

FINAL TRANSCRIPT

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WMT - Wal-Mart Stores, Inc. at CIBC 2010 Retail & Consumer Conference

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CORPORATE PARTICIPANTS

David Cheesewright

Wal-Mart Stores, Inc. - President & CEO, Wal-Mart Canada

CONFERENCE CALL PARTICIPANTS

Perry Caicco

CIBC World Markets - Analyst

PRESENTATION

Perry Caicco - *CIBC World Markets - Analyst*

We have the rather rare privilege of having Wal-Mart Canada present today. I think the context is -- obviously, and I think we have said this a number of times over the years, that very little happens in Canadian retailing or any analysis about Canadian retailing without having to understand where Wal-Mart Canada is at any point in time.

It's kind of critical for everybody because they are in almost every single retail category in one way, shape, or form. And their business has changed dramatically over the years while adhering to some pretty strong core principles, namely every day value as much as they possibly can.

And so to talk a little bit today about the business of Wal-Mart and Wal-Mart Canada we have the President and CEO of Wal-Mart Canada, David Cheesewright.

David Cheesewright - *Wal-Mart Stores, Inc. - President & CEO, Wal-Mart Canada*

Good afternoon, everybody. It must be because I am British because there is this kind of a strange tradition we have over in Europe that when you say hello people usually try and say hello back again. So the alternative is I ask you to join me in a Wal-Mart cheer, so let's try it again. Good morning, everybody. Good afternoon. Thank you, that is much better.

Now it's a bit of a hectic day for me today. I was driving here bemusing how on earth Perry managed to persuade me to come along today because it's right bang in the middle of the Wal-Mart year beginning meeting. So it's the one time of year when we get all of our store managers, we have got about 1,000 people over near the airport together.

We came together yesterday and we are together for the next couple of days and there we share the plans for the year ahead. So my last 24 hours has gone meetings all day yesterday. We finished about 10 last night. Then Wal-Mart we started at seven this morning with a whole lot of whooping and cheering and strange stuff, but then we have had our opening session this morning, which I delivered.

Our head of international arrived early morning and we had some stores tours. Then I am here and I am back to close this afternoon and on tomorrow. So, Perry, you must owe me after this one, okay.

Okay, so just the informational bit before we start. I am sure you have seen plenty of these slides before, but we are not a publicly traded company in Canada. I will do my very best today to tread the fine line between what I can talk about and at least provide some interesting insight with you.

But I think you will know very well that when in doubt I am not going to give out information. So I apologize in advance if you find that frustrating but that is just the way life is unfortunately.



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Let's talk a bit about Wal-Mart then. I am sure you know Wal-Mart reasonably well but I thought it would be worth saying a little bit about our company, particularly the Canadian part of it. Maybe if I start with a bit of history.

Wal-Mart came to Canada in 1994 through an acquisition of Walco. At the time it was a struggling business, it was 122 stores and I would describe it as very much a takeover rather than a merger.

There is different strategies you can undertake when you go into market. This was absolutely taking the US model and dropping it into Canada in every way. From the way to stores looked to the pricing strategies through to the systems. And I think you will probably know enough about how the business has developed over that time so that was a very successful way of managing this particular market.

So in essence what you have and clearly today we are a little over 300 stores and grown significantly since those days. In many ways the first thing I will tell you about Wal-Mart Canada is it is a little microcosm of what made Wal-Mart US a great business. So it's a very simple business.

Today it is focused on a few simple strategies and quite aggressive at growing real estate, but it's very much about consistency. So if you looked back over those first 10 years you would find prototypical stores, all pretty much the same, pretty much the same layouts in every store you went into. And underneath that an engine room of a lot of associates who have done between 20 and 30 years service looking to continuously improve within that model.

In a nutshell one of the challenges at the moment is -- that has been a great model; clearly the world is changing around us. And it's how do we adapt that, particularly as the older generation start to retire, and glean that knowledge and bake it into the way we do things. That is one of, I guess, my key challenges. So there is a bit of a history.

At the moment we have 317 stores and they are split -- 233 are what we would call discount stores and so that would be a traditional kind of Wal-Mart that would have a bit of food in it, what we call a pantry, but no fresh food and no meat; and 84 supercenters. Clearly, that is the number that is growing pretty rapidly and I will come one and talk about supercenters a bit later.

We carry a lot of assortment, around about 100,000 items in a typical supercenter, and our mix is pretty broad. So we run our business across four different business units. We have an apparel business unit, general merchandise, health and wellness, and food. They are our kind of four main business segments.

Currently have about 85,000 associates across our business and around 7 million customers a week. It's about one million customers a day.

One of the really interesting thing for me personally having spent two stints with ASDA in the UK and now two stints in Canada is the comparison between the two businesses. In many ways they are almost opposite. There is the obvious stuff that UK is a very small country with a lot of population, Canada very big with a much smaller population.

But the businesses makeups are very different. The UK is 75% food; Canada is 75% not food. The styles are very different. ASDA is very centralized, Canada is typically very decentralized.

One of the reasons I say that is that one of the great things about working within Wal-Mart is that not only do you get the chance to run, in our business, reasonably sizable business within their market, but you also have this wonderful opportunity to compare and contrast with pretty successful businesses around the world. That is what you find in a lot of businesses it's that ability to take two very different models and have a look at what would work there and what would work here.



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So, for example -- and we will touch on this a bit in supercenters -- it's not that the Brits are any better. It's just that if you work in the UK you have to be used to running very high density stores. The average ASDA in the UK is about 38,000 square feet, but takes a lot of money from that box.

So your understanding of how to do high-density modulars and how to work a supply chain that can fill very high-density stores is very different than what you would normally get in North America now. There is no reason why the two have to be the same, but there is a hell of a lot of learnings that you can take from the UK and translate into Canada or the US or anywhere else around the world.

So there is a bit about our history. I guess the key question, I know that is what you will all be wanting to know, is how are we doing. Perry asked if I could give as much detail as I can, so the answer is very well.

There are no charts; that is it I am afraid. I was going to have a laugh actually, Andrew, because we have a head of external relations in the US, Carol Schumacher, and Carol is on the call at the moment. I am sure she is listening. So, Carol, if there is any numbers I will just hold a board up. I will be quiet but no one here is going to tell you. She knows I am joking.

But a couple of things I would say. I guess one of the things that I guess you want to know is what happens to Wal-Mart in the recession. So how has that affected us?

The first thing I would say is what I can tell you is that we have just finished our financial year. It ended in January. We delivered on all our key metrics over the last year so when I say very well I am pretty happy with delivering a plan that we wrote pre a lot of the financial crisis that has transpired over the last year. But we are pretty well on track with all our metrics.

In terms of the recession, it's really -- it would be a case of stating the obvious in terms of what happened. The first thing I would tell you is that if there is anybody who stands up in front of you and says their business has been unaffected by the recession, I would tell you that they are probably lying. So of course it affects you.

There are categories in which we trade where as consumers have tightened their belt the whole categories have declined by so much that you cannot possibly achieve some of the plans that you would have written beforehand. But one of the things that is true of customers over the last year is that wherever you look the desire for a value has increased.

And that means that what you are looking at category by category is an equation of what has happened to the total market size and what has happened to the propensity of customers to migrate to the value end of the marketplace. On that simple equation you can probably do as good a job as I could do at working out category by category where you think we gained traffic versus what you think is happening in the market. Therefore what you will get is a fairly mixed bag.

Overall we would be pretty happy with our relative performance. And as I say, we have hit our key metrics. So overall I would say we are pretty happy with how things have gone over the last year.

The final thing I would tell you about a business like ours is that one of the unique things we have is the ability to keep investing. You will know from the relatively limited announcements that we do make in Canada that typically we look to launch between 20 and 30 schemes a year. A lot of our competitors will have had to cut back on that over the last year.

We did 28 schemes last year. That is pretty well back in line with what we did the year before and the year before that. So one of the great things about us when times do get hard is we have that ability to keep pushing out on our investment program. And in many ways investing in tough times is the most valuable investment that you can make.

A couple of other things, you will all probably know that we -- the logo, the brand for Wal-Mart has changed and there is two things that I would pick out of this. First, is the phrase, 'Save money, live better.' Across Wal-Mart globally we have a very consistent purpose which is we save people money so they can live better.



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Now in business there are generally two types of people as far as purposes are concerned. There are some cynics and think that they are just words that are written on the wall and there are others that think they are absolutely the cornerstone of your business. I am clearly in the latter camp.

That phrase of saving people money so they can live better is an unbelievably important part of our business. Because when you run a business that has -- requires 86,000 people doing relatively straightforward jobs, helping them understand the connection between what they physically do on a day-to-day basis versus what they really do, which is saving people money, is really, really important in terms of engaging people behind your business.

And particularly over the last year I don't think there is anything more that customers would have wanted is to find ways of saving money.

Now it's tough to quantify. There is a couple of good research projects in the US which would say the US -- and I can't imagine it would be a million miles different in Canada -- that Wal-Mart coming to an area can save every man, woman, and child around \$2,600. Now if you think about average salaries that is, ballpark, a 6% or 7% pay increase for every single person in the country.

Now given the vast majority of people who will walk into a Wal-Mart store over four weeks, being able to communicate to your associates that they can make that sort of difference to people's lives is really, really important.

We talk about in Canada we save Canadians money so they can live better. And I think that is, again, an important guiding statement because it tells you about how the Company is run. Historically, international has been set up as a collection of relatively autonomous business units.

Certainly one of the myths that when people interview with us that you would have to address early on is the belief that it's not going to be a very interesting job because you are just implementing a US policy. It's actually almost the opposite. They have been run as very separate entities.

One of the things through making that one change in putting Canadians in we want to convey is that we want the best of both worlds. That we are part of the world's biggest business and that gives us fantastic insight around the globe to best practice and synergy and leverage, but make no mistake our job is to serve Canadians. Where we need to be distinct, we will be distinct. And that is one of the fine lines that we try to tread as a business.

The branding you will see and, again, a great example of leverage the US team developed the new branding. It's way more contemporary. It's researched very well for us and you will see across as we are rolling out our supercenters what you see as project impact in the US you are seeing that dropping into the Canada stores pretty much off the peg. And it's good enough. It saves a lot of money to leverage off the US and wherever we can do that we will continue to do that.

The next thing I talk about is our strategy. You might think why on earth would you come to a pretty open forum and share your strategy. I have a very simple belief that strategy isn't about surprise. In fact, it's usually very, very predictable.

For those of you that watch soccer, you will never find Brazil turning up to a World Cup Soccer final and have 11 burly defensive players and play for [the duration] in a game of penalties. That would be Germany who would do that. Usually against England, I might add.

The thing about Brazil is they will turn up and play with style and flair. You know exactly how they are going to play. The thing about Brazil is they have just baked it into everything they do, from the way kids play and what they value in their sporting style. And they are just a lot better at executing their strategy than anybody else is at defending against it.

So a good strategy is pretty simple and not going to be anything on our strategy that would surprise you. We have four quadrants. The statement in the middle is what we call our mission. On a good mission every word should be important and give you a bit



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of an insight into our business. So my team are pretty bored of hearing this so it will be new to you, so it will be a nice experience for me not to be boring people on it.

But 'we' -- it's a team game. One of the things we are working very hard in our business to do is get much better at collaborating across operational boundaries. We fundamentally believe by working as teams we can deliver a better performance than a collection of individuals.

'Sell' -- we are a selling business. Our priority is I think in most Wal-Mart businesses to drive the top line because most other things take care of themselves if you are driving the top line very hard. In our stores and through our merchants we are constantly encouraging them to be innovative, take some risks, and drive the top line as hard as they possibly can.

'The products customers want' -- we are customer centric. And I know we will probably go on and talk about how you get insight into the customer, but the most frequent phrase is not 'what do you think' but 'what does she think?' What does the customer think about the questions?

We are about wants. So you would think Wal-Mart is a basic business, shouldn't it be needs, Dave? Well, yes, because a lot of our business is about basic needs but we also recognize that everybody wants aspirational products as well. And it's our job to provide the full range of products through good, better, and best.

We choose unbeatable prices very specifically because unbeatable is a word that has connotations of it has to be something you do day in and day out over a long period of time. Anybody can sell for less; you just choose to lose money for a bit of time. To be unbeatable it has got to be baked into every single aspect of your business model.

Certainly if you could spend a day within Wal-Mart what you would find is 85,000 people who don't go through many minutes without thinking about how can I take some cost of the business. How can I show the value a bit better? It is what we do.

So that is our mission statement. Our four quadrants -- the top two are about growth. So top left is a healthy core business. That is essentially our comp growth. Again, you don't need to be a rocket scientist to know what should go in there. If you sat in a listening group with Wal-Mart customers, I would guarantee you that within 30 seconds they would tell you what we love most about Wal-Mart so the thing we want to dominate on is unbeatable prices.

What you are better than anybody else there as well is assortment. So convenience is a really important aspect to today's society. We won't be on every street corner but what we do provide is the ability to go to one place and get absolutely everything you need in that place.

Then the third element is if you like the convenience factors we describe as easy shopping. Easy shopping for us is full, so everything available, fast at registers, clean, and friendly which is the service. Now on those we are very explicit. You cannot be the best at all those and be a low-cost retailer. It costs you too much money so we want to be in the pack on those ones.

So we dominate on price, we differentiate on assortment, we are good enough on the easy shopping, the experience. That is our strong core business.

On the top right we want to be Canada's fastest-growing retailer. Now how do you measure that? It's a toughie. I think if you are compounding around -- at high singles over a long period of time you are going to be there or thereabouts. We have got some distinct strategies in there.

The one I will talk a little bit about, and I will come back to the rest of this at supercenters -- on the slide here, you might have been to some of these stores. The top one is Oshawa, the bottom left is Oakville, and the bottom right is Erin Mills.



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What we have really tried to do with our supercenters over the last couple of years is develop a lot more flexibility about how we go to market, because no two are the same. Particularly in a general merchandise business where who you have got in the category has a big impact on how you might want to lay out that store.

So the top one, Oshawa, is a new build prototype. So if you want to go and see what -- if we had a blank canvas what would we lay down at the moment, what is our best thinking, Oshawa would be a great place to go. It's significantly smaller than we would have been building 18 months ago so our biggest protos were around about the 200,000 square feet mark. This one is a 176,000 square feet.

I don't think you will see too many of that size going forward. We are not compromising assortment by doing that, we are just working sales densities a lot harder than we would have done before. So if you wanted to see what a new prototype would look like, that would -- and again lots of shared learnings with the US.

Oakville would be a typical, prototypical expansion so I think it had about 50,000 square feet added on the side. It's a couple of years old now and that is where you see we are trying to strike the balance between you are disrupting a store significantly when you are expanding it. But we are trying to get as much as close to prototype as we can.

Erin Mills, I think some of you would have had a tour around yesterday, is a remodeled store. So that store is where we believe we can put food inside the box without expanding the store. That is our option there.

Essentially what we will do now is we have got a suite of options that vary quite significantly in terms of the cost of the scheme, the complexity of both the scheme to execute and the service that is offered inside that can range from full service to relatively limited service. The assortment varies slightly and they also vary quite significantly in terms of the time it takes to execute these. What we are able to do much better now is segment our real estate plans and pick the right option for the right area rather than just lumping everything the same.

In terms of numbers we did 28 supercenter conversions last year and I think, Andrew, we are announcing today that we will be in the range of 35 to 40 in the year ahead. So I know there is a balance that some of the newer remodels that they give less footage to food, but don't miss the fact that you can go significantly faster on those. So the impact -- I guess it's somewhere similar.

So that is supercenters. If I come back down to the bottom left-hand quadrant and talk about the best place to work, let's start with the associates. A couple of things I would tell you about associates and Wal-Mart. I think there won't be anybody in any business, and it would include yours, who wouldn't stand on a podium and say our people are our most important asset. We want to create a great place to work.

Two things I think are particularly unique about Wal-Mart. The first is our promotion from within. We have over 300 stores now. More than 75% of all our store managers started as hourly paid associates. I don't think there is any other industry in the world where you have got that.

If you think about it, they are running a mid-sized business in terms of the number of associates [themselves that that box will do.] I don't think there is any other industry in the world where you have got that potential for career development having left school with maybe relatively limited qualifications. So that is a big, big deal for us.

The second thing that you hear a lot of people talk about as far as Wal-Mart is concerned is our culture. It's always very difficult to describe what a culture is like. I would say we are a culture that does what it says on the tin. It's a very authentic culture.

And it's all the basics that you would kind of expect. We would say we are equal status and there is plenty of businesses that would say they are equal status and I would have a reserved parking space out in the front. I don't. I quite often have to share



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the workload with my wife and take the kids to school. If I am late in, then I am right in the back of the parking lot like everybody else.

There is plenty of businesses who would stand up and say we spend the money like it was our own, and they would be in swanky hotels and traveling first class on the airlines. Unfortunately not us. Room sharing is a myth. We don't do that unless we have got a lot of people in conferences.

But I can tell you that probably the best way to sum up Wal-Mart is it does what it says it says on the tin culture. It's a very can-do culture, a very energized group. At times it feels like a Cub Scout football team that wherever the ball goes you have got this incredible amount of energy that will chase after it, but it is a very, very authentic.

What you tend to find when people join is they will join and they either love it or they don't. And there is not too much in between. Personally, I love it.

Now the second thing that fits in that strategy of people is sustainability. A couple of things I would say, I think you will be aware that that is something that is very important to our business. So let me talk first of all why -- let me go back and say why it's important to us. I do a lot of interviews on sustainability and the first question I usually get asked is you are jumping on the bandwagon aren't you? This is just about managing and upticks.

I always say there is three reasons why sustainability is very, very important to Wal-Mart. The first is about personal choice. I have a pretty young family; I have got three kids and I think about what the future is going to be like for them. And I am very lucky to be in a position to do something about that and I choose to do that.

I think that is a very important message for everybody to understand that that is not just me. It would be Andrew, who is here with me today. It would be the head of international. It would be Mike Duke, the global CEO. We all make a personal choice to make this a part of our business and that is true right down the organization.

So on to some harder stuff, the second is by and large it makes good business sense. One of the things that I find slightly bemusing is people will say to you, well, it's the latest bandwagon. You are just jumping on it.

If you think about the nature of Wal-Mart's business, we have for 47 years had a business model that is about selling for less. If you want to sell for less, you have to run your business pretty efficiently. So what does that involve? Well, you don't like waste; you are always trying to get rid of it. You look to have a very efficient supply chain. You are looking to reduce costs; you are also looking to reduce packaging.

So a lot of the things that are labeled as sustainability I would argue have been part of our business model for 47 years. They are not new; we just call them something else now. But the new things we were trying most of them make good business sense. I can't think of many green initiatives that I have signed off over the last couple of years that don't at least have a viable route to a business return. And if we can save money then clearly we can invest that in lower prices.

The third reason it's really important to Wal-Mart is there are plenty of times when you wish you weren't working for the world's business. Big is not necessarily the most popular and sustainability is one of those few things where being big is good. Because when we make changes we can move the needle both within Canada or the US or on a global basis in a way that, quite frankly, not many other businesses can and that is very motivational.

A couple of other things I would pick up, the top right-hand box shows you our conference in Vancouver just pre the Olympics. The reason I raise that I think that is quite a landmark in terms of what business needs do on sustainability. What was unique about it -- we had about 350 senior business leaders there -- was who was in the audience.



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So obviously there was a lot of our vendor partners but there was all levels of the BC government. So we had the premiere of BC spoke and given it was the eve of the Olympics I was surprised he didn't have a few other things on his mind. But he spoke, the mayor of Vancouver spoke, David Suzuki spoke. It would be hard to imagine him at a Wal-Mart conference a few years ago.

We had NGOs present. We had a lot of academics there but most importantly we had virtually every one of our major competitors represented there. One of our key messages was that sustainability in its nature is global in a way that not many of the other problems that the country or industry has faced in the past. And the only way to make real good progress is to collaborate.

So one of the most important thing for us as a business is from the word go we have said anything that we develop we will share. The cornerstone of our sustainability conference was the site you can see on the top right there, which is the ShareGreen site. We had about 80 case studies from the various businesses coming in there that they had done on sustainability.

That is on an open access website as are org charts for key experts at each business. And that will allow people to connect in a way that I don't think they have done in any other area of business before.

The final bit I will just touch on is the one down at the left there at the bottom, it's PSP. I think it's just a great example of what you can do in a business to engage people. PSP stands for personal sustainability project and this is about as simple as life gets.

Personal sustainability project was us going out to our associates and saying why don't you sign up for something that is good. That was it. So for me it was I decided I would cycle to work once a week. For someone else it might be I am going to swap out the light bulbs. You commit to it in front of your peers and then you come back and say have you done it.

Now we launched this just over a year ago. We have got 200,000 active PSPs in our business now; 200,000 across a store base of about 85,000. What is absolutely fascinating -- those of you that are into technology will understand how social networking is becoming just the be-all and end-all -- is what you start to build on the back of this is social networking.

So if you are in a store and you have committed in front of your peers that you are going to give up smoking and you are a successful, who do you think the go-to person is the next time someone wants to give up smoking? So you start to see all these little networks building up within the business and then ultimately go out. We see those sort of strategies as something that is very, very important in engaging associates and engaging associates is probably the biggest lead you could have in driving our business.

So that is a bit about our people. The bottom one is an unashamed steal from Tesco. It's our operating model -- better, simpler, cheaper, faster. It's a question that we ask ourselves on anything that we do. I want to how this initiative is better for the customer, how it's simpler for the stores, how it's cheaper for the business, and how we are doing it faster than the competition.

Now within there we cover all the obvious bits of the operating model so how do we run our stores for less, how do we move the product for less, how do we procure for less -- all of that stuff. And of course inventory management is in there. I will just say a couple of things on this one and then we will wrap up and maybe take some questions, Perry.

But on the top you see our new distribution center which is in Balzac north of Calgary. It's our second perishable goods DC. The first one -- I must tell you a good story here. The first one is on the other side of the 407 to Loblaws -- and I think you had Allan presenting here this morning.

If you don't know, Allan was my first boss 22 years ago and actually recruited me to Wal-Mart 10 years ago. So we go back quite a long way.

His office looks out on our DC so I went to have a catch-up with him one time and was winding him up saying, do you know what that is? And he didn't. So I said it's our new DC. We are going to have a big sign painted on the side that says Wal-Mart rules, Loblaws sucks and he was quite irritated about this.



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And I am not kidding you, literally the next week -- it was quite the early stages. We were welding on the roof and we had a very small but very -- but a lot of smoke fire where some of the insulation caught fire. I get a message from Allan saying, you know that great DC? You ought to get over there; it's on fire at the moment.

But, anyway, this is the second of our perishable goods DC. They are crucial in terms of some of our developments. One of the things that I think we knew but blew us away is when you have got control of your fresh supply chain, boy, does your quality go up quickly because it is impossible to screen out poor quality product when it's arriving at a multitude of stores.

The one opposite from Allan is pretty unique in that it's pretty much a stock facility. That is standard practice in the UK, much less so here. So product that comes in in the morning is out into the stores in the afternoon, so it's very, very efficient.

Balzac is our second one that will service the west of Canada and what is unique about Balzac is it will be almost certainly one of the most sustainable DCs in North America. It has everything from wind power to solar power to hydrogen cell power in here. A lot of efficient mechanisms on the lighting in there and insulation. It really will be a good showcase of what you can do if you put your mind to it in DC. And of course, it will deliver product on time and very fresh.

The bottom chart, and again it's just indicative, but those of you that follow retail will know very well that the holy grail in retail is inventory because there is pretty much no metric in retail that isn't directly proportional to inventory. If you get your inventory better under control, it's easy to operate the stores, engagement goes up, shrink goes down, labor costs go down. Availability ironically goes up because you can find it rather than having to wade your way through it in the backroom.

So whether it's the US -- and I am sure you will have heard a lot more detail from them or us -- we are very passionate about inventory. Some of the techniques we have been able to bring from the UK -- in fact, our supply chain director in Canada ran the supply chain in the UK for me for a couple of years. He is over here on a (inaudible) bringing some of that best practice. That allows us to deliver results like that.

You can see that over a two-year period -- I mean, clearly, we are a growth business, but we have actually got less cash inventory in our business now than we had two years ago. That is despite some substantial growth. Really on that I think we have got a lot of opportunity to further develop there.

So that is really all I had to cover today. Sorry there is not more numbers in there, I hope you understand about that. I hope that has given you a bit of an insight into Wal-Mart Canada. As I say we are like everybody else, it was a tough year to operate in last year. As a business we are very, very clear on what we are good and what we are focused on and that is what we are communicating to our associates today and tomorrow. And we are pretty optimistic about the future.

So take any questions, Perry.

QUESTIONS AND ANSWERS

Perry Caicco - CIBC World Markets - Analyst

Thank you, David. Very, very, very helpful. It's clear that the Canadian business is a supercenter business when you look at Wal-Mart internationally. But even as you grow supercenters in Canada you still have a bunch of other stores that are not supercenters. What happens to the non-supercenter part of your business in Canada over the course of time?



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David Cheesewright - *Wal-Mart Stores, Inc. - President & CEO, Wal-Mart Canada*

Well, I think you can see from our schemes that as we open more and more supercenters the proportion of discount stores goes down. But one of the things we are always very mindful of is that one of the dangers for a business is shiny new things. And, yes, we have got quite an ambitious scheme next year with the between 35 and 40 new conversions, but that also means that we have still got around about 200 discount stores.

So one of the things you would see if you were at our meeting in the afternoon that as much effort goes into innovating the offers in our discount stores as there are in our supercenters because it's no good for our business if we don't keep both sides working well. So I guess the simple challenge is we want our discount stores to be as good a discount stores as they can possibly be while we grow food pretty fast through the rollout supercenters.

Perry Caicco - *CIBC World Markets - Analyst*

One of the things that I think fascinates a lot of people about Wal-Mart is your ability to compete in plenty of international markets while still maintaining the many global principles. I know in October I think the Company announced that they were forming a number of global merchandise centers in different parts of the world.

I am just kind of wondering how that impacts your operation, the Canadian operation. Are you able to fully lever the full power of Wal-Mart going forward or do you still need to have a good local sensibility? So just a little bit about your relationship with these global merchandising centers.

David Cheesewright - *Wal-Mart Stores, Inc. - President & CEO, Wal-Mart Canada*

I think a bit of both is the honest answer. Our view -- one of the things that Doug McMillon into international has brought is a passion to strike the right balance between ensuring that the businesses are very focused on serving the local customer, because that is ultimately what makes you successful. But also saying we are part of a big global business, there must be better ways to leverage ideas insight, experience.

The global merchandising centers are just one way of the strategies to do that. They are based in the US; they are to do with development of product and sourcing. One of the things I really like about them is the degree of collaboration that is done across the international markets.

So we have a very strong voice on what is being developed through the global merchandising centers and I think what success looks like is we are able to develop products in a more aligned way where it's appropriate but keep local where that is appropriate.

The thing that has most impressed me with the way we have approached it is there is a real passion to keep that balance. How do you -- we call it glocal. How do you take the best of global but remain local. And that is just one of the examples of how we strive to do that.

Perry Caicco - *CIBC World Markets - Analyst*

How do you extend that to things like Wal-Mart.com?

David Cheesewright - *Wal-Mart Stores, Inc. - President & CEO, Wal-Mart Canada*

Wal-Mart.com in the US is separate from a lot of the international dot-com businesses in that there is a bit of a mix at the moment. Clearly that is an area where we should be doing things in a similar way.

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There is a great example where why wouldn't you have the platform as a consistent approach across the world and leverage the scale of building and development but leave the flexibility to execute at local levels. So I think that is just a great example of where you are going to get the best of both.

Perry Caicco - *CIBC World Markets - Analyst*

You talked about growth and how you want to continue to be a growth business and to grow faster than the market, but like a lot of retailers you have a lot of categories where you are very large now. What are the challenges in the very large categories to getting larger?

David Cheesewright - *Wal-Mart Stores, Inc. - President & CEO, Wal-Mart Canada*

I think that the key word that we talk about a lot in our categories where we are strong is complacency. There is a real danger when you are very good at something that you take your foot off the gas. The reality is that usually the way to ensure you remain dominant is to keep doing the things that got you there in the first place and don't slow down the development.

It's a bit factor the point I made on the Division I stores that we have a mindset that is a bit different from the shiny things. There are plenty of categories where we are relatively underpenetrated and you can see some great growth. But we are very mindful not to forget that protecting some of those categories where we have built up a good reputation is as, if not more important, than some of the categories where there is some nice growth numbers to be had.

The basic story is the same. The customers -- you know our model. If you keep delivering unbeatable prices, you make sure the assortment is what they need, and it's on trend and it's changing and it has got the right level of newness, now those don't change over time.

Perry Caicco - *CIBC World Markets - Analyst*

The great hallmark of Wal-Mart, of course, is everyday low cost, everyday low price. I think that has been -- that goes back in time, but over the course of that we have seen an evolution in your advertising. We have seen an evolution in your week-to-week promotional activity. How do you square the long history of being every day with trying to get at people more on a frequent basis?

David Cheesewright - *Wal-Mart Stores, Inc. - President & CEO, Wal-Mart Canada*

That is a good question, Perry. One of the things I think you have to start to understand is that different businesses they operate in different ways. I have been lucky enough to work in a food-dominant business and a general merchandiser, and they are fundamentally different businesses in every single aspect. Your pricing strategy can't be the same in the food business as it can in the general merchandise business.

Food is a basket business. People have a relatively low repertoire of distinct product price knowledge but they absolutely get variations in the basket over time. GM is an item business. If you want the item and you outlying price, they will buy it somewhere else. So a lot of that is about understanding the unique characteristics of the individual markets.

And it's true of layout. A food retailer doesn't really have to be that worried about layout because most food shoppers walk up and down every aisle. Absolutely not true on the GM side of the business. So that is really where we focus is understanding what pricing strategies work for different commodities.



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So in food I don't think you can ever be completely EDLP because there is times when you will want to drive weight of purchase or participation, and that requires a bit of interest. Food is a relatively finite business and a lot of the vendors are looking to gain share from each other. GM is certainly a business where EDLP works pretty well for us and you can see that in the track record. So what we are trying to do is be a bit more granular about what strategy works in different categories.

Perry Caicco - CIBC World Markets - Analyst

All right. Any parting words?

David Cheesewright - Wal-Mart Stores, Inc. - President & CEO, Wal-Mart Canada

No. I hope that has been useful. As I say, I am sure it's always very frustrating that I can't give you chapter and verse on numbers, but hopefully you found it a bit informative.

As I say, it's a great business to work for. The unique thing about Wal-Mart and the thing I love the most is probably two things -- three things actually. One is that ability to work in a market where you are absolutely autonomous in that market and your job is to serve the customers in the local market. But two is the ability to access world-class retailers across the planet without any barriers. I don't have to sneak into Wal-Mart stores in South America. I could just go there and be shown everything.

Second is the people. As I say, for me I have worked mostly in two businesses, Mars and Wal-Mart, and I love the authenticity of the business. Love it or hate it, it's a business that does what it says on the tin.

And I think the third thing is it's a growth business. There aren't many businesses that were able to keep investing as we did last year. As I said to the start, investing in tough times is some of the most valuable investments you can make.

Perry Caicco - CIBC World Markets - Analyst

Thank you very much, David.

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