essentially flat this quarter, in line with prior quarters.

Technology and entertainment posted a mid single-digit negative comp. In August, we hosted a successful VIP event, rewarding our Plus members with exceptional values on great items. Solid event performance was not enough to offset deflationary pressures in electronics. However, member response to our new Extreme Value Gift Card program has been very well received. The program includes both nationally branded and locally relevant third party gift cards for outlets like restaurants and movie theaters, all at a significant value.

Continued momentum in home and apparel, driven by a more robust offering, led to a mid single-digit comp sales increase. Back to school, back to college and fall merchandise enabled us to have a fast start to the quarter. Apparel and jewelry posted double-digit comp and unit growth, driven by differentiation, new brands and trend-right items.

Health and wellness, including pharmacy, continued its sales momentum with a mid single-digit comp. We recently moved our immunizations program in house, training and certifying our pharmacists to administer a range of shots and to provide a more holistic health and wellness experience. Pharmacy sales remain solid, with pharmacy script volumes increasing.

E-commerce traffic continues to grow at a double-digit rate, driven by increased mobile web and app usage. We remain focused on integrating our physical and digital resources, providing a deeper relationship with members. For example, we recently enhanced the special-order tire experience on samsclub.com. This service lets members order tires from our broad online assortment and have them shipped and installed at the club of their choice. This “reverse show-rooming” service is enabling a seamless experience, both in club and online, at a significant value for our members.

Now let’s continue with the financial results, excluding fuel. Gross profit rate increased 16 basis points, driven primarily by merchandise mix shifts. Operating expenses as a percentage of sales increased 23 basis points, due in part to our increased investment in pre-opening expenses associated with the 13 club openings and a state excise tax refund credit we received last year.

Membership and other income grew 16.9 percent. In other income, we realized a financial benefit from a profit sharing arrangement with our credit card provider, as new account growth and existing account performance were both above last year. Membership income grew 8.1 percent, up from 4 percent last quarter, as the benefit of the fee increase implemented earlier this year accelerates. The benefit will continue to be a tailwind in the upcoming quarter and throughout the next fiscal year.

In terms of membership, our primary base continues to grow, driven by strong sign-up performance in the new clubs opened this quarter. Plus renewals and upgrades also showed strength, partially offset by soft business member sign-ups.

Sam's third quarter operating income grew to \$466 million, an increase of 9.4 percent over last year.

I'd like to transition to our strategy to enhance new club productivity. By increasing our up-front membership acquisition investment, we've been able to build a critical mass of members. In some cases, we have opened new clubs with a member base well beyond our average size. We have customized the approach by market to incorporate regionally relevant road shows and incredible one-time buys, creating plenty of pre-opening buzz. Throughout each club's first year, we are engaging extensively with these new members, demonstrating value and encouraging renewals.

Given these results, we are accelerating this strategy to protect share in competitive markets, while also investing in densely populated areas. During the fourth quarter, we plan to open 2 new clubs and 1 relocated club.

At Sam's Club, the holiday season is well under way and we're investing in price for the fourth quarter. First, our members will be rewarded with two Instant Savings books and an exclusive VIP event for our plus members the Sunday before Thanksgiving. Second, we've collaborated with the Global eCommerce team to provide the best online program we've ever had. Finally, in December alone, we will transition our club three times, providing members with more than double the number of new general merchandise items versus last year.

Before I close, I want to thank the entire Sam's team. We've recently empowered our buyers to make more calculated risks. Their focus on newness and excitement has transformed our merchandise assortment. We've also invested to further develop our operators through the Next Generation Leadership Program. We're identifying and building talent in the field to serve our members and their communities. Together, our merchants and operators form a critical piece of the business and I'm confident their efforts will translate into a great holiday season for our members.

I hope you will visit our clubs this holiday season. We have a comprehensive plan to finish the year and expect to deliver a club comp sales increase, excluding fuel, of flat to 2 percent for the 14-week period ending Jan. 31, 2014. For the comparable 14-week period last year, comp sales, excluding fuel, increased 1.8 percent.

Looking towards the future, we are excited about the long-term position of Sam's Club. We remain committed to delivering superior value to our members through differentiated merchandise, anytime anywhere access and a compelling experience.

With that, I would like to turn the program over to Charles.

**Charles Holley**  
**Guidance**

Thanks, Roz.

Last quarter, I told you that our expectations for the back half of the year would be through a lens of cautious consumer spending, and I believe that we're seeing that play out. In the third quarter, we invested strategically in price across all of our segments, and we made progress on expense leverage. Although it was a challenging quarter from a sales standpoint, we're encouraged that we continue to manage our business well and deliver consistent solid returns for our shareholders.

For the quarter, we added approximately \$1.8 billion in consolidated net sales. On a constant currency basis, we would have increased net sales by more than \$3 billion. Currency exchange rate fluctuations against the U.S. dollar have clearly been a headwind for us this year, and if foreign currency rates remain where they are today, I expect a similar impact for the fourth quarter.

Around the world, the company added approximately 11.7 million net new square feet of retail space during the quarter, bringing our net year-to-date additional square footage to 22.7 million. We are also pleased with the growth of our smaller formats in Walmart U.S. In fact, we will have close to 400 Neighborhood Markets by year-end.

Our e-commerce growth was extremely strong. During the quarter, we increased sales by almost 40 percent, due in part to last year's acquisition of Yihaodian in China. Without Yihaodian, we still grew global e-commerce sales by over 20 percent. The investments we're making are generating additional site traffic and sales, particularly in our key e-commerce markets of the U.S., the UK, Brazil and China.

We expanded our fulfillment network around the world, including new facilities in Texas, Brazil and China. Across our core websites, the @Walmart labs team made significant advances in personalization by building a new sophisticated recommendation engine that is a big leap forward from where we were previously. Our goal is to have robust product offerings for our customers in every market, and we continue to add assortment, both through the core businesses and through our Marketplace partners. The team also dramatically accelerated the deployment of Pangaea, our global technology platform that runs every site around the world. This allows us to enhance the site experience by regularly releasing both front-end and back-end capabilities.

As we enter the fourth quarter, it's important to note that we are laser focused on improving comp sales in every segment and through our e-commerce channels.

Now let's turn to leverage. As you heard from Jeff, we made progress in expense leverage on a consolidated basis since our second quarter. While Walmart U.S. continues to lead the company in operating expense leverage, we are encouraged by the overall progress of International. Given the soft sales environment and our increased investments in e-commerce and compliance, we know that expense leverage for the company will be challenging for the full year. Now two years ago, we committed to leveraging 100 basis points of our expense to sales ratio by fiscal year 2017. We made progress on this goal last fiscal year, and while the road got a little bumpy this year, we remain committed to this goal.

Moving on to returns ... Our goal is to grow operating income at the same rate or faster than sales, and in the third quarter, we delivered on that objective. Year to date, we have generated operating cash flow of over \$13 billion, and free cash flow is now at \$3.8 billion.

The company returned \$10.4 billion to shareholders through dividends and share repurchases so far this year, clearly reinforcing our commitment to deliver solid returns to shareholders.

Now, let's move on to guidance for both the fourth quarter and the full year. Our earnings guidance today assumes several important factors:

- First, we anticipate continued pressure on sales, as consumers face tough economic conditions around the world and the competition remains aggressive for every holiday purchase.
- Second, we anticipate that currency exchange rates remain at current levels, meaning a continued negative impact on sales and profits.
- Next, our full-year effective tax rate remains unchanged with our prior forecast, and will range between 31 and 33 percent.
- Fourth, we expect the incremental impact of investments in Global eCommerce to be approximately \$0.02 per share in the fourth quarter and \$0.10 per share for the full year.
- And last, expenses related to FCPA matters, including our compliance program enhancements and the ongoing investigations will be between \$75 and \$80 million in the fourth quarter.



Taking these factors into account, we are forecasting diluted earnings per share from **continuing operations** for the fourth quarter of fiscal year 2014 to range between \$1.50 and \$1.60. This range includes two items that I mentioned at the October analyst meeting.

- First, we are closing approximately 50 underperforming stores in Brazil and China. The impact of these closures will be dilutive to earnings per share from continuing operations by about \$0.06.
- Second, the company will independently own and operate the wholesale format in India and will end its franchise agreement with Bharti for the retail business. This transaction is still subject to regulatory approval. We expect the impact to be in the fourth quarter and to be dilutive to earnings per share from continuing operations by approximately \$0.04.

Therefore, **underlying** diluted earnings per share from continuing operations for the fourth quarter is expected to be \$1.60 to \$1.70.

The last item I'll mention is the sale of our Vips restaurants in Mexico, which is scheduled for the fourth quarter pending regulatory approval. The expected gain on this transaction will be accretive to earnings per share from **discontinued operations** by approximately \$0.06.

Now, when we look at the combination of **all** of these items, we believe diluted earnings per share **attributable to Walmart** for the fourth quarter, which takes into account the sale of Vips in discontinued operations, will range between \$1.56 and \$1.66.

Let's move on to guidance for the full year. We are updating our guidance for diluted earnings per share from **continuing operations** for fiscal year 2014 to range between \$5.01 and \$5.11. Accounting for the \$0.10 of certain items that will impact the fourth quarter, our **underlying** full year earnings per share from **continuing operations** will range between \$5.11 and \$5.21.

Thank you for listening today and for your interest in our company. On behalf of the management team and our 2.2 million associates, we thank you for your support this year and wish you a Merry Christmas, happy holidays and a healthy new year.

## **Detailed Cautionary Statement Regarding Forward-Looking Statements**

The forward-looking statements in this call that are intended to enjoy the safe harbor protections of the Private Securities Litigation Reform Act of 1995, as amended, generally are identified by the use of the words or phrases “anticipate,” “believe,” “expect,” “expectation,” “expecting,” “forecasting,” “goal,” “guidance,” “is expected,” “plan,” “priority,” “range,” “we’ll be focused,” “we’ll have,” “will add,” “will adjust,” “will be,” “will be rewarded,” “will continue,” “will continue to be,” “will have,” “will increase,” “will manage,” “will offer,” “will open,” “will promote,” “will range,” “will stay focused,” “will transition” or a variation of one of those words or phrases in those statements, or by the use of words and phrases of similar import. Similarly, descriptions of Walmart’s objectives, plans, goals, targets or expectations are forward-looking statements. The forward-looking statements in this call included statements relating to management’s forecasts, expectations and objectives for and regarding: diluted earnings per share from continuing operations attributable to Walmart for the three months and fiscal year ending January 31, 2014; the diluted earnings per share attributable to Walmart for the three months ending January 31, 2014; the underlying diluted earnings per share from continuing operations attributable to Walmart for the three months and fiscal year ending January 31, 2014, as adjusted for certain items; the comparable store sales of the Walmart U.S. operating segment and the comparable club sales, excluding fuel, of the Sam’s Club operating segment for the 14-week period ending January 31, 2014; the impact of currency exchange rates on net sales for the three months ending January 31, 2014 if foreign currency exchange rates remain at current levels; the per share incremental impact on diluted earnings per share from continuing operations of investments in Global eCommerce for the three months and fiscal year ending January 31, 2014; expenses related to FCPA matters, including Walmart’s compliance program enhancements and ongoing investigations, incurred during the three months and fiscal year ending January 31, 2014; Walmart’s effective tax rate for fiscal year 2014; the dilutive impact of ending Walmart’s India joint venture and of the closure of certain underperforming stores in Brazil and China on Walmart’s earnings per share from continuing operations for the fourth quarter of fiscal 2014 and the amount of each such impact; the completion of, and gain per share from, the proposed sale of Walmart’s Vips restaurant business in Mexico; the impact on Walmart’s capital in excess of par value of the acquisition of additional Walmart Chile shares;

expense leveraging for all of fiscal 2014 to be challenging and difficult; Walmart's goal of reducing expenses as a percentage of sales by a certain amount by 2017; Walmart's goal of having robust product offerings on Walmart's e-commerce websites in every market; Walmart's goal of growing operating income at the same rate as, or faster than, net sales; and Walmart having the priority of growing top line sales, including comparable store sales. Those statements also include statements relating to management's expectations, plans and objectives for the Walmart U.S. operating segment regarding: driving excitement and value in the operating segment's stores through certain events, focusing on key areas and delivering a strong 2013 holiday season for the operating segment's customers; the operating segment's focus to be mass merchandising, featured items and special holiday promotions in the grocery category in the fourth quarter of fiscal 2014; the operating segment's health and wellness category experiencing less impact from brand-to-generic drug transitions in the future; the operating segment adjusting its toy assortment and pricing as necessary to be the retail destination for toys in the 2013 holiday season; the number of new stores to be opened and the amount of incremental square footage to be added by the operating segment in the fourth quarter of fiscal 2014 and that such new stores will be in multiple formats; the total number of Neighborhood Markets that the operating segment will be operating by the end of fiscal 2014; the advertising that the segment will do in the 2013 holiday season; the operating segment's Black Friday merchandising and pricing of key items; the operating segment being the exclusive destination for key new products in the Black Friday period; other plans and offerings of the operating segment for Black Friday, the following weekend and Cyber Monday, including for events and offerings in the operating segment's stores and online; and the segment's website's Black Friday hub being the number 1 source for shopping information. Such forward-looking statements include management's expectations, plans and objectives for the Walmart International operating segment regarding: reducing spending to a rate that is in line with slower sales; adding stores that will position the operating segment better in the future for stronger returns; controlling expenses being a top priority of the operating segment; adding one million skus to the Brazilian website by the end of fiscal 2014; the number of stores the operating segment will open in China between now and the end of 2016; continuing the operating segment's "85 yen" pricing program through the end of fiscal 2014; the operating segment's goal for additional square footage in fiscal 2014; and the operating segment managing cost dollars well and focusing on growing

sales. Such forward-looking statements include management's expectations, plans and objectives for the Sam's Club operating segment regarding: the operating segment's merchandising evolution continuing in its clubs and online; the membership fee increase imposed by the operating segment continuing to be a tailwind for the operating segment for the fourth quarter of 2014 and throughout fiscal 2015; the provision of Instant Savings Books to, and the holding of VIP Events for, certain club members in December 2013; the operating segment's price investments continuing to strengthen the operating segment's top line results in the future; the number of new and relocated clubs to be opened by the operating segment in the fourth quarter of fiscal 2014; and the number of merchandise transitions that the operating segment's clubs will have in December 2013. The forward-looking statements also discuss other goals and objectives of Walmart and the anticipation and expectations of Walmart and its management as to other future occurrences, trends, and results and include statements of assumptions upon which certain of such forward-looking statements identified above are based. All of these forward-looking statements are subject to risks, uncertainties and other factors, domestically and internationally, including: general economic conditions; business trends in our markets; economic conditions affecting specific markets in which we operate; competitive pressures; the amount of inflation or deflation that occurs, both generally and in certain product categories; consumer confidence, disposable income, credit availability, spending levels, spending patterns and debt levels; consumer demand for certain products in the 2013 holiday season; customer traffic in Walmart's stores and clubs and average ticket size; consumer acceptance of Walmart's product offerings; disruption in the seasonal buying patterns in the United States and other markets; geo-political conditions and events; weather conditions and events and their effects; catastrophic events and natural disasters and their effects on Walmart's business; public health emergencies; civil unrest and disturbances and terrorist attacks; commodity prices; the cost of goods Walmart sells; transportation costs; the cost of diesel fuel, gasoline, natural gas and electricity; the selling prices of gasoline; disruption of Walmart's supply chain, including transport of goods from foreign suppliers; delays in construction of new, expanded or relocated units planned to be opened by certain dates; Walmart's ability to identify and implement additional productivity gains and expense reductions; information security and information security costs; trade restrictions; changes in tariff and freight rates; labor costs; the availability of qualified labor pools in Walmart's markets; changes in employment laws

and regulations; the cost of health care and other benefits; casualty and other insurance costs; accident-related costs; the cost of construction materials; the availability of acceptable building sites for new stores, clubs and facilities; zoning, land use and other regulatory restrictions; adoption of or changes in tax and other laws and regulations that affect Walmart's business, including changes in corporate tax rates; developments in and the outcome of legal and regulatory proceedings to which Walmart is a party or is subject and the costs associated therewith; requirements for expenditures in connection with FCPA matters and compliance programs; currency exchange rate fluctuations; changes in market interest rates; conditions and events affecting domestic and global financial and capital markets; Walmart not obtaining the necessary approvals for the sale of the Vips restaurant business and the ending of Walmart's India joint venture during the fourth quarter of fiscal 2014; the failure of the purchaser of the Vips restaurant business to perform its obligations regarding the purchase of the Vips restaurant business; changes in the expenses incurred to close, and delays in the closure of, the stores in Brazil and China proposed to be closed in the fourth quarter of fiscal 2014; the unanticipated need to change Walmart's objectives and plans; and other risks. Factors that may affect Walmart's effective tax rate include changes in Walmart's assessment of certain tax contingencies, valuation allowances, changes in law, outcomes of administrative audits, the impact of discrete items, and the mix of earnings among Walmart's U.S. and international operations. Walmart discusses certain of these matters more fully in its filings with the SEC, including its most recent Annual Report on Form 10-K (in which Walmart also discusses certain risk factors that may affect its operations, its results of operations and comparable store and club sales), and the information on this call should be read in conjunction with that Annual Report on Form 10-K, and together with all of Walmart's other filings made with the SEC through the date of this call, including its Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. We urge you to consider all of these risks, uncertainties and other factors carefully in evaluating the forward-looking statements made in this call. Because of these factors, changes in facts, assumptions not being realized or other circumstances, Walmart's actual results may differ materially from anticipated results expressed or implied in these forward-looking statements. The forward-looking statements made in this call are made on and as of the date of this call, and Walmart undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

The comparable store sales for our total U.S. operations and comparable club sales for our Sam's Club operating segment and certain other financial measures discussed on this call exclude the effect of the fuel sales of our Sam's Club operating segment. Those measures, as well as the guidance relating to our underlying earnings per share from continuing operations attributable to Walmart for the three months and fiscal year ending January 31, 2014, our return on investment, free cash flow, amounts stated on a constant currency basis and certain other financial measures discussed in this call may be considered non-GAAP financial measures. Reconciliations of certain non-GAAP financial measures to the most directly comparable GAAP measures are available for review on the Investor Relations portion of our corporate website at [www.stock.walmart.com](http://www.stock.walmart.com) and in the information included in our earnings release, which is an exhibit to our Current Report on Form 8-K that we furnished to the SEC on November 14, 2013.

**###**