

FINAL TRANSCRIPT

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WMT - Wal-Mart Stores, Inc. 2008 Executive Update for Analysts and Investors

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PRESENTATION**Charles Holley** - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

Welcome. Welcome. If you're joining us in person or off the web, we welcome you to Wal-Mart's analysts' Q&A and our shareholders' meeting. My name is Charles Holley. I'm Executive Vice President of Finance and Treasurer of the company.

We will have -- we will not have any presentations today. There'll just be brief comments. And then we'll open it for Q&A. We'll have Eduardo Castro-Wright, the CEO of our Wal-Mart Stores U.S. business. We'll have Mike Duke, the Vice Chairman International. We'll have Doug McMillon, CEO of our Sam's business. And then we'll hear from Tom Schoewe, our Chief Financial Officer. And then Lee Scott will close with some comments and Q&A for Lee.

Before we start, though, I'd like to turn it over to our friends in legal. They have a forward-looking statement they need to read to you.

Unidentified Company Representative

Each statement made in today's presentation or in response to a question that contains a projection of future sales, income, comparable store sales, earnings per share, capital expenditures, capital structure or other financial items, of future economic performance or of our plans and objectives for future operations is a forward-looking statement. Actual results might differ materially from those projected in any such forward-looking statement.

We include information about factors that can cause actual results to differ materially from projected results on page two of our annual report on Form 10-K for fiscal year 2008, which we filed with the SEC.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

Okay. I think everybody saw our sales release yesterday. 9.8% overall, and a 3.9% with [U.S.], about \$31 million in sales. I won't give anymore color to that because the additional executives will cover that. And with that, I'd like to turn it over to Eduardo Castro-Wright, the CEO of our Wal-Mart Stores U.S. business. Eduardo?

Eduardo Castro-Wright - *Wal-Mart U.S. - President, CEO*

We've got a big room and we don't have analyst that our calling on our (inaudible). Let me just briefly make some remarks about our performance [and we have] Charles join us here and we be happy to answer questions.

Charles referred to May results and goes without saying that we were very pleased with what we reported yesterday. We reported for Wal-Mart U.S. (inaudible) which is we believe a solid performance, which reflects the continuation of the stronger and

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improving underlying performance by the business. You will recall that we reported back for the fourth quarter about I believe it was a [back count]. That's what it comes out to before the quarter.

We now have reported a [fore count]. And the difference between the two, Mr. Schoewe I'm sure explained yesterday, has to do with improvements in the business that obviously are having an impact on the overall performance of Wal-Mart Stores U.S. business, but also the fact that we believe we're getting some benefit from the stimulus checks that are being cashed in our stores.

I think the number that we shared with the group is that we cashed \$350 million in the month of May in our stores, difficult to predict or say how much of that stayed in the house and how much did go elsewhere. Based on the fact that we read the reports from a lot of retailers that don't think that these stimulus checks have had an impact, we assume therefore that we must've gotten a lot of benefit the ones at least that we check-cashed in house.

This is a -- the underlying performance I said is a contributor to the results in May. And you will recall that about 2.5 years ago we shared with this group in several different venues a plan, a plan to actually take the business from where it was at that time to a different level. That plan had a base, initial steps.

I don't know how many of you recall our timeline. But the first one was about people and structure. And if you remember back then we said that the first thing we needed to do was to actually hire, promote, develop the talent it could take the business to that different level.

You heard this morning, those of you that were -- participated or joined us for the shareholder's meeting will recall that I did speak about the [team] being a very solid and best-in-class team in the industry.

You have here with me the entire senior management team at Wal-Mart. But particularly, I would like to mention today John Fleming, as he led in leading the merchandise transformation of the business. Again, you will recall that we did a lot of structural work back a couple of years ago in operations.

And we said that merchandising was the next area where we needed to develop and hire and promote talent and redefine the goals and responsibilities. John has been leading that transformation. And it's starting to show.

It's starting to show in the clarity of the offering, starting to show in the quality of the merchandise. It's starting to show in just how much we have focused and refocused the company on the things that we do best and in terms of our price leadership position.

Stores look much better. Last time I teased one of your colleagues, [Christine Addison], that her store -- our weekly trips to our stores, they'd improved significantly in the past 18 months. It continues to improve. Or it continued to improve until the last report that we saw.

That is the work that Bill Simon has been leading, his way of approaching fast, friendly, cleaner stores and making that a mission that is well understood. And the way that he's taken it down to the store level, it's remarkable. And obviously, it's working because customers are telling us they enjoy our stores and experience much more than they did before.

You have also something that you all have seen and heard about today many times over that our passion for what we stand for -- we save people money so that they can live better. Save money, live better has become not only the tagline for the company, but it's also become the way that we execute in the stores, the way that we conduct our business.

The brainchild -- that's the brainchild of our marketing head, Chief Marketing Officer Stephen Quinn. Stephen is sitting there. And he and his team have done an enormous amount of work in repositioning the Wal-Mart brand.

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And we believe that the work done behind, again, not only the sales model is better promised but also and very importantly the communication with customers is a reinforcement of our price leadership position has had a significant impact also in the results that you're seeing today.

We've got a lot of other people that I would have to mention today. The senior leadership team, the business unit heads that John has put in place in the last few months have -- now that some of them have learned their business, you're starting to see the results.

The fact is that we have a lot of people in the senior leadership team at Wal-Mart that have two years or less in their jobs and some of them two years or less with the company. And as you well know, your first months you need to learn the business. Then you start putting your ideas in practice. And then you start seeing results.

And I believe that a lot of what you're seeing today is the work of that leadership team under, again, the leadership of Bill Simon on the operation side with the additional presidents across the U.S. and John Fleming on the merchandising side have -- are taking the business to a new level.

So very pleased with the results, very pleased with the quality of the team that we have in place. As you well know, the businesses are only as good as the people that actually have responsibility for those businesses. And I'm incredibly fortunate to have what I think is the best management team in retail working for us at Wal-Mart Stores U.S.

So with that, we'll be happy to answer questions. Why don't you, John, even Bill, join me up here. I don't know if we have --

Charles Holley - Wal-Mart Stores, Inc. - EVP - Finance, Treasurer

We've got mikes. They'll come down. Please be sure and state your name and the firm that you represent. And use a mike so everybody can hear and they can hear on the webcast. I'll go here.

QUESTIONS AND ANSWERS

Adrienne Shapira - Goldman Sachs - Analyst

Thank you.

Eduardo Castro-Wright - Wal-Mart U.S. - President, CEO

Why don't you (inaudible)?

Adrienne Shapira - Goldman Sachs - Analyst

Eduardo?

Eduardo Castro-Wright - Wal-Mart U.S. - President, CEO

Yes.

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Adrienne Shapira - Goldman Sachs - Analyst

Adrienne Shapira, Goldman Sachs. You talked about the core timing of the store performance as evidence that we're seeing better execution. But talk to us about the top quartile in terms of stores, how they're out-comping, and perhaps the gap is narrowing between the top and bottom store performance.

Eduardo Castro-Wright - Wal-Mart U.S. - President, CEO

I'll let Bill answer that.

Bill Simon - Wal-Mart U.S. - EVP, COO

We've taken a very systematic approach to managing the store improvement with a focus on clean, fast, and friendly. It implemented a program that raises the tide for all the stores. We attacked aggressively the bottom quartile and saw a very large improvement, as you noted.

The top stores that were already performing high improved even more. The performance of the bottom stores have improved more than the increase in the improvement of the top stores. But all the stores are performing better from a comp standpoint and from a customer experience standpoint right now.

Adrienne Shapira - Goldman Sachs - Analyst

Any quantifications that you'd share with us?

Bill Simon - Wal-Mart U.S. - EVP, COO

I don't believe we can.

Adrienne Shapira - Goldman Sachs - Analyst

And then my second question related to inflationary pressures. Eduardo, you had addressed I think at the analysts' meeting that you're managing through those pressures. Talk about what you're seeing today and in the back half. We're hearing a lot in terms of through apparel or hard lines we should expect inflation and what the strategy there is to pass it through, accept it. Can you share with us?

Eduardo Castro-Wright - Wal-Mart U.S. - President, CEO

Let me start. And then I'll let John complete. We're seeing very different levels of inflation across the business. As you all know, food inflation, it's running at the mid-single digit level across many categories. And that is throughout the industry.

When you talk about general merchandise, it's a much -- it's a different scenario. You've got the overall general merchandise numbers. The last one that I saw was about 2% inflation. But within that number, you have things that actually have some deflation, like flat-panel TVs [carry] -- have deflation. And you have also categories that are running inflation levels that are higher than that.

Anything that has a component of oil-based materials will see cost increases. The dollar also -- the fact that the dollar has devalued [against] major currencies make that also a challenge, particularly for merchandise that is being brought from outside.

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The last report that I saw in total inflation had a number of about 4-point-something for grocery overall and much less so for the general merchandise. John, I don't know if --

John Fleming - Wal-Mart U.S. - EVP, Chief Merchandising Officer

Yes, I don't know if there's a lot more to add other than the way we're managing it is we've talked about building new capabilities in the company. And we have a merchandising operations group that's under John Westling. And they've got a pricing team.

And they work specifically with each business unit to determine what is our best strategy in terms of in -- and there are different variables in every business. There are still supply issues that create deflation. And then there's a lot of inflation in raw materials in certain categories.

So we've got a lot -- we've got a process with a lot of rigor now to make sure that we're passing it on in some cases. We're holding tight in other cases. We're looking for ways to lower prices in other areas. So it's pretty complex.

Eduardo Castro-Wright - Wal-Mart U.S. - President, CEO

And what you will see is that we clearly understand that at times like this, we at Wal-Mart have an added responsibility that is to ensure that as price leaders that we maintain price as long as possible. And you won't see us lead in price increases.

Charles Holley - Wal-Mart Stores, Inc. - EVP - Finance, Treasurer

Okay. Let's go over here.

Unidentified Audience Member

On the last earnings call, you particularly mentioned the strong contribution from financial services. Could you give us an idea of where financial service growth might be heading in the near and more distant future?

Eduardo Castro-Wright - Wal-Mart U.S. - President, CEO

I'll let Jane Thompson who heads up the financial services area answer the question.

Jane Thompson - Wal-Mart U.S. - President - Financial Services

We continue to see very healthy growth in financial services. We have shared that we're seeing we continue to grow at 30% plus. That's one number. I think in America the market is -- unfortunately, we continue to have more unbanked. Some of them were banked and have bounced a check and become unbanked.

And we also are just taking a lot of share. So we still see tremendous opportunity. We know our awareness is low. So for a category that's growing that fast and still has low awareness, we see a lot more opportunities.

We know our money centers are helping because it's a home in our store that they know they're welcome and great service. So we continue to think that this will be a big business for us for some time. And it's a competitive advantage, like when we cash checks.

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And in fact, even on the transfer business, they not only send from Wal-Mart. They receive at Wal-Mart. We're starting to track how many domestically are picking up their money at a Wal-Mart. So there's a lot of ways this thing is very synergistic for our stores.

Unidentified Audience Member

And if I may, one other question. You mentioned that Wal-Mart under John Fleming is focusing on what you do best. Could you amplify on that a little bit?

Eduardo Castro-Wright - *Wal-Mart U.S. - President, CEO*

I can't. But he, the inventor, can. So John can talk about the merchandising strategy. That's what you're referring to, the fact that we're focusing on categories in a very different way than we did in the past. And probably John can uncover that.

John Fleming - *Wal-Mart U.S. - EVP, Chief Merchandising Officer*

Yes, I guess the general principles are we've divided the merchandising group into business units that are focused on categories and customer segments and competitors and really looking and managing it like a portfolio, really being very driven by where the growth is and so that we've developed different roles by category.

What are the categories that we can grow rapidly and take market share versus what are the categories that the customer expects us to carry but we can actually make a lot of money on it, but it might not grow that rapidly?

So it's putting together this portfolio and then developing capabilities from the planning, pricing, inventory management perspective, which is what we put in place a year and a half ago, which has really been the major driver in our inventory management that we're really looking at the thing across the box and making decisions as to where the investment goes and where we pull back so that not everything is invested equally and then ultimately really developing more skills around product merchandising and product management and so that we're very clear on where the trends and then making the best there because that's where the customer's going.

Eduardo Castro-Wright - *Wal-Mart U.S. - President, CEO*

I would add only something that I believe would maybe exemplify for you the change and the extent of the change. If you think about it, we position and we run our business four [feet] at a time.

So buyers had the responsibility and the ultimate decision-making authority on their [four feet]. What that did is it maximized and optimized individual items. But it suboptimized the total box.

Under John's leadership, the change is one where now we are really getting the customer solutions. So the buyer that has the [four feet] next to the other one, actually they have to devise the strategy that it's comprehensive and it speaks to the customer about the entire assortment, not just their little piece.

It sounds simple. Believe me. It's a dramatic cultural change. And it is one that will have major implications in the way that we go to market and the way that we actually satisfy customers' needs.

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Bill Simon - *Wal-Mart U.S. - EVP, COO*

If I could just add one point -- and I think it's a critical point. The interdependencies between what John's doing with merchandise categories and what we're doing in store operations with clarity of offering focused merchandise, our ability to deliver against clean, fast, and friendly is enhanced because obviously less time to do well.

We can present a clear message to the customer. Sales velocity and inventory are driving inventory levels down. And it frees up labor time to do -- keep the stores in better condition and more space to bring in better, newer, fresher inventory. So we have an interdependent circle, cycle that sort of evolves and/or starts with clarity of offering.

Mark Miller - *William Blair - Analyst*

Mark Miller with William Blair. As we look around the world, Wal-Mart's doing a lot with the multi-format approach in Brazil, [Todo Dia] going after convenience, in Mexico, the [Mi Bodega Express].

And I'd like you to tell us what you learned, Eduardo, particularly from your prior experience or what may be applicable over time in the U.S. And then also as we're seeing competitors coming in doing more on the convenience side and food, what is the game plan over time for this market?

Eduardo Castro-Wright - *Wal-Mart U.S. - President, CEO*

I think in the past we have said that we believe that much like other markets what you have described as an opportunity for the U.S. market. We already are multi-format, though. Don't forget that we have discount stores. We have supercenters. We have grocery stores. And we have [sunspots]. So we already have at least four distinct formats in this market. So we don't have eight or nine, like in Brazil. But we already have an offering covering specific locations for different segments of the population.

We have identified, however, that there are some opportunities. And we are taking precisely from the experience in international to bring some of that here. The most obvious one is the one that, again, we've talked about in the past, the work that John's team is doing in clustering, so in redefining sets of stores that have demographic, psychographic lifestyles from a customer perspective that are common and therefore that the assortment can be managed uniform across big sets of stores.

If you take that work and you, for example, segment the market and one of those segments is the Hispanic customer based on the fact that we have a pretty successful business in Mexico, we're taking ideas from there to see so how do we assort our neighborhood market in areas where we would be serving that kind of demographic. That's the first application if you want that goes beyond the existing store base today.

We will -- and it's public information. You've seen it. The media just asked me about it, so I can tell you about it. We have a smaller format neighborhood market that we will -- we've been testing or we will test. We've been building in the Phoenix area. And that just again takes from the experience in other markets and tries to apply that to the needs of the customer here in the U.S.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

In the back?

Greg Melich - *Morgan Stanley - Analyst*

Hi. It's Greg Melich with Morgan Stanley. Two questions, one on traffic and then on markdowns and margins. So [here whatever]. So on the traffic side, you've cut store growth in half, which is a pretty dramatic change. I think last year you said cannibalization

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was 150 basis points. So I'm just curious how much of the traffic improvement you've seen this year you think is from reduced cannibalization is the first question.

And then the second is on markdowns, which have come down a lot as the inventories improved. As you start to cycle that and you have all these costs and inflationary pressures, how do you keep gross margin growing later in the year?

Eduardo Castro-Wright - Wal-Mart U.S. - President, CEO

On the first part of the question on cannibalization, the expectation is that over time we will see a reduction of impact on our own stores based on the reduction of the growth of our store programming. And [said that], remember that we didn't just stop one year and said we are not going to build any stores. So it will happen over time.

I don't believe that in the numbers that you've seen today you're seeing a significant component of that yet. The map wouldn't really work that way. By the end of this year, however, you will see some benefit from reduced cannibalization as we cycle the first year.

Unidentified Audience Member

(inaudible question - microphone inaccessible)

Eduardo Castro-Wright - Wal-Mart U.S. - President, CEO

Yes, yes, yes. We -- thank you, [Tom], for reminding me that we opened this year in the first quarter of this year, we opened a very large number of stores, yes, 190 stores. So we have not cycled yet the growth program to actually provide or give any credit to reductions and impacts as other reasons why we're seeing improvement in traffic.

I believe we're seeing improvements in traffic because some people are finding that saving money is actually smart. And some people that didn't shop at Wal-Mart are finding that shopping at Wal-Mart is something that will help them go -- live through this difficult economic time.

And I'm sure that with the work that Bill has done that those customers will find that going back when things turn around the economy improves that going back to other retailers probably is not a good idea. And that [we're making]. And we believe that we will be able to retain those customers.

I did share a piece of information which clearly indicated -- and I did that at the Lima conference not long ago. So it's public information. I did say at the time that if you look at stores that have a customer base, again, going back to the clustering that John has done, if you go with the cluster of stores, which is very significant number of stores that have a profile of higher income. And higher income in the way that we see it is household income of \$65,000 or higher. So you're not talking about Donald Trump, okay?

That group -- the traffic in that group has grown in this past six months much faster than in the rest of the chain. So the only reasonable assumption we can make is that they are customers that used to shop elsewhere that have household incomes of \$65,000 or more that actually have chosen to try us out.

And based on the fact that we have had now a few quarters of improved performance that as they try us out, they are finding that shopping at Wal-Mart is not only a rewarding experience for the pocket, but it is a rewarding performance overall -- experience overall. So I think that that is happening.

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On markdowns, the only thing I would say is that John Westling here has been the architect. John works under John Fleming on what has been a dramatic improvement in the way that we flow merchandise through our stores. To be precise here, this has been an ongoing program that's over two years old. There are other people like [Rick Webb] that might be around there that have had a major participation in that program.

The fact is that we took down the [risers] that you will recall. We shared that with the group about two years ago. The trailers that we used to -- or store managers used to -- quote-unquote "ensure" that they had the merchandise and they saved that merchandise in the back of the stores, we don't have trailers anymore.

We had at one point in time almost 1,000 warehouses that not part of our distribution system, just warehouses that the stores had to ensure that they had the merchandise. We don't have those warehouses.

So as you clean the pipeline, you clean the supply chain. And then you put the process and discipline that John Westling has put in the way they replenish merchandise. Then you start seeing a significant benefit in inventory levels. And you know very well lower inventories are absolutely beautiful because less inventory, you don't have -- it's the best thing you can have.

Unidentified Company Representative

And I'll add one other driver to reduced markdowns and improved turnovers. And that's really the right product and so that as we take this approach that we discussed earlier and define by category what's the offering for customers and then be able to map that to where the customer shops, we'll be able to continually make improvements in terms of having the right product for customers, which means the inventory will turn faster and we will reduce markdowns.

Eduardo Castro-Wright - Wal-Mart U.S. - President, CEO

We have time for one more question.

Unidentified Audience Member

So we haven't talked too much about marketing, Stephen, so I'm going to put you on the spot. So obviously, traffic has improved. I think that is a result of what Bill and obviously John have done in the [core center] under Eduardo. But can you talk about what you're doing specifically from a marketing standpoint, especially in this current macro environment, to really drive traffic and also keep the customer in the store longer?

Stephen Quinn - Wal-Mart U.S. - EVP, Chief Marketing Officer

Well, there's really -- I would describe our programs as falling into two camps. The first camp is keeping the core promise, saving people money so that they can live better. And price reassurance, low-price reassurance is more critical now than ever before. And we are seeing that our customer's responding to that. We're tracking that. And we're keeping our core message very focused on that.

What we think that does is when you've got the price reassurance in place, it does allow you to talk about product more and to think more about demand building. And so that's the second type of program that we've got. And actually, I think you'll see even more of that going forward because in the business units that John described, we're starting over a year now with those teams being -- working together, they're actually developing some very good ideas inside of those groups. And so we are going to be talking about some of the real core merchandising initiatives more.

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We've got the Canopy launch, for example, that is now out the door. It's going very well for us so far. That's an example of where we have the -- now that we have the price reassurance, we can layer on top of that a message about this great merchandise that we've got with Canopy and how it fits with the lifestyle of the customers that we serve. And I think you're going to see a lot more of that type of programming from us layered on top of this core price message.

I mean, I don't want anybody to get confused. That core price message is always going to be a big part of what we talk about. But I think you're going to see a little more diversity of talking about products and some of the kind of amazing things that are available at Wal-Mart.

Eduardo Castro-Wright - Wal-Mart U.S. - President, CEO

And I will add that the most dramatic change is in the way that marketing has integrated their overall program. And you saw that with Halloween. You saw that with particularly all our seasonal programs, but also some of the programs, like for example, [game time]. That is a major change in the way that we go to market. And I think, Stephen, that that probably [set] in the -- at this point in time other than our price leadership message is what's having the most impact in sales.

Charles Holley - Wal-Mart Stores, Inc. - EVP - Finance, Treasurer

Okay. Thank you, Eduardo. And thank you, Wal-Mart team. Next we have Wal-Mart International, Mike Duke, our Vice Chair of Wal-Mart International.

PRESENTATION

Mike Duke - Wal-Mart International - Vice Chairman

Good afternoon. And it's a pleasure to get to speak to you this afternoon. Regarding Wal-Mart International, first, you can look back at the first quarter report. And then you look at yesterday's sales report. And first quarter, you would see a very strong performance that came from the international division. And then yesterday, you would see that that strong performance is continuing.

Our 16.6% sales increase I think yesterday we were pleased with. And again, that momentum that we just feel is something that's occurring in all of our markets. In the first quarter, every single market that we operated in grew sales faster than the market. And in other words, we grew market share in every single market that we operate in.

Now when we talk about momentum, it's not just top line. We're pleased with our bottom line, our profit performance. And frankly, I would expect that we would continue to see profit growing at least equal to or greater than the rate of sales growth for the international business. So the overall story is a good story.

I want to go back, though, in just the opening before we get into Q&A and reinforce something that I've talked to you about a couple of times. And that's our three key strategies and give you a little more update. First key strategy is portfolio optimization. Hard to say, but it's really about doing it, not saying it. And doing it means that we are investing our capital, both financial capital and human capital, where we can get the greatest return.

So give you a couple of examples, of course, from this year. You would know about India. And when we look at the opportunity for the business in India that we do believe that that is a market that we should be in, it's a big, big market with a big opportunity to serve customers, to help customers live better, but also to reduce shareholder return. And we'll continue to ramp up our joint venture business and support the Bharti franchise retail stores in India.

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Another market as we look at new markets that we've discussed would be Russia. And I've encouraged some of you to take a look at that market as we are. We're currently investigating and determining the best way to address the Russian market.

But portfolio optimization is not just new markets. When you look at even the markets that we're currently in, we want to grow where we have the greatest return. So of course, the story of Canada and Mexico still has tremendous upside.

Canada -- just a couple of weeks ago, I was up with [Eddie Cheese-Wright] and the team looking at supercenters. We're pleased. And we have a lot more growth ahead in Canada. Mexico is such a great story. And that great story should continue.

And then also, how do we invest capital within each country? We can look at by format what's the best investment to produce the greatest return by format. And it's really kind of amazing, Tom, some of the returns that we get from our different formats in some of our countries.

The second major strategy is global leverage. We always talk some about leverage. The best example I can tell you today of leverage is when this morning after the meeting I saw several members of our team from India.

And I asked these managers from India -- I said, "Are you headed back home to India this afternoon or tomorrow?" These -- I guess there were four or five managers -- and they said, "None of us are headed back to India yet, but we're going three different directions." And I said, "So tell me where you're headed."

A couple of the managers said, "We're headed to Costa Rica because we want to go look at the small stores in Costa Rica. But we also want to look at the relationship with farmers in Central America because we believe that if we can work with farmers and we can help that whole supply chain in India the way that we do in Central America that we could bring great benefit to the customer." I said, "That's a great story of leverage."

So I asked another one -- I said, "Where are you -- are you headed back to India?" They said, "Oh, no, we're going to Mexico because in Mexico we can see how to operate multiple formats and how to run the backend infrastructure, the supply chain, and serve multiple formats. And we learn that -- Mexico does such a great job of that."

I asked another one -- I said, "Well, are you headed back to India?" He said, "Oh, no, I'm going to ASDA. I'm going to look at the people practices from the UK because they do such a great job of recruiting and developing associates and people practices."

So leverage is not just something we stand up in meetings and talk about. Leverage is something we really do at Wal-Mart and in the international area. And I think it's something that's going to continue to build.

Our third strategy we talked about in past meetings was winning in each and every market. The best result of that would be growing market share. But I'll tell you, it gets down to each president and each business has to have and with metrics and evaluations of what is our strategy to win in each market that we operate in.

And of course, I'm pleased with if you take ASDA, the progress there with growing market share, ASDA is truly right now helping -- in a difficult time helping customers to save money, live better. They continue to be known as the price leader in the market. And thus, they're growing market share.

One market that I've said winning -- every market has to either be winning today, or it has to have a plan to win. What I'm really pleased with is the plan to win in Japan. We discussed it some in previous analysts' meetings and the steps that Ed Kolodzieski and the team have taken would be really pleasing. You've seen and heard some about everyday low cost, in other words running a more efficient operation, restructuring our home office and our infrastructure to operate a leaner and more productive organization.

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But what is even more exciting is in Japan, just like Lee said this morning at the big meeting, in every market we operate in, our model, saving people money, helping people live better, works in every single market, especially Japan.

As we work on the everyday low-price approach, we're pleased with the steps that are being taken. Now again, I'll always say Japan is a long-term proposition. And we'll continue to see I think progress in upcoming years.

Now I will tell you, Wal-Mart International and every market we're in, we are very well positioned today. In a time of inflation in food, a time where certainly in certain markets petroleum price has an impact on the consumer, we are exactly positioned to serve customers in the [light weight]. So it's a good place to be in the markets that we operate in.

Certainly, for Q&A, I'd like to have some help. So I'm going to ask Wan Ling Martello, who is the Chief Financial Officer; Craig Herkert, who is the President and CEO of the Americas business; and then Vicente Trius, who is the newest senior leader. You all know Vicente as the former President and CEO of Wal-Mart Brazil. Vicente was just recently promoted, has now gotten settled into Hong Kong as the President and CEO of Wal-Mart Asia. And so you all can help me with the answers to the questions.

I do want to say, though, like Eduardo said, the team of talent that we have in international is just phenomenal. So we have a number of the country presidents. Most of our presidents were able to stay for today. Maybe I'd ask you to stand up and the other members of the Wal-Mart International team that are kind of over sitting in this area or somewhere else around the room please stand.

And if you see someone that you want to grab, feel free to corner them. Obviously, it's good to meet and greet. But I do appreciate, as Lee said also in the meeting this morning, this is the best team of country presidents that we've ever had at the business here. With that, Charles, I'll open it up for questions.

QUESTIONS AND ANSWERS

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

All right, let's open up for questions for Mike and his team. Right here.

Lars Munson - *Pequot Capital Management, Inc. - Analyst*

Lars Munson from Pequot. Mike, given the open-ended opportunity you guys have in front of you internationally, what is the right growth rate for organic square footage? And why?

Mike Duke - *Wal-Mart International - Vice Chairman*

Yes, I like your approach. We're projected to exceed \$100 billion but with a real open end with as to what that could be. But the -- I'm not sure I would say that there's an exact number. I think last year we had said that this year would be in the range of 11% square footage growth. But as we look at market by market, format by format, we'll continue to adjust that and report on that typically in October.

And that would be the square footage that we add to the existing square footage growth. I believe -- was it 11% Wan Ling? Was it -- I think that was approximate number. Today, we believe that that's probably in the range. But I think each market we look at independently. We don't do a global -- we don't start off with saying, "Let's look at the whole world and come up with an optimal."

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Again, back to portfolio optimization means that we look at market by market. And we determine that by market depending on what produces the greatest return for shareholders.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

Okay. Let's go over here.

John Tompkins - *Citadel Investment Group, LLC - Analyst*

John Tompkins with Citadel. Mike, at the beginning of your opening remarks, you said you thought we would see profits grow faster than sales for the rest of the year. I know that over the course of the last year or so you've consolidated [in say you] and not sure exactly how Central America or the timing of when that rolled in. Does that take all of that into account that what we would actually see is margin expansion?

Mike Duke - *Wal-Mart International - Vice Chairman*

Yes, I believe I said actually we'd grow profit equal to or greater than sales. I didn't give a specific time. But I think that just to be clear that's our general expectation. I don't give specific quarter-by-quarter forecasts. But yes, our general expectation includes all of our businesses today and in the future.

John Tompkins - *Citadel Investment Group, LLC - Analyst*

And did we see that actually happen in the last period or two after you adjust for what's been consolidated and what has not been consolidated? Or is that actually not been the case?

Mike Duke - *Wal-Mart International - Vice Chairman*

No, actually, I think in the last quarter our statement would've said, as we had a legal reserve, a couple others, timing issues. But when we look at operating performance, we did see that.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

Okay. Next, in the back.

Unidentified Audience Member

Hi. [Terese] (inaudible). I'm curious as you look at the areas you're interested in growing. From this morning's presentation and organization, it seems as though you've got very clear leverageable platforms in the Americas and in Asia. Where does Europe fit into that, and specifically ASDA, the standalone?

Mike Duke - *Wal-Mart International - Vice Chairman*

Yes, ASDA itself is our largest single market. So ASDA today is -- because the UK market is such a large market that even as a standalone, it's a very, very large business. And it's large. And it's growing market share in that particular market as it is. So we are pleased. And we see a good future.

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We also see a lot more opportunity in categories and merchandise that could grow at ASDA. I think you noticed even in the sales report yesterday that we highlighted ASDA for this past month and included some of the positive comments in some of the non-food areas that we believe is a lot more upside.

Unidentified Audience Member

I guess I'm thinking longer term how you may seek to leverage their position in the UK. Is it more stores in the UK proper or further out into Europe, et cetera?

Mike Duke - *Wal-Mart International - Vice Chairman*

Well, I probably wouldn't comment on further out into Europe. I certainly do expect more stores in the UK. We've been pleased with ASDA Living, the stores that some of you visited that would be primarily George apparel and home stores that we do see a lot of opportunity in those areas. So and that would provide opportunity for new stores.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

In the back, [Stan]?

Unidentified Audience Member

Talked about generally looking for profitability to improve faster than sales and international. I was wondering if you could just be a little bit more specific as to the roadmap to that.

And maybe if you can give us a rough idea of what you expect to accomplish over the next couple of years, where the biggest opportunities are by market is it more gross margin, more SG&A, any additional color on that.

And then the second question was tied to systems. A fair amount of transition investment made last quarter. I think some of that had to do with international. Wondering if you could just give a little more color around the activities there and how long you expect that to take.

Mike Duke - *Wal-Mart International - Vice Chairman*

First of all, on the roadmap, I wouldn't be able to give you specific roadmap by country. What I could tell you is that from a strategy standpoint, winning in every market includes not only growing market share, but also producing the profitability and shareholder return.

So in each country - and I think this is where it gets difficult -- I can't give a broad statement that applies to every market because the situation would be different in Mexico, [Craig], where in the environment there, the team in Mexico -- and of course, it's public, so you can see this -- has done a fantastic job of managing the expenses in a difficult economy and has delivered very good profitability. And the roadmap for Mexico would be different than it would be, say, for Brazil.

And so that's why I'd be hesitant. And I'd use up all the time if we tried to take every country and give their individual roadmaps. But our third strategy that's about winning says that each country has to have its own roadmap to both top line and bottom line. Now the systems question, I'm not sure I understand.

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Unidentified Audience Member

(inaudible - microphone inaccessible) transformation.

Mike Duke - Wal-Mart International - Vice Chairman

Okay. So Tom will talk about transformational systems. Integration, of course, part of integration when we make acquisitions or go into a market would be the implementation of Wal-Mart systems. We stage those. And Craig, I think it'd be interesting because Brazil is one that we had two acquisitions. It'd be worth commenting. I know some visited Brazil. And you could talk about the system implementations and the steps you go through in a market like Brazil.

Craig Herkert - Wal-Mart International - President & CEO - Americas

Yes, Mike, without being too specific, I would say a big challenge for us in Brazil has been the [tax] system. We talked about that when we were in Salvador. We've made some great progress on that. I think the important thing in Brazil -- and we're learning this elsewhere -- is we focus on our customer, Mike, when we do the integration. We keep that customer focus first. And we make sure that everything we do has a benefit to the customer. We find that we are winning.

And then finally, I don't know where Rollin is. But we've also done some great work with Rollin and his team -- thank you, Rollin -- on how we leverage our systems for these small stores that we've talked so much about. We've made some great progress there as well.

Charles Holley - Wal-Mart Stores, Inc. - EVP - Finance, Treasurer

Okay. Next? Charles?

Charles Grom - JPMorgan - Analyst

Thanks. Charles Grom, JPMorgan. Mike, just first, can you remind us year-to-date trends for both comps and margins for that division and what your expectations are for the balance of '08 and into '09, any specifics you have in terms of internal targets?

And then also, on the remodeling process, I understand there's a big remodeled program there. Any sort of trends on what you've done so far? Any sort of increase to the comp that you've done? Thanks.

Mike Duke - Wal-Mart International - Vice Chairman

Sure. I think we've communicated some about the comps. Wan Ling, you might want to give -- yes, go ahead. That'd be great, since you're familiar now.

Vicente Trius - Wal-Mart International - President & CEO - Asia

Thank you.

Mike Duke - Wal-Mart International - Vice Chairman

Vicente has already visited -- how many times have you been to Japan already?

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Vicente Trius - *Wal-Mart International - President & CEO - Asia*

Actually, Eddie is reminding me. I don't know if he wants me there or not anymore.

Mike Duke - *Wal-Mart International - Vice Chairman*

So three and on your way back again soon, so -- because you're familiar with --

Vicente Trius - *Wal-Mart International - President & CEO - Asia*

I'm familiar with Seiyu. First, we're really encouraged about all the initiatives that we have in Seiyu in Japan. I am definitely encouraged with the reaction of the consumer. It's a consumer that is price conscious. I've never seen elasticity happen in sales with, let's say, low investment if you look at a percentage difference against our competitors.

So if you look at sales, directly to the question, we are comping positive. First quarter, we were 1.6%. If you take that within the Japanese market, this is very good. It's ahead of the market. And obviously, it's ahead of inflation. Inflation is actually very low or flat. So you would be growing in real terms.

[EDLP] is working. We have invested in categories from consumables to pet food and really reacting with double-digit comps. The store remodels have a very strong focus on the supermarkets in Fresh and the quality of Fresh. It is a market the consumer demands top quality of Fresh. And we see reactions in sales very, very positive with double-digit comps in remodels.

So overall, we're very encouraged. And we're also very encouraged -- I think, Mike, you mentioned a little bit on the supply side and the backend. I tell you what. I mean, some of the improvements are phenomenal on productivity. We're talking as much as 200 basis points improvement in SG&A versus last year. So we're all very encouraged about the performance. We should have a good year.

Mike Duke - *Wal-Mart International - Vice Chairman*

I noticed Vicente, of course, has responsibility for China and India also and would be very encouraged about those markets. But he is wearing a Seiyu pin here just to show the positive feeling about Japan.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

We've got time for one more question. [Clare]?

Unidentified Audience Member

Vicente, I understand that in Japan a major proportion of the business is in lease departments. And that's something that Wal-Mart doesn't really look to long term. And is there a prospect of doing something about it? And secondarily, it seems that Ikea could use some competition over there. And ASDA Living might have great application. Would you comment on that?

Vicente Trius - *Wal-Mart International - President & CEO - Asia*

Yes, actually, the lease departments in my mind are very complementary to a lot of the value proposition that we have in our general merchandise stores. So I don't see any major changes at this stage on the tenants because they're complementary. As

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we look at defining better and better formats, yes, there could be some changes. We define some of the formats, specifically the larger format being a Hypermarket or supercenter.

And as far as the question on Ikea, it's a category that I would have to analyze deeper to be honest. But I believe there should be an opportunity in categories by furniture.

Charles Holley - Wal-Mart Stores, Inc. - EVP - Finance, Treasurer

Okay. Thank you, Mike Duke. And thank you to International team. Let's turn it over to Doug McMillon, the CEO of Sam's Club. Doug?

PRESENTATION

Doug McMillon - Sam's Club - President & CEO

Good afternoon. I will talk a bit about sales and specifically small business, what we're seeing with small business, and also cover membership and then ask my direct reports to come up here and join me. And we'll introduce them at that time.

You saw the sales release this week for the month of May. And we released a 3.6% comp without fuel. And that was driven, as we mentioned, by some of the categories that have been driving sales for us over the last few months. That would include dry grocery. Our fresh business is doing pretty well, and then also consumables. We also called out video games. And we're being helped by being able to sell three formats there, with all three of them doing pretty well, and then also by furniture.

And the furniture change is interesting to me because our product quality has improved some. But the biggest single change is that we made a dramatic shift in many clubs in the way that we present furniture. We took the tall steel down and created vignettes on the floor, which just made a different visual impression to our members and caused them to have a different traffic pattern.

And so in a market that's not doing well in the country, we'll doing well. So I think that's something that we can learn from as we go forward. In general, the home categories have not been performing well. And apparel has not been performing well. And we mentioned that also.

Ticket and traffic were both encouraging in May. We saw Advantage members come in more often and spend more as well as small business. Small business is under pressure. They're feeling pressure from energy costs, food inflation, healthcare, and in some cases the credit markets, where sole proprietors may have been using some of the funding from their mortgage to help with their small business.

So because of that, we've seen some shift with some businesses that might have been making a tradeoff towards saving time to come back to Sam's Club to save money. So in a restaurant, for example, you might want to receive delivery to save yourself some time. But in today's situation, you're willing to make the trip to the club and shop across categories to experience the savings.

And so we've seen stronger comps with independent restaurants, independent convenience stores, and other types of small businesses. And I believe that's related to what's going on in the economy.

In October, I touched on membership. And the comment that I made -- yes, Tom?

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Unidentified Speaker

I had a number of questions here today about how we report our comps. Do we report them with and without gas? Isn't that correct?

Doug McMillon - *Sam's Club - President & CEO*

Yes.

Unidentified Speaker

And without gas means without gas.

Doug McMillon - *Sam's Club - President & CEO*

Yes.

Unidentified Speaker

There seems to be some inconsistency with how others might be reporting this, whether it's gallons or price or -- what do we do for --

Doug McMillon - *Sam's Club - President & CEO*

In our case, we take all of the gasoline business out of our comps. We take the gallons out. We take the dollar increase out. And I think that's important because not only is inflation really driving the price per gallon up, but because of price leadership, we're seeing a shift in gallons as well. So to make sure that we're presenting the most pure comp that we can, we're doing that entirely without gas, which I think is probably the best metric of the overall quality of sales.

Relative to membership, in October, I mentioned that we were running below plan, still ahead of last year, and I've been receiving questions about what's going on in membership. And I'm going to give you some additional information now.

Basically, what happened is we are feeling the effects of the price increase that we took, the fee increase that we took in January of 2006. And so as we went through this period on the back side of that increase, we have seen renewal rates hold solid. Both business and Advantage rates are in good shape, consistent with where they've been over previous years. And I'm not really worried about renewal rates.

But what happened is we didn't have on the back side of the fee increase as many new signups as we needed. And we did not change our tactics. And we didn't improve execution in the field with our sales forces outside the clubs. And so our new signup performance wasn't good. And yesterday's new signup performance is today's renewal performance in dollars. So we've been seeing renewal pressure in dollars.

Now recently, we've seen that turn around. And I would give a lot of credit to Cindy Davis, who we'll introduce in a second, and also Mike Turner and our team in the clubs for turning around what's happening in new signups.

They have held some events, like the 25th anniversary event. Sam's Club actually had its first club in April of 1983. So we celebrated our 25th anniversary and had three days where we invited non-members to come in and see the values that we offer. And so that helped us get the new membership, new signup number going. And it's continued to improve.

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So it'll take us a little bit of time to work through this issue as we feel the pressure on renewals, particularly because, as you see the number, we recognize it on a deferral basis divided by 12 months.

So there'll be a couple of quarters here that are going to be tough for us from a membership perspective. But I feel like that I'm encouraged and appreciative of what the clubs have done to turn that number around.

Last thing I would mention is that we're continuing to stay focused on three types of trips into Sam's Club, the first one being the small business trip, making sure that the assortments are right, that we have the price leadership position that we have, protecting the Gold Key hours, offering practical pick and pull.

The grocery trip for families -- our fresh food performance today gives me some encouragement relative to what's going to continue to happen with the grocery trip. I think between dry grocery, consumables, and fresh, we've got a compelling offering there.

And then this treasure hunt or affordable luxury trip continues to be important. As you know, we drove a lot of sales in electronics over the last few years. We still feel good about our electronics presentation. But we are going through a situation right now in televisions where the average price point has dropped.

Our units are up enough that we're still driving a mid-single digit increase in TVs. But electronics is not running the same kind of strong comps that it was previous to that deflationary impact.

So stay focused on all three of those trips. Stay focused on value, not just price, making sure that we are continuing to improve the brands that we offer and continuing to improve the quality that we offer under Greg Spragg's leadership.

And with that, I would like to invite my direct reports to come up this way. And if I could, I'll just introduce you on the way and ask you to raise your hand. First, I'll start with Cindy Davis. Cindy is relatively new to the team. She started in October. She's responsible for marketing and membership. She's a Senior Vice President and doing a terrific job. And she came from Rap Collins.

Also new to the team would be [Tim Yatsko] -- Tim, if you'd raise your hand. Tim is our Chief Administrative Officer. He moved over from logistics and picked up real estate responsibility, asset protection. He's responsible for working with Rollin's team in ISC and also process improvements within Sam's Club.

[Greg Johnson] has operations. [Louis Kirkwood] has finance. Scott Williams leads samsclub.com. [Sharon Orlock] leads our people division. [Whitney] heads our general counsel. And Greg Spragg is our Chief Merchant. And with that, we'll open it up for questions.

QUESTIONS AND ANSWERS

Unidentified Audience Member

Say hello to Doug and congratulating in the job you've done in driving business through the club. Just wonder if you could discuss in general terms -- I'm looking for help here -- in terms of the direction of the SKU count for the business and also your approach that you take in terms of the margin structure and related to that the value proposition and if there's any directional change in that also.

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Doug McMillon - *Sam's Club - President & CEO*

So I'll take all three of those. Number one, from SKU perspective, we do not have a plan at the moment to dramatically reduce SKUs. But we are reducing SKUs marginally, particularly in some categories where we've had some discipline opportunity. And so you won't see a significant change there.

From a margin structure perspective, obviously, the times that we're in with inflation and all that sort of thing are putting pressures in different places. The fuel business, as you know, has been pretty volatile.

But what we're trying to do is we're trying to negotiate the best possible cost we can with our suppliers. And we can continue to maintain price leadership and model our margins to grow. So I don't think you'll see an awful lot of change in margin structure there as well.

Unidentified Audience Member

And just competitively, I mean, do you sense much of a difference in terms of the strength of the value proposition versus your best competitor?

Doug McMillon - *Sam's Club - President & CEO*

I would say that in terms of the value proposition and the market in general, I feel really good about where clubs are positioned and Sam's Club in particular. We feel really good about our price leadership. We think that's meaningful at this point. And we think that there is some trip switching between maybe food retailers into Sam's Club and other club operators. So I think that's where you're seeing the real impact.

Unidentified Company Representative

We're managing that spread. And we're going to keep the spread. And we not only check ourselves, a large number of items in every club, but we also have a third party that verifies our pricing.

And there's at least one of you guys in here that does a check on a small number of items in one club, which can sometimes make things look a little bit misleading. We take a much larger sample. And we're going to continue to be the price leader.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

Okay. Next question? Up here.

Unidentified Audience Member

Thanks. Two questions just in terms of the margin opportunity. Can you just talk [perhaps] also in terms of private labels, where there's some today? And is there opportunity to grow that? And then second, you mentioned the treasure hunt in terms of a trip. Given the inventory overages in the industry, you talk about opportunistic buys. Are you capitalizing on those?

Doug McMillon - *Sam's Club - President & CEO*

So let's start with private brands first. I would say that we have been seeing an increase in penetration of private brands. They're representing a greater share of our overall business. I think part of that has to do with the fact that folks are looking for additional value today.

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I think part of it is that we've been actually much more aggressive, Cindy, in the promotion of the Members Mark brand in particular because we're really proud of the quality of that brand. And I think that that's probably driving as much of the take right now in our membership base as the value is.

Second question was are we taking advantage of opportunistic buys. We're getting some calls from folks that typically we would not have been able to do business with in the past. And I wouldn't call any of those out specifically at this point. But I think you'll see some brands that'll show up into the clubs that you have not been used to seeing. I don't think we've shared the percent of private label.

Unidentified Company Representative

We're operating in a 10% to 15% range. And it's going up.

Charles Holley - Wal-Mart Stores, Inc. - EVP - Finance, Treasurer

Okay. Do we have a question back here?

Unidentified Audience Member

Hi, Doug. Can you expand on that membership issue a little bit more? Just maybe is it geographically concentrated in the Sun Belt states or by business, individual customer type? And just wondering as you try to drive an increase in renewals, et cetera, are you thinking about maybe doing a pre-trial, like BJ's does, for a certain amount of period? Or is that just not even part of the consideration? Thanks.

Cindy Davis - Sam's Club - SVP - Membership & Marketing

So let me answer your first question -- your third question first, which is we're not looking at today at discounting the membership in the way that some of our competitors are. We really are focused right now on demonstrating the value of the membership.

And we're seeing interest in that value among non-members as well as members, who have every -- really everyone and everything from a marketing standpoint all the way through in club, Greg, focused on enabling our associates to very specifically on an item-level basis communicate the value of membership.

I think Doug mentioned on renewal rates. Renewal rates have held. We're feeling good about that. But we know we have an opportunity there as well. So what we're finding is the more we can reinforce that value to individual members, both on the business side as well as the advantage side, we're seeing that we have real opportunities to even further work with renewal rates. We see that as an opportunity. Does that answer all your questions?

Unidentified Company Representative

Geographically, we're not really seeing a difference.

Cindy Davis - Sam's Club - SVP - Membership & Marketing

No, I don't think so.

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Unidentified Company Representative

It's more about what we've done in our own execution than anything else.

Charles Holley - Wal-Mart Stores, Inc. - EVP - Finance, Treasurer

Okay. Doug, thank you. Thank you, Sam's Club. Next up, we'll hear from Tom Schoewe, our Chief Financial Officer. Tom?

PRESENTATION

Tom Schoewe - Wal-Mart Stores, Inc. - EVP, CFO

Rather than provide any kind of a presentation, I'll do my best to anticipate some of the questions I think you might have. And first off, any number of you have asked about earnings guidance for the second quarter. What I'd remind you is we have a protocol that we plan on following.

And that is we'll wait until after we have reported our comp store sales for the second month of the quarter in the even that we feel the need to update our guidance. That will be the time at which we do that.

The second question might be, "Tom, is capital efficiency still kind of important here? Is it on the [hit rate] of the company?" You heard the presentation this morning I hope. It's not only very important. It's driving all of the strategic activity in the company.

And that's being reinforced by the variable compensation programs that we have in place, too. That's right. We're putting our money where our mouth is. And the long-term incentive for the senior leadership that you're seeing here is tied in large part to return on invested capital. So I think that sends a very, very significant message.

Getting very specific inside capital efficiency, on the capital spending side of things, we did provide a range for CapEx in the current year. I think it was 13.5% to 15.2%. We're a third of the way through the year.

And I would tell you that we're pretty confident now that we will in fact be at the low end of that range as we exit fiscal 2009. I don't need to cover cannibalization. I think Eduardo did a beautiful job on that. So I don't anticipate that one.

The next question is, "Tom, you mentioned transformation or significant information systems projects. What's the status of those? And they still present any kind of a headwind for earnings?" Three very specific initiatives going on, and each one is in a different state in its evolution right now.

First and foremost, John Fleming, in terms of merchandising, we're doing everything we can to upgrade the merchandising systems inside Wal-Mart U.S. And those will spread around the world. In many cases, those will be homegrown solutions, those that'll really meet the needs tailor made for our internal operation here.

Second would be the finance application. What we do in finance is not all that much different than other people's around the globe. So what we're going to do, Rollin, is leverage applications that are available outside the company.

And we'll just leverage that technology. And that unfortunately will take a little bit of time. But what I can tell you is we're well into the process right now. We're on schedule. And a couple of our international operations are fully engaged and within the next 12 months will be up live and running.

In Human Resources, very important process there, much like finance. We'll lean more on some external applications, Rollin, than we will on some of the other areas. That one might be a little bit behind finance in the sequencing of things.

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But these are all important things. They're on track. Unfortunately, they can be kind of expensive. And that's why we've brought it out. It's a big enough deal that creates headwind in that other segment that we talk about each and every quarter.

The next question is, "Okay, Tom, share repurchase -- the share price is a little bit different today than it was a year ago. What are your plans with share repurchase?" Obviously, I'm not going to be forecasting to you all what's going on in share repurchase.

What I can do is point you to what's happened in the past. And that is when our share price was \$42 or \$43 a share, Carol, we were reasonably aggressive out in the marketplace buying our shares.

As things have changed, as the share price has increased and improved a little bit over the last little while, while the rate has come down, we're still out there in the market. And we have historically been buying shares. As is the case in the last several quarters, the 10-Q that we file after a Q2, Charles, will include a month-by-month breakdown of our share repurchase activity. Now let's see how good of a job I did in anticipating your questions.

QUESTIONS AND ANSWERS

Charles Holley - Wal-Mart Stores, Inc. - EVP - Finance, Treasurer

I'd like to remind everybody please state your name and firm since we are being webcast. All right, questions? Deb?

Deborah Weinswig - Citigroup - Analyst

So, Tom, you guys have obviously done a lot with the sustainability and taking a lot of freight off the road. Can you also talk about other areas of transportation management and the opportunities to continue to cut costs there?

Tom Schoewe - Wal-Mart Stores, Inc. - EVP, CFO

Even though this is my time, maybe I could ask Johnnie Dobbs to help me out since he's the expert there.

Johnnie Dobbs - Wal-Mart Stores, Inc. - EVP - Logistics & Supply Chain

Yes, we've really attacked it on several fronts. First of all, Lee got us started off with focusing on miles per gallon. So the transformation we're making in our fleet is driving improvement in miles per gallon.

Other areas would include freight consolidation points. Does it make sense to move freight all the way to a distribution center? So we're working collaboratively with our suppliers to look at different ship points and align our ship points with their manufacturing points. So that's a big one.

The third would be just cube utilization, how you plan the loads. And we're looking at a metric I don't know that anybody else in the industry's looking at, but selling units per cubic foot. So you may have a trailer or transportation mode cubed out.

But how many selling units do you have there? The packaging is inefficient, how it's moving to one place to another is certainly another point that we're working on, and then just how much cube you route and put together.

So those are things. And then routing, our cross -- we've got seven or eight channels that we move product through internal to our network. So as those crossover, how do you put those things together and move them more efficiently?

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And we didn't anticipate fuel being as high as it is today. But we knew it was going up. So we put a team together in our transportation organization that's specifically focused on these areas and driving out efficiency in those areas.

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

We have in the past and will continue to backhaul as well, Johnnie, right?

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

Let's go in the very back.

Bob Drbul - *Lehman Brothers - Analyst*

Tom, two questions for you, the first one on the CapEx. Bob Drbul from Lehman Brothers, sorry. With the low end of the CapEx rate for this year, can you give us an update on the breakdown of domestic versus international and the change and how that would shake out?

The second question is in your June comp guidance, what's the assumption on the tax stimulus checks that you have implemented for June? Were you thinking that 2% to 4%?

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

Yes, the CapEx question, I would tell you that while there have been reductions across every aspect of the enterprise, Charles, versus what our initial guidance had anticipated, the most significant reduction, Eduardo, has happened in the United States across the Wal-Mart Stores U.S. operation. So I think that's really the answer to your first question.

Second had to do with the stimulus estimates. We're not going to provide a quantification inside the 2% to 4%, Charles, I believe that was the guidance we provided for comp store sales.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

Yes.

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

But what I would say is our explanation for those results would mirror the same comments that Eduardo provided for what happened in the month of May.

Now one other thing, as you're probably more aware than I am, this whole calendar thing can be ultra confusing. I mean, you've got the [do-in] calendar. You've got a [four or five forward] calendar. And what day of the week you start with can influence your results. If I'm correct, we're now into the four-five, the five-week period, that five-week period I believe, John Fleming actually has two first of the months. Is that correct? And that, too, would be included in the estimate that we provided to you.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

Next. Over here.

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Unidentified Audience Member

Tom, I want to just follow up on the CapEx question (inaudible). You mentioned that the majority of the savings might've come from the U.S. Could you specific whether they came from fewer units, smaller units, less remodeling, or maybe lower construction costs?

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

What I would say is it's mainly productivity and cost related. It's not a function of lower units. The number of units, Eduardo, that we'll put on the street is very similar to the guidance that we would've provided at the beginning of the year. Is that correct? Yes. But is [Eric Soren] still here? I think there are some trends in costs that you might want to share with the team.

Eric Soren - *Wal-Mart Stores, Inc.*

On the question on construction costs, we are seeing some relief, even with the cost of asphalt-based products and commodities going up. With the residential slowdown across the country, we have seen specifically that when our projects come back before they're awarded, in the aggregate and in many, many individual cases, they are trending down to the last year economy.

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

Thank you.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

Okay? Let's go to the very back. We haven't gone to the very back.

Lee Scott - *Wal-Mart Stores, Inc. - President, CEO*

What impact do you think --

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

This is not fair.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

Could you state your name and your company, please?

Lee Scott - *Wal-Mart Stores, Inc. - President, CEO*

My name's Lee Scott. I work with Wal-Mart. What impact do you think the new administration will have on economic growth in 2009?

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Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

I think that's such a hard question. I'd wait for our next speaker to answer that question.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

Okay. Next. Let's do Greg.

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

Greg?

Greg Melich - *Morgan Stanley - Analyst*

I can't follow-up that one. That's for sure. Really two questions, Tom, one a very CFO question. Your balance sheet's strong. Your cash flow's great. It's not that great for a lot of vendors and other vendors out there in terms of higher credit costs the last year.

How do you think about payable terms? We're in a longer term. We want to stretch them as much as we can, when it may be better to buy the product cheaper but pay the vendor faster if your finding costs are cheaper? How do you think about that strategically?

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

Why don't I wait on Eduardo and Doug first? And then I'll maybe finish up. Could we get Eduardo a mike because there's a very concerted effort on a supplier-by-supplier basis? And as Eduardo's getting up, I can tell you it's one size does not fit all right now.

Eduardo Castro-Wright - *Wal-Mart U.S. - President, CEO*

Yes, that's exactly the case. In general terms, what we need to do is to pair the terms to the inventory levels. And so as we have been reducing inventory, we get a benefit from that because we obviously are not changing terms.

The fact is that on a case-by-case basis, we would look at opportunities like the one that you just mentioned. Having said that, the longer-term strategy is not -- has not changed and continue to manage the business with the same parameters in terms of payables that we had when we first started this downturn in the economy.

Greg Melich - *Morgan Stanley - Analyst*

And to follow up if I could to that, gross margin rate (inaudible) gross margin dollars. So inflationary environment, try to hold the line as long as you can. But when you do finally have to move, how do you think about the decision? Do we try and pass through the dollars per item or a gross margin rate given all the SG&A costs that would be going up out there?

Eduardo Castro-Wright - *Wal-Mart U.S. - President, CEO*

We manage the business in terms of penny profit, so dollars -- that's the way that we manage our business. So does that answer your question? Okay.

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Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

Yes, and if I could add one last thing to this overall discussion on payables, Doug and Eduardo are not giving themselves enough credit or Mike Duke. One of the metrics we look at internally, all consistent with this capital efficiency model is what are our payables as a percentage of inventories? And what I could tell you is year over year, the trend there is not only favorable, it is very favorable and, Charles, north of 80% on that ratio as we ended the first quarter, solid progress.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

Okay. Next? At the end in the back.

Unidentified Audience Member

(inaudible) Jefferies. On the topic of inflation, are you expecting any [light bill] charges this year? And then if you could just comment on PP&A growth this year, any wage inflation you expect?

And then one final thing on the systems cost, just doing some quick math based on what you told us in Q1, seemed like a lot of the deleveraging in SG&A was tied to that, almost all of it perhaps or a good chunk of it. I'm just curious how much should we be expecting in Q's two and three.

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

On the light bill question, well, it's early. My preliminary indication would be that we don't anticipate at this point a light bill charge. That's obviously something we're going to need to evaluate quarter to quarter. Right now, I'd say the answer is no.

In terms of the deleveraging on SG&A in the first quarter, there are any number of items that would've influenced that. Clearly, the systems initiatives that I talked about were a headwind and part of the deleveraging.

But also included in there are just very natural things that have to happen with accruals, those that relate to variable compensation that's paid year over year, the timing of legal accruals year over year, any number of things.

If your takeaway is all of that was systems related, that would be a bad takeaway. It was a combination of several items, not just those systems initiatives. Is there a third question?

Unidentified Audience Member

On wage inflation and PP&A growth, your outlook based on versus what you were thinking at the beginning of the year.

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

I'd say what our initial guidance was based on has remained the same.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

Okay. [Maggie]?

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Unidentified Audience Member

Thank you. Tom, I was wondering if many of your international countries were self funding and to what extent. And what is going to be your future policy in this regard to returning dividends to these countries or possibly transferring them to other places? And then I have a second question.

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

Charles, why don't you go ahead and handle the Treasury side.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

Well, we still have, as you know, a lot of growth in international. And our policy has been and continues today to be investing abroad. And so we do have -- it's true -- we do have some countries that are cash flow positive.

But when we have the opportunity, we will shift that cash to the countries that are still net investment. And so that has not changed as of today. It may in the future. But right now, we're still investing in stores internationally.

Unidentified Audience Member

And then my second question concerns your efforts on the energy efficiency in the stores. Obviously, you've been doing a lot of experimentation. There's a lot of stuff that you can put back into older stores. And I'm wondering if we're going to see increased capital going to that in the future. And are -- have there not really been many great breakthroughs there yet?

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

Eduardo, you might want to chat about the energy efficiency inside the stores and place that in conjunction with the remodel plans that we have going forward.

Eduardo Castro-Wright - *Wal-Mart U.S. - President, CEO*

What was the question exactly?

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

She was curious about the effectiveness of some of the energy efficiency initiatives that we have in the stores, like the store that we would've visited in Kansas City, et cetera, where we're -- the sustainability, the impact on the store operation, and the cost associated with that, whether there are savings or not.

Eduardo Castro-Wright - *Wal-Mart U.S. - President, CEO*

There are lots of opportunities. And you have to remember that we embarked on this program just a couple years ago on trying to apply technology to improve the energy use in stores.

We have 3,600 stores in the United States, so trying to get all of those stores to the level that -- we have a few where we have tested those technologies. It's a challenge that would require, to Tom's point, that we integrate those improvements to our remodeling program.

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We're -- there was a question in terms of capital before that touched on remodels. Might as well cover that today, right now. The remodel program that you will see us embark on is -- it's an accelerated program for next year and the year after next. We will be increasing our investment to refurbish and update our existing stores. As a result of that, you'll see a lot of the initiatives in energy savings applied at the time that we remodel stores.

So a good number to think about is if this year we'll remodel over 350 stores or so, next year, we'll do almost twice as many. We think the following year we'll do about the same number.

And then you have new stores that obviously have new technologies and energy saving initiatives in their initial designs. Then you'll end up with probably about slightly over 2,000 stores by the end of fiscal year '10 that should have -- by the end of fiscal year '11, I'm sorry -- that should have most of those energy-saving initiatives in place.

Tom Schoewe - *Wal-Mart Stores, Inc. - EVP, CFO*

Thank you.

Charles Holley - *Wal-Mart Stores, Inc. - EVP - Finance, Treasurer*

Okay. Thank you, Tom. Now I'd like to introduce our Chief Executive Officer Lee Scott.

PRESENTATION

Lee Scott - *Wal-Mart Stores, Inc. - President, CEO*

All right, Charles has given me a sheet of what to say. A comment on May sales, they were good. And then I have another sheet here that says that crude today is up \$10.75 a barrel to \$138.54, Eduardo.

Gasoline is up \$0.20 a gallon. Diesel, Johnnie, is up \$0.28 a day. The U.S. dollar is in a tailspin versus the euro. And Israel has commented on a possible attack on Iran over nuclear weapons. And Morgan Stanley has forecasted \$150 a barrel oil by July.

Rather than cover all that, maybe what I'd do is just very quickly run through kind of my direct reports' areas of responsibility very quickly and kind of tell you where we stand on some of the things that we are doing.

In Human Resource, we are focused on management development. We answer all of our questions as obtusely as possible. And one of the things I was asked earlier in the press conference was about when you think about growth, do you have a shortage of capital, human capital, and financial capital. And we said we basically don't have a shortage of any.

The truth is there are probably more opportunities in the world when we really would have people who take advantage of them if you really thought about it because with the momentum we have and how we've galvanized our focus around save money, live better, I think we have a lot of confidence right now that this thing will work in a lot of places. Sam's will work in a lot of places. Wal-Mart will work in a lot of places. Small stores will work in a lot of places.

Susan Chambers' team is really working on individual development plans driven through the company for our people as well as external recruiting to augment the people that we do have. But that's the minor part is the outside recruitment.

Internally, we have a number of talented people. And we have got to get our foot on the accelerator on the development of those people. And that's what we're working on. We spent a great deal of time at the board meeting yesterday talking to the board, at the committee meeting on Wednesday and at the board meeting, on development of our people, particularly this

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group of people that you see in here, the country presidents, the people here, the people at Sam's in the back, very talented people who can do a lot more for this company. And we've got to develop them.

Rollin has done a very -- well, let me go back to the Chambers area because the other thing -- she has somebody named [Linda Dillman] who works for her -- I believe still works for the company. I haven't seen her in months. Is she here? I didn't think she probably would be.

But anyway, she has done an incredible job in giving Wal-Mart validity and authority in the healthcare discussion. It doesn't matter where you go, in Washington D.C. or in the state capitols, and you talk about healthcare, Linda Dillman is quoted.

And she has single handedly helped us get our healthcare program for our associates where it needs to be. And she has represented us outside in an extraordinary way and has positioned us for the next administration, whoever that may be. She has positioned us very well. All of that is under Susan Chambers.

Rollin Ford in systems has come in with an outside perspective and has done a very nice job in working with his people all the way down through the programmers in instilling a new sense of enthusiasm and commitment with them as well as creating an innovation lab that my wife and youngest son toured yesterday that has created real sense of energy about where this company is going.

We told the board yesterday -- it's no secret -- that Rollin right now is taking every corner on four wheels. We are telling him he's got to take the corners on two wheels. He's doing a great job. We just want him to go faster. And so -- but we don't want any crashes. We just want to go faster, but doing a very good job.

Tom Schoewe you're all familiar with. The thing we don't talk about as much as we should is that we have great controls in this company. We have a commitment to controls. We are doing a very good job.

In fact, there isn't any doubt that when it comes to development of people and the appropriate responses to risk and controls that Tom and his team have done the best job in the entire company and set the bar that everybody else shoots for when it comes to our people, asset reviews, and people development programs. So they've done a very nice job.

Tom Hyde in the legal department, we have the largest number and the best lawyers available. We also have the largest number of lawsuits available. But it is well managed. It is well controlled. The risks are appropriately evaluated. They are dealt with in a very serious manner. And everybody is kept informed from the people involved through the board. But it is managed very professionally.

When it comes to communications and government relations, [Leslie] and his team and the foundation are very well managed. We are well positioned for the next administration when it comes to the context we have made, the relationships that we have developed, and how we as a company are positioned so that we're not isolated as we were three years ago.

Whether you want to talk about what we've done in outreaching diversity, what we've done in healthcare, what we've done in sustainability, what we've done in our foundation and outreach and things that are important across both sides of the aisles to the opinion makers, all of those things have been done in a very strategic way to cause us to be embraced by people who in the past we wouldn't necessarily have been embraced by.

We are telling our story in a much more aggressive and much more meaningful way. But I will tell you this. We also are not over-telling our story. We're telling our story appropriately. So we are in good shape when it comes to the structure and the backbone of what the company is.

When it comes to the operations side, you heard the stories. Each one of them have talked about it. We have extraordinarily strong teams in international. I wish you had the time to get to know Vicente or Craig Herkert or Ed Chan, just make a list, or

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Andy Bond or whoever else. They are doing a good job. Our comp store sales in every country that we are in are exceeding the competition. That is remarkable. And that is the expectation, mind you. And so we feel good about where we are.

In the U.S., we are well positioned. We're well positioned with Sam's in what they can do. I think Cindy has been a great addition to the team. I think that membership and marketing has been a weakness for us. Mike Turner you don't know. He's been a great addition in the membership side.

Marketing is going to get more sophisticated. I think that we can gain momentum in the Sam's side. They've done a nice job. But I think they can gain momentum. The Wal-Mart U.S. is just a great story. The stores look better. They are better. And what you haven't seen is the merchandising side as it comes together. Is that fair to say, Eduardo?

You've seen Bill Simon and his team. And it's not all Bill Simon. He's got five divisional presidents who are doing a very nice job in helping these stores be what they ought to be, cleaner, friendly, faster.

And it's not all Bill Simon. And he's got regionals that are doing it. You've got this health and wellness thing led by the [admo]. And they -- and we are making a difference with \$4 generics. And we are getting new customers.

You've got the difference that John Westling and his team have made in inventory management. So it's better managed. What you're going to see little by little, week by week, and month by month, Mr. Fleming assures us, and you can see it on the floor as they do their layouts for their new modulars, is you're going to see the merchandising side of that coming together and gather strength as you go along.

Then you take that and pull that altogether with things like financial services and things Jane Thompson and others are doing. We should on a relative basis to our peers because none of us have any idea what \$10 additional, \$20 additional cost per barrel of oil is going to do to us. But on relative basis to our peers, we should be well positioned. So as a company, we are in a position of strength.

Now let me tell you this. That's the good news. We still have areas that we are not nearly as good as we should be. We are better in global procurement than we were last year. But we are nowhere near where we have told you we would be year after year as we have sat in here and talked to you about, nowhere near. And we have got to get better in global procurement.

And we still have stores that are not reflective of the standards that we as a company want to have. And I'm not just talking about in the U.S. It's true in Japan. It's true in Brazil. It's true in China. And we have got to close the gap between our best stores and our poor stores, our best clubs and our poorest clubs.

And we still do not have every manager committed to sustainability, to diversity, to the things that make us a better company and cause everyone to be able to embrace us. And as we get to be a big company, let's say \$500 billion, we can't have those failures because those failures are going to be spotlighted.

And we have to have greater consistency across the company because each of those failures is going to be highlighted to the degree that it will just be more exposure than we can stand. Every element of what we do we can be better at. I think this management team is committed to being better at each one of those elements.

So that's kind of the bad news. On the other hand, I think it's kind of good that you're \$400 billion and you could be that much better than you are, which is really the position that we are in. We are not -- as good as the Wal-Mart U.S. stores are today, they are just at -- what stage of that three-year plan you had -- what month are you in?

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Eduardo Castro-Wright - Wal-Mart U.S. - President, CEO

My boss always is teasing me that what's going to happen he asks us. He's asked me several time when we get to the fourth year of your three-year plan. So that's what he's referring to. Fortunately, we are in 2.5 years into the plans. And we're doing quite well. So there are lots of opportunities out there. We would be right now in the sixth month of our third year, so.

Lee Scott - Wal-Mart Stores, Inc. - President, CEO

The sixth month of the third year because, in my opinion, it wasn't like you got to the 36th month and everything was done. You get to the 36th month, and it was like the start of things being good.

So I mean, to me, that's kind of where the Wal-Mart Stores group is. It is just at the start of things really being good. And I find that encouraging. So with that, let's open it up for questions. And if you could make them as shallow as possible, I'd appreciate it.

Charles Holley - Wal-Mart Stores, Inc. - EVP - Finance, Treasurer

All right, questions for Lee. Let's go here in the back, [Dan]?

QUESTIONS AND ANSWERS

Unidentified Audience Member

In your formal remarks, you made some comments about being embraced by those that have not embraces before. And I'm curious with all the initiatives you've executed on and green initiatives and healthcare, are you finding that there are communities that are now looking at Wal-Mart differently and perhaps welcoming Wal-Mart in their community that they weren't willing to do before?

And then secondly, if you could comment on brands just generally. You've come a long way on brands just in the last couple of years. What can we expect on brands, particularly in apparel going forward, maybe anywhere in on the rest of the store?

Lee Scott - Wal-Mart Stores, Inc. - President, CEO

I cannot comment on brands. Really, the way we're trying to run the company today, which is so painful for me, is that brands in the U.S. are Eduardo's business. What I was talking about in my speech is -- can I say about our meeting with the Majority Leader in the Senate?

Unidentified Company Representative

Can you say what?

Lee Scott - Wal-Mart Stores, Inc. - President, CEO

I'm talking to Leslie, not to you. You don't have anything to add to that conversation. No direct quotes. Anyway, I went to Washington D.C. and I met with a couple of very important Democrats, neither of whom the last time I went to Washington D.C. would see me.

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And both of them allowed me in their office because of what we had done -- and told me this -- what we had done in healthcare and what we had done in sustainability. That was the only reason we were allowed in their office, even though our opponents outside of politics had encouraged them not to see us.

But the argument for us had become so compelling that they allowed us in to at least visit with them about what we were doing. And that's progress. [Eric Zorn] I don't know if there's a community that has allowed us in that previously would not have.

Unidentified Company Representative

I think really to answer the question honestly, Lee, the formation of or the integration of operations and real estate and government relations together in a much more proactive approach upfront with communities, on top of that integrating in the store, the community approach has really helped. Some of our sustainable designs have been very, very beneficial. And the reaction that we are getting in more communities than in the past are definitely more positive.

Lee Scott - Wal-Mart Stores, Inc. - President, CEO

Those are helping, yes. But we haven't had anybody who just -- I mean, New York City -- I just talked to the Mayor, who wants us. And Donald Trump called this week. And he'd like to have us. But in general, New York City hasn't called and said please put a store there. Things get bad enough, they will. And you'll get a raise.

Charles Holley - Wal-Mart Stores, Inc. - EVP - Finance, Treasurer

Let's go back to Greg.

Greg Melich - Morgan Stanley - Analyst

Thanks. Lee, two questions. First, last year was a pretty dramatic slowdown on the square footage growth that was announced --

Lee Scott - Wal-Mart Stores, Inc. - President, CEO

Yes.

Greg Melich - Morgan Stanley - Analyst

-- at this meeting. If you look out three to five years, do you think we're at the right rate now of store openings or growth rate? Or how do you think about that? Or is that something that we would reaccelerate once the stores were operating you think more optimally?

Lee Scott - Wal-Mart Stores, Inc. - President, CEO

There's an internal debate. There are people like Eduardo, who think it might accelerate. There are people like me, who think that this is about the level we'll be at.

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Greg Melich - Morgan Stanley - Analyst

Okay. And then the second question, on the shallow theme, as a sign of change, which Vice Presidential slot would you be more interested in the last couple months?

Lee Scott - Wal-Mart Stores, Inc. - President, CEO

If they do away with the background check, either one. In this job, I learned to be really flexible.

Charles Holley - Wal-Mart Stores, Inc. - EVP - Finance, Treasurer

All right, let's go to the very back, [Bob]?

Unidentified Audience Member

Lee, when you think about the retailing environment that we're in today, can you talk about what you're seeing and feeling around the competitive pressures, direct peer competitors, and what surprises you've seen out there over the last six or eight months?

Lee Scott - Wal-Mart Stores, Inc. - President, CEO

The biggest surprise I have seen was this week in the sales results. I was shocked that our competitors did not pick up more sales last month with the checks coming out, right, Eduardo? In private conversations, I was shocked.

And I know we cashed the checks. And we did all that. But there are a whole lot of people who made \$50,000 and \$60,000 a year who got those checks who didn't go to a Wal-Mart store to cash them. And those people got those checks.

And many of those people spent those checks. Not everybody paid off bills or whatever. And I wonder what the true run rate is of some of our competitors if during a stimulus package they still ran the kind of increases that were -- or decreases -- that were posted this past month.

And I will say this. And I do not want it to sound as -- probably as bad as it's going to sound. But I have an extraordinary amount of respect for what our team has done, this group here, both Sam's and Wal-Mart, that I would tell you that sales report raised my level of respect of what they have accomplished because I saw the results everyday.

I get up. Before I do anything, it sits by the sink. And I look at sales 5:45 every morning. And my assumption was when all these reports came out everybody else was going to have that upside. And I was shocked.

So that was the greatest surprise. I am so -- I can't get a sense. I know we're different because of the improvements that these teams have made. But I, for the life of me, don't understand. Is it because some of the other competitors had so much focus on apparel and apparel in general is so difficult? Is that what it is?

Or are these people just capable right now of taking so much market share across the daily needs of life that they are just taking that market share out of the business?

But I would -- I thank God we are positioned like we are this year versus if we -- if you had this economy at this time last year when we were positioned like we were, I wouldn't be up here answering your questions probably.

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Charles Holley - Wal-Mart Stores, Inc. - EVP - Finance, Treasurer

Okay. Next question.

Unidentified Audience Member

Thank you. Lee, many of us have heard you talk about the inverse relationship between gas prices and your comps. And as you said, many comps are strong. And you had oil hit \$138. Do you think the stimulus checks are masking that impact? And are you concerned as we head into the back half? Does it have a bigger impact going forward?

Lee Scott - Wal-Mart Stores, Inc. - President, CEO

I think without a doubt that because of the changes in our stores that we have -- that there are people who are buying from us. So I just told this story. And I apologize that I am a storyteller, that I use stories as far as relating actual events.

I talked to this guy in Florida yesterday. And his mother is a shopper of a very large regional chain in Florida. And she has -- her niece is now shopping for her once a week at a Wal-Mart Supercenter in the Bradenton area. And she has found that she's saving 30% by having her niece shop with her at this Bradenton Supercenter versus the regional chain.

And so this guy, who works, is an upper-middle class guy. He and his wife have talked about it. So this weekend, they are going to go to the supercenter because they've always shopped at the regional chain. And I think that's part of what's happening. I mean, I think we are picking up additional customers.

And I don't know if Eduardo agrees with that or not. But I think we are. And I think we're getting a bigger share of our core customer's wallet. I think we are picking up additional customers. And I think that at the very time customers move to us, this team had our stores ready to receive that customer.

I think if we hadn't cleaned that store up that, first of all, I'm not sure the customer would've stayed with us after the first trip. And secondarily, as soon as the economy changed, I think we would've left them -- that they would've left us.

I think we're positioned now not only to receive them, I think we're positioned to keep them. And if you add on top of that what [Linda Heffner] is doing and what [Dotty] is doing, I think we have a chance of not only keeping them, but expanding our penetration into their purchasing when times get better. Would you agree with that, Mr. Fleming, that we aligned (inaudible), right?

John Fleming - Wal-Mart U.S. - EVP, Chief Merchandising Officer

Yes.

Lee Scott - Wal-Mart Stores, Inc. - President, CEO

Okay. Bernie?

Bernard Sosnick - Gilford Securities, Inc. - Analyst

Keeping those customers with you, in that regard, could you amplify a little bit about changes in the look and feel of the Wal-Mart stores as exemplified by the North Little Rock store and where you may -- what your thought process is going forward?

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Lee Scott - Wal-Mart Stores, Inc. - President, CEO

Well, it's not my thought process. It is not. I mean, I would tell you in some of the things that they did it in spite of me. I mean, we built this business being intensely merchandised. That's how we outsold everybody per square foot.

And I'm not sure in some cases -- did we go too far? I mean, they have created more customer space. It is a much more pleasant shopping environment. But I'm not sure this group is sure that they have arrived at nirvana. I'm not sure that they're not still tweaking that can you have that same sense for the customer but still have just a little more intensity of the merchandising? I think that's a fair question.

But I think what they have determined is that we had abused the customer space and that more space for the customer, more editing of that assortment that we had gone too far and that we didn't really have -- we were not assorted. We just had a lot of items.

Fleming showed me a deal on -- what did you show me, coffeemakers? We had like 35 coffeemakers. And they started at like \$19. And they went to \$36 or something like that. And I mean, and they were just on top of each other. But at the end of the day, there was no assortment. There was just a whole bunch of different items.

And then he laid down and showed me what a real assortment of coffeemakers would look like. And you can have a lot less items but have a better assortment. And that's what John is teaching. And when John -- I tell this story. And John hates it. And I understand why he hates it. But if you can't embarrass people, why be a CEO?

When we hired John, I thought he could be like on a one to ten, ten being the best, I thought John could be like a three or he could be a seven. Now I mean, I think he could still be a three. But he could be like a nine. He is an incredible merchant.

And not only that, he's a great leader. And what you see him doing is he's teaching people that assortment story. And he's starting to have an impact out there. And that's why I think Eduardo's three-year plan is just -- when he gets to the end of the three-year plan, that's why it's just the start. It's not the end because John's just now getting to the point where he's got people who believe him.

I mean, think about what Eduardo had to fight through to get done what got done because I'm going to tell you there's a hell of a lot more believers today in what Eduardo wanted to do than there were a year ago. And so now you're starting to get people who actually understand it.

Our pet department is running incredible increases. And they've cleaned up the assortment. And they've gone into fashion. But it's a whole different-looking pet department than Wal-Mart had. [Jody Penson], is that her name? She had to fight through that.

So those are the kinds of things that are happening, Bernie. And I think you'll see us make these changes. And I think you'll see us go a little too far. I mean, we're -- I'm sorry -- but we're kind of a ditch-to-ditch company. And we try not to be.

But we'll go a little too far. And then we'll have to come back a little bit. And that's just the way we'll manage. But I think Little Rock is kind of a representation. There'll be another representation that comes along in Dallas or somewhere. Is that right?

Eduardo Castro-Wright - Wal-Mart U.S. - President, CEO

In Houston -- one in Houston, one in Dallas by November, right?

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Lee Scott - Wal-Mart Stores, Inc. - President, CEO

By November.

Eduardo Castro-Wright - Wal-Mart U.S. - President, CEO

That would include a lot more and that really represent the thought process that we have today relative to stores.

Lee Scott - Wal-Mart Stores, Inc. - President, CEO

Stephen Quinn is probably the guy who's creating the guard rails in marketing, that is creating the guard rails. It's kind of keeping everybody, including professional services, optical -- we don't talk about [Jeff McAlister] in optical -- but they are doing really well.

And they're starting to really use modern technology to do what Sam did intuitively about the customer and then create the guard rails that then take John's vision of assortment and make it understandable kind of category by category by category and then make it to where you can replicate it and make it a mass channel.

And Stephen had a meeting with Rob Walton this week. And because he wanted to do something and it was a little controversial -- one of the ways I keep this job is when you have something controversial, you send the guy directly. And then if it doesn't work, you know. And it was about the feminization of the name of Wal-Mart and all that. And I didn't think that was something that Rob would have a terrible interest in.

But anyway, so after the meeting, which went really well, and Rob thought it was the greatest idea in the world. And then Rob wanted to talk about Stephen's thought process and how integrated it was and then how you could create a greater understanding of the company that could create greater learnings for everybody. And I thought -- I mean, that's part of what's making this whole thing work.

And I know that's a long answer. But I think it's important as a shareholder that you understand I've been here a long time. I've been here 29 years. This isn't like here's where we are now. This is -- what these people have done is put together something that has come together that they can push forward and keep going.

This is something that isn't a one-time deal. And I think as a shareholder, for me, that's the most encouraging thing. Can it last three years? Can it last four? Can it last five? It's not a one-month deal.

Now what happens to the economy, I don't know. But on a comparative basis with our peers, this can last. I think we're out of time. That's it. Because I figure if you give long answers, you can't ask me any questions.

Charles Holley - Wal-Mart Stores, Inc. - EVP - Finance, Treasurer

Thank you, Lee. Before we close, just would like to -- ask everybody to mark on your calendars our analyst meeting will be October 27th and 28th. We'll be sending out information in the near future on that. And with that, thank you for joining us today. This will conclude our analysts' session.

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