FINAL TRANSCRIPT

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PRESENTATION

Mark Miller - *William Blair & Co. - Analyst*

For those of you who I have not met, my name is Mark Miller; I follow the discount and department stores at William Blair. I'm delighted today to introduce to you the management of Wal-Mart. From the Company's presentation at our conference last year Wal-Mart has added about $40 billion of market cap. Tom is the numbers guy. I'm sure you like to see those kinds of figures. Really I think there's a lot of focus on the environment and how consumers are increasingly attracted to value. No doubt that's something that's helping Wal-Mart.

But additionally in our research, what we're particularly focused on is what's the Company doing in store operations and marketing and, most importantly perhaps, merchandising. If you haven't seen the recent report we published in early June titled Who Has the Merchandising Momentum, Wal-Mart and Target, there should be copies out in the hallway.

But what we found is that Wal-Mart is making some very intelligent moves including SKU rationalization, reducing the SKU count we found by a double-digit rate across 20 general merchandise categories, also adding more national brands, of course we know the story on electronics, but a much more appealing good-better-best assortment which is critical as you have more middle and upper income consumers that are trading down to be able to keep them beyond this current environment. And then last of course is the balance between returns and growth.

I'd like to introduce to you the person who knows a lot about balance, Tom Schoewe, EVP and CFO since 2000. Beyond financial balance, for those of you who perhaps were not at the annual meeting, Tom demonstrated impressive physical balance on video footage that he showed at the annual meeting, running on a hamster wheel -- I don't know, 50 feet up in the air was it, Tom? And I'm going to have to go back and look at that; it was quite impressive. It looked a little shorter on the video -- some rumors that somebody else might have been a stand-in. But that was good stuff.

With the Company we also have Mike Beckstead, Director of Investor Relations, and [Mariella Crane], also in Investor Relations. For a complete list of disclosures, potential conflict of interest, please see WilliamBlair.com. Following the presentation we will have the breakout in the LaSalle room. Tom, thanks for joining us.

Tom Schoewe - *Wal-Mart - EVP, CFO*

Perfect. Good morning to everybody. Mark had his own little disclaimers. Before I get started, in the event that anything we discuss here today has anything in the way of a forward-looking statement I'd encourage you to either go to our most recent file documents or to our website to fill you in on those kinds of things.

What I'd like to do today is chat about a couple of things. First of all chat a little bit about how the message that we have been sending to you, the investment community, has involved over the last couple of years; then after that dive right into the three segments inside of our business -- that would be Wal-Mart U.S., Sam's U.S. and our international operations. After that there should be some time for some general Q&A and, as indicated, there will be a breakout after this.

What you can see here is what we refer to as the evolution of our message and if we would have been sitting here in the fall of 2006 it would have been the first time that we would have been talking about the balance that Mark talked about earlier; and that is the balance between return on invested capital and the overall growth of the business.

We have demonstrated over some long period of time that we could grow the business. The question that you were all asking was at what cost. And we talked at that time about how we plan to balance those two critical components of returns and growth. That message evolved in the spring of 2007 at which time we would have shared with you all a plan to slow down the supercenter growth here in the United States.

We were on a path over several years of increasing our global footprint by about 8% per year, and what that meant, the path that we were on at that time meant that we were on a path to open as many as 300 new supercenters and we moderated those expectations down to a point where we're saying now that there would be about 170 supercenters that are opened in fiscal 2009 and 140 for the year that follows that. So having the number of units, if you will, that we plan to open here in the United States and obviously along with that came a moderation of your expectations on what was going to happen on the capital spending line.

Fast-forward to the analyst meeting that we would have had in Northwest Arkansas last fall; we continue to emphasize the balance between growth and returns. At that time we also added a metric that I know is critical to all of you of free cash flow, cash generated from operations minus CapEx equals free cash flow, committed to improving the free cash flow from our business. And that leads us to where we are today.

Now before we leave this, I think an important message in terms of how we've evolved actually predates what you see here. And if you think about it, it would have been in October of 2005 that Lee Scott, my supervisor, would have shared with the outside world what he referred to as the 21st century leadership kind of speech where we talk about the importance of sustainability to our business and some of the things that we were going to do in terms of managing energy costs, etc., and trying to be a more sustainable company.

Now while that may sound altruistic and very green in nature, the basis for the statements that were made in October of 2005 or September of 2005 were really grounded in improving the commercial operation that we have. And if you think about it, many of the things that we started then are things that are paying benefits to us today. So do we have higher fuel costs today than we did a year ago? Clearly, yes. But the emphasis that we put on fleet efficiency back in the fall of 2005, we got ahead of the curve there and we're proud that we did that.

Similarly we've talked about getting ahead of the new store growth, slowing down supercenter growth. That strategic declaration took place well before there was any kind of a crisis in the credit markets or before we had a meltdown in the mortgage markets. We got out ahead of that. And likewise it would have been the spring of 2007, not 2008 but 2007, that we knew inside the home office situation inside Wal-Mart, we knew that we had some IT initiatives that were going to create expense headwind for us, IT initiatives around merchandising, finance and human resources.

We took the opportunity then to get ahead of things again and manage the rest of the home office expenses and are doing a much better job on that expense line than we had before and that's helping to fund and offset some of the headwind from IT. So what I would tell you, I'm proud of off kind of getting ahead of things before possibly it was fashionable.

Let's talk about today. Let's talk about retail today. We have a January fiscal inside of our company, so if you think about retail sales, not the Wal-Mart, but for all of the United States, retail sales in the United States from the February through May time period -- this is information from the Census Bureau -- what you can see as there was about $885 billion in total retail sales -- that excludes automotive, something that we're not in right now. And what you can see is that market grew by about 3% or $29 billion year over year.

When you look at Wal-Mart U.S., Wal-Mart U.S. would represent just under 20%, about 19% of the growth in the retail market. So I think from a share standpoint the statistics speak for themselves. The formula is working and I think it's obvious that we're taking some share.

Now at the same time you would all ask the same question that you did several years ago -- fine, you're growing, but what is the cost of that growth? There's a capital cost associated with us expanding the footprint of retail across the globe. Well, at the analyst meeting last fall in Northwest Arkansas we would have shared these numbers with you in terms of managing your expectations.

So sales growth for fiscal 2008, those are actuals at this point, grew at about 8.6% and we said for the '09 time period kind of a wide range of 5% to 8% clearly excludes acquisitions; square footage growth coming down just like we talked about, 5% to 6%; gross property, plant and equipment growth growing faster than sales. We recognize there continue to be some short-term headwinds to returns just because of the investments we had made historically. And then the CapEx associated with that we said was kind of in the $13.5 billion to $15.2 billion.

At our shareholders meeting just a couple of weeks ago we moderated your expectations. We said we've got a little bit of visibility into the current fiscal year. We managed you to the low end of that $13.5 billion to 15 billion range. Since then we have closed the books for the month of May. We have gone through the entire process of re-forecasting capital across each one of our businesses.

And today what I would tell you is we're establishing a new range, a little bit lower, between and tightening the range up -- since we're a third of the way through the year -- a new capital spending range of $13 billion to $14 billion. So we'll talk about free cash flow here in just a minute.

As our message evolved, focusing around free cash flow, we all know that there are a couple of very important drivers to free cash flow. Clearly operating income, capital spending and how you're managing working capital are the critical components. What we've said along those lines is we've established these kind of five goals here that each and every quarter when we report our results to you we use these as kind of our report card on how we're doing here. Green is good, yellow is kind of indifferent and red would be a pressure point or negative.

What you can see is in the first quarter operating income did not grow as fast as sales, but -- nor did it in fiscal 2008. But what you can see is the trend is improving. While it's not growing as fast as sales, we have key operations that are doing quite well, most importantly, Wal-Mart U.S. And the other businesses are closing the gap. Likewise, operating income growing faster than property, plant and equipment.

We ought to pause here for just a second because our change in strategy has created short-term pressure on returns. And what I mean by that is we slowed down supercenter growth last year. Some of the stores that were going to open in the fourth quarter of last year were moved into the first quarter of this year. As a result we've opened up more than 100 supercenters early on in this fiscal year. Does that make sense? More than we normally would during that same time period.

Overall this year, however, we'll open up fewer stores than we did last year and likewise next year it will be fewer yet again. So there is some short-term time pressure there, once the next couple of years unfolds we'd like to see this trend continue and turn the actual performance into a plus or a green on the scorecard.

Payables growing faster than inventories, working with our supplier base to make sure that there's a balance between the inventory investment we're making in their product and the length of time that we're taking to pay them back for that product. As you can see, we've done a nice job and we continue to do a good job there. Inventory growing at half the rate of sales, we'll spend more time there. This is a great story.

Inventory management is one of the important takeaways you want to have today. And corporate spending, I told you that the information-technology spending that we're doing is creating headwind, that's why we have given ourselves a red in the first quarter. But the trend there, because of what's going on in the non-transformational or technology areas, is helping to offset that headwind. So overall a pretty good story.

What you can see here is two sets of bars. The first one is operating cash flow, the cash that's generated by the business. Next to it the capital spending for the same time period. You see some very nice trends in operating cash flow generated over $20 billion in cash last year. What you also see though is the capital spending trend through 2006 where capital spending was growing at a much more rapid rate than sales, change in strategy slowing down the growth. And what you can see -- is that capital spending moderated in 2007 and actually declined in 2008. We've just shared with you another decline in 2009 in the $13 billion to $14 billion forecast that we just shared.

Obviously the difference between these two lines would be the free cash flow in the business, free cash flow continues to expand. Fast forward to the first quarter of this year and you see another very impressive story. Q1 last year, fiscal '08, CapEx actually surpassed the cash generated by the business by $1.3 billion. Conversely this year cash generated by the business surpassed CapEx spending in the business by $1.3 billion year over year, a very impressive change. So that's kind of a backdrop; now we'll talk about what's going on in the business.

Several years ago Eduardo Castro-Wright, the Chief Executive Officer for the Wal-Mart Stores U.S. segment, set forth a plan, a plan that he said was going to take around three years to get executed and that's his timeline that you can see here. Focused really around three things. Number one, we were going to continue to grow; number two, we had to improve the returns, had to change the trend of declining returns; and finally, a focus on people.

What I can tell you is after two, two and a half years we're doing very well across both the growth and the ROI and the people front here. You're seeing that in our results today. And in fact, the key messages behind that last slide I think are provided here. Number one is the business model is one built around value. Price leadership has been, is and will continue to be very important to us. That's now wrapped around a banner that we use internally and externally that's called Save Money. Live Better. And you might think well, gosh Tom, that's very cute and that sounds very nice.

What I would tell you, this is the way that we're running the business today. As Eduardo or his merchants are meeting with suppliers that's how we're breaking the ties. If there's a new product that wants to be introduced it needs to answer the question, can you save our customer money? Can you help them live better? If that's not the case it's probably not going to make the cut.

The clarity of offerings -- I think Mark has done a nice job of describing to you the kinds of things that are going on in merchandising right now. It's a far better experience to go through our store. It's far easier to see what we want to stand for, whether it's in apparel or in electronics or in food for that matter, the clarity of that offering is definitely improved.

At the same time John Fleming is trying to get us all focused on growth categories and trying to make larger bets where we think the growth is going to come. And the best example of that and some of the most success that we're seeing today would be in the electronics area. Our penetration in the flat-panel TV side of things or GPS units, things that we've made some big bets on are paying off very nicely.

Inside the store -- for those of you that spend any time at all in our stores I would hope that you would say that the store experience today has improved and in many cases improved dramatically over the last 12 or 18 months. Bill Simon, the Chief Operating Officer, focuses all of his time and attention across those three very simple words -- fast, clean and friendly.

We evaluate that performance each and every day. We intercept customers as they're leaving the checkout line and ask them questions, ask them hundreds of thousands of times how are we doing? They're reinforcing that the kinds of things that we're doing in our store are paying off and their experience is better. We're doing a better job of communicating our commitment to brands. Very similar to what we said earlier here.

Eduardo Castro-Wright in his team, Doug McMillon or Mike Duke in international are all focused on asset productivity and improving their overall returns. If you're sitting in my seat, if you're sitting in the finance seat, this is the best situation you can have where you have the operating managers all aligned around what we need to do to meet the needs of the investment community.

The last thing, I think if there are two really important takeaways that I would like to convey to you here today, one of them is the importance of management continuity. In Wal-Mart U.S. Eduardo Castro-Wright and his team have been in place for a while. They're comparing this year's results which are theirs to last year's results which are theirs, and that sounds simple but it's human nature. Whenever you go through a management change it takes time to work your way through all the change that happens as a result of those changes. The teams that we have in place are rock solid.

Inventory -- this would be the second important takeaway that I'd have, especially for Wal-Mart U.S. While the numbers guy would love to see what you see here and we're just tracking what's happened to inventory by quarter and what the rate of increase in inventory has been year over year, we'd like for inventory to grow at half of the sales growth rate. So if sales are growing at 10% we'd like inventory to grow at 5%. What you can see over the last three quarters, our inventory has either been flat or down on very respectable sales increases. What that tells you is that working capital productivity is outstanding.

The other side of that coin is making sure that operating income is growing faster than sales. You can see the last three quarters outstanding progress Wal-Mart U.S. offsetting what we saw in the first quarter from Sam's and Wal-Mart International -- largest operation performing extremely well.

So what happened? In the month of May we reported a 4% comp for Wal-Mart U.S., a total of 7.8% year over year, about $19.5 billion. People are always asking well, how much of that 4% comp is a function of the economic stimulus checks that were issued starting in the May time period? I would tell you, you need to look at it in several different layers.

Number one, there's the ongoing run rate of the business. Over time the comps in Wal-Mart U.S. have kind of hovered in the 1% to 2% zone, but that underlying performance has been improving. All the good things that we talked about in store operations that Bill Simon is driving, all the things that John Fleming is driving in merchandising is helping those comps to improve sequentially quarter after quarter. That helps the comp.

Finally, before we get to economic stimulus checks would be inflation. Is there in inflation in the comp number? Yes, there is. There's inflation in there for us and I would tell you there's inflation in there for all of our competition as well. You saw the first slide on how we're performing versus that retail market overall, I think that would tell you what the relative performance is. The difference between those two things -- the run rate, the performance and inflation -- would be what's happening with the economic stimulus checks.

I can't tell you with precision how much of the 4% comp came from the checks. What I can tell you is when you contrast the end of April -- and we plan our business to be down as our customer is running out of money paycheck to paycheck, we plan for our business to reflect that. At the end of April that paycheck cycle I've just referred to was far more strenuous than we had seen in the recent past.

As you fast forward to May when the checks were out, either in direct deposit or physical checks that had been issued, that payroll cycle was helped possibly dramatically by what happened with the economic stimulus checks. So underlying performance, improvements across operations and merchandising, inflation and the checks would be our answer for the 4% comp.

What I would tell you again, if you're spending time in the stores you can see a different experience. We understand that this is a difficult time. We've done a better job of positioning the assortment with basics to meet the needs of our customer during a difficult time. And I think the numbers speak for themselves -- against competition.

The cool deal right now, especially in Wal-Mart U.S., is to watch how well this team is working to gather and how well operations is being complemented by merchandising, how well marketing is complementing those two operations, whether it be in what you're seeing in national television ads, what you're seeing in print or how you're seeing the message communicated at the store level. Very, very impressive.

I've walked through this; the stimulus checks clearly have had an impact, a positive impact on our business. The real question is, after July 11th when the checks stop rolling through, how much benefit we'll see at that time.

At Sam's Club, pretty good performance through May. You can see a 7.3% increase overall, about a 3.6% comp. Both the ticket and the traffic were strong during the month. Our renewal on membership looks pretty good, both across advantage and across business. But where we're lagging behind our own internal expectations, while we've seen some year-over-year improvement, the improvement hasn't been as good on getting new members. We refer to as non-business members as the advantage members and then business members, both advantage and business membership has not grown at the rate we would like.

We saw some trends that were established after we raised our membership fee in the beginning of 2006 and we have not gotten our new sign-ups to the level that we would like. We changed some management in terms of marketing and memberships. Cindy Davis was added to the team, brought in a fellow from operations, dedicated him to membership and we're starting to see some improvement now. But if you think about how you account for membership income, if you come in and buy the membership today for $40, that membership has to be amortized over the 12 months that you get to enjoy the membership.

So the good news that's happening now on membership won't read its way through the P&L for the next couple of quarters. Then you continue to focus on small businesses, on grocery, very important right now. The warehouse club offers great value on grocery. The quote, unquote CEO mom that's doing her shopping loves the value that we provide here.

Shift gears to Wal-Mart International, what you can see here is a map of the globe and, importantly, kind of unusual colors here, but the orange, if you will, is where we have some presence. This is kind of confusing I'm thinking, Mike. I feel like the guy in the commercial that says where is China. Anyways we're doing pretty well there. A couple of important takeaways.

Where we have a presence, take the United States as an example, we're doing pretty well, pretty well represented. We've filled in all of China from a color standpoint here. From an opportunity standpoint we still have a significant opportunity in China. That's takeaway number one.

Number two, the number of countries that we don't have a presence yet, I kind of need to fill in this Canada up here, Mike, okay. We're in Canada by the way. Our opportunity to fill in the colors where we don't live today is a significant opportunity.

Looking at the results in May for international, a $7.7 billion month for this business, just under a 17% total increase in sales, this business is rocking. Some of the best performance that we've seen has been in our larger operations. The largest of course is our business ASDA in the UK, so Brazil and China continue to perform extremely well. And the driver here is, just like the United States, price and value is important not just in the United States but across the globe.

When Mike Duke came in from the US, took the assignment international he set forth a very simple strategy for our international markets. Number one, around portfolio optimization; two, leveraging our global footprint and three, making sure that we've got a winning formula in each market. What he found very early on was that we had a difficult situation in Germany and South Korea from a portfolio standpoint. We didn't have clear visibility how we could get to acceptable returns in an acceptable time period. You know about the divestiture there. Tough decisions, but for the right reasons. Global leverage and winning stand for themselves.

We think for us to win internationally all we have to do is remain committed to the customer locally. Those customer needs are going to be different depending on if you're in Mexico City or if you're in a small community outside of Sao Paulo in Brazil. We have a wonderful opportunity, however, to take successes from around the world, whether that's format implementations that we might have in Mexico and let those read through in Brazil or processes that we have in managing a very successful food operation in ASDA and letting that help our Mexican operation or the U.S. operation for that matter.

So I can give some time here for some questions. What I would tell you is the fundamentals are great. As I said at the shareholders meeting, it sounds a little bit cliche, but we are really well positioned for the difficult macroeconomic environment that you see in many areas across the globe. The organization is aligned, everybody is pulling in the same direction to grow the business but at the same time get great returns and improve our free cash flow. With that I will take questions if I may.

QUESTIONS AND ANSWERS

Mark Miller - *William Blair & Co. - Analyst*

We've got time for a question. Anybody? Nobody? I'll have to ask it. Could you go over your change in apparel strategy (inaudible)?

Tom Schoewe - *Wal-Mart - EVP, CFO*

Can I go over the changes in the apparels strategy? Like anything else that we've done, it's been a function of a lot of things. Number one, John Fleming, who is our Chief Merchant for Wal-Mart U.S., decided to change some of the senior leadership there, pull somebody from the .com that had apparel in their background to run an operation.

He set up a standalone operation in New York so he could be a little bit closer to trends and those kinds of things. And now what she's done exactly what we talked about earlier -- rationalized the assortment, focused on basics and made sure that when you went into the store it was obvious that we stand for value and that we can help you at a time when times are tough.

Compare that to several years ago when we had this across the aisle strategy where we were trying to get people who were buying food to buy either electronics or apparel. And we had a confusing message at that time, something called Metro7 that didn't resonate as well with our customer has the basics that we offer today. I will tell you it's all about basics and it's all about value -- a clear edited assortment.

Mark Miller - *William Blair & Co. - Analyst*

Let's take it to the LaSalle room.

Tom Schoewe - *Wal-Mart - EVP, CFO*

I can do that.
