

Walmart Inc.
Form 10-K
March 28, 2019
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ý Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
for the fiscal year ended January 31, 2019, or
¨ Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
Commission file number 001-6991.

WALMART INC.
(Exact name of registrant as specified in its charter)

Delaware	71-0415188
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

702 S.W. 8th Street
Bentonville, Arkansas 72716
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (479) 273-4000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	New York Stock Exchange
1.900% Notes Due 2022	New York Stock Exchange
2.550% Notes Due 2026	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ¨ No ý

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ Accelerated Filer ☐

Non-Accelerated Filer ☐ Smaller Reporting Company ☐

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of July 31, 2018, the aggregate market value of the voting common stock of the registrant held by non-affiliates of the registrant, based on the closing sale price of those shares on the New York Stock Exchange reported on July 31, 2018, was \$126,810,267,035. For the purposes of this disclosure only, the registrant has assumed that its directors, executive officers (as defined in Rule 3b-7 under the Exchange Act) and the beneficial owners of 5% or more of the registrant's outstanding common stock are the affiliates of the registrant.

The registrant had 2,869,684,230 shares of common stock outstanding as of March 26, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held June 5, 2019 (the "Proxy Statement")	Part III

Walmart Inc.
Form 10-K
For the Fiscal Year Ended January 31, 2019

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WALMART INC.

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED JANUARY 31, 2019

All references in this Annual Report on Form 10-K, the information incorporated into this Annual Report on Form 10-K by reference to information in the Proxy Statement of Walmart Inc. for its Annual Shareholders' Meeting to be held on June 5, 2019 and in the exhibits to this Annual Report on Form 10-K to "Walmart Inc.," "Wal-Mart Stores, Inc.," "Walmart," "the Company," "our Company," "we," "us" and "our" are to the Delaware corporation named "Wal-Mart Stores, Inc." prior to February 1, 2018 and named "Walmart Inc." commencing on February 1, 2018 and, except where expressly noted otherwise or the context otherwise requires, that corporation's consolidated subsidiaries.

PART I

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K and other reports, statements, and information that Walmart Inc. (which individually or together with its subsidiaries, as the context otherwise requires, is referred to as "we," "Walmart" or the "Company") has filed with or furnished to the Securities and Exchange Commission ("SEC") or may file with or furnish to the SEC in the future, and prior or future public announcements and presentations that we or our management have made or may make, include or may include, or incorporate or may incorporate by reference, statements that may be deemed to be "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Act"), that are intended to enjoy the protection of the safe harbor for forward-looking statements provided by the Act.

Nature of Forward-Looking Statements

Such forward-looking statements are not statements of historical facts, but instead express our estimates or expectations for our consolidated, or one of our segment's, economic performance or results of operations for future periods or as of future dates or events or developments that may occur in the future or discuss our plans, objectives or goals. These forward-looking statements relate to:

- the growth of our business or change in our competitive position in the future or in or over particular periods;
- the amount, number, growth, increase, reduction or decrease in or over certain periods, of or in certain financial items or measures or operating measures, including our earnings per share, including as adjusted for certain items, net sales, comparable store and club sales, our Walmart U.S. operating segment's eCommerce sales, liabilities, expenses of certain categories, expense leverage, returns, capital and operating investments or expenditures of particular types, new store openings and investments in particular formats;
- investments and capital expenditures we will make and how certain of those investments and capital expenditures are expected to be financed;
- our increasing investments in eCommerce, technology, store remodels and other omni-channel customer initiatives, such as grocery pickup and delivery;
- volatility in currency exchange rates and fuel prices affecting our or one of our segments' results of operations;
- the Company continuing to provide returns to shareholders through share repurchases and dividends, the use of share repurchase authorization over a certain period or the source of funding of a certain portion of our share repurchases;
- our sources of liquidity, including our cash, continuing to be adequate or sufficient to fund and finance our operations, expansion activities, dividends and share repurchases, to meet our cash needs and to fund our operations;
- the insignificance of ineffective hedges; and reclassification of amounts related to our derivatives;
- our effective tax rate for certain periods and the realization of certain net deferred tax assets and the effects of resolutions of tax-related matters;
- the effect of adverse decisions in, or settlement of, litigation or other proceedings or investigations to which we are subject;
- the effect on the Company's results of operations or financial condition of the Company's adoption of certain new, or amendments to existing, accounting standards; or
- our commitments, intentions, plans or goals related to the sustainability of our environment and supply chains, the promotion of economic opportunity or other societal initiatives.

Our forward-looking statements may also include statements of our strategies, plans and objectives for our operations, including areas of future focus in our operations, and the assumptions underlying any of the forward-looking statements we make. The forward-looking statements we make can typically be identified by the use therein of words and phrases such as "aim," "anticipate," "believe," "could be," "could increase," "could occur," "could result," "continue," "estimate," "expansion," "expect," "expectation," "expected to be," "focus," "forecast," "goal," "grow," "guidance," "intend," "invest," "is expected," "may continue," "may fluctuate," "may grow," "may impact," "may result," "objective," "plan," "priority," "project," "strategy," "to be," "we'll," "we will," "will add," "will allow," "will be," "will benefit," "will change," "will come in at," "will continue,"

"will decrease," "will grow," "will have," "will impact," "will include," "will increase," "will open," "will remain," "will result," "will stay," "will strengthen," "would be," "would decrease" and "would increase," variations of such words or phrases, other phrases commencing with the word "will" or similar words and phrases denoting anticipated or expected occurrences or results.

Risks Factors and Uncertainties Affecting Our Business

Our business operations are subject to numerous risks, factors and uncertainties, domestically and internationally, outside of our control. One, or a combination, of these risks, factors and uncertainties could materially affect any of those matters as to which we have made forward-looking statements and cause our actual results or an actual event or occurrence to differ materially from those results or an event or occurrence described in a forward-looking statement. These risks, factors and uncertainties, which may be global in their effect or affect only some of the markets in which we operate and which may affect us on a consolidated basis or affect only some of our reportable segments, include, but are not limited to:

Economic Factors

- economic, geo-political, capital markets and business conditions, trends and events around the world and in the markets in which Walmart operates;
- currency exchange rate fluctuations;
- changes in market rates of interest;
- changes in market levels of wages;
- changes in the size of various markets, including eCommerce markets;
- unemployment levels;
- inflation or deflation, generally and in certain product categories;
- transportation, energy and utility costs;
- commodity prices, including the prices of oil and natural gas;
- consumer confidence, disposable income, credit availability, spending levels, shopping patterns, debt levels, and demand for certain merchandise;
- trends in consumer shopping habits around the world and in the markets in which Walmart operates;
- consumer enrollment in health and drug insurance programs and such programs' reimbursement rates and drug formularies; and
- initiatives of competitors, competitors' entry into and expansion in Walmart's markets, and competitive pressures;

Operating Factors

- the amount of Walmart's net sales and operating expenses denominated in U.S. dollar and various foreign currencies;
- the financial performance of Walmart and each of its segments, including the amounts of Walmart's cash flow during various periods;
- customer traffic and average ticket in Walmart's stores and clubs and on its eCommerce platforms;
- the mix of merchandise Walmart sells and its customers purchase;
- the availability of goods from suppliers and the cost of goods acquired from suppliers;
- the effectiveness of the implementation and operation of Walmart's strategies, plans, programs and initiatives;
- Walmart's ability to successfully integrate acquired businesses, including within the eCommerce space;
- unexpected changes in Walmart's objectives and plans;
- the amount of shrinkage Walmart experiences;
- consumer acceptance of and response to Walmart's stores and clubs, eCommerce platforms, programs, merchandise offerings and delivery methods;
- Walmart's gross profit margins, including pharmacy margins and margins of other product categories;
- the selling prices of gasoline and diesel fuel;
- disruption of seasonal buying patterns in Walmart's markets;
- Walmart's expenditures for Foreign Corrupt Practices Act ("FCPA") and other compliance-related matters including the adequacy of our accrual for our FCPA matter;
- disruptions in Walmart's supply chain;
- cybersecurity events affecting Walmart and related costs and impact of any disruption in business;
- Walmart's labor costs, including healthcare and other benefit costs;

Walmart's casualty and accident-related costs and insurance costs;
the size of and turnover in Walmart's workforce and the number of associates at various pay levels within that workforce;
the availability of necessary personnel to staff Walmart's stores, clubs and other facilities;
developments in, and the outcome of, legal and regulatory proceedings and investigations to which Walmart is a party or is subject, and the liabilities, obligations and expenses, if any, that Walmart may incur in connection therewith;
changes in the credit ratings assigned to the Company's commercial paper and debt securities by credit rating agencies;
Walmart's effective tax rate; and
unanticipated changes in accounting judgments and estimates;

Regulatory and Other Factors

- changes in existing tax, labor and other laws and changes in tax rates, including the enactment of laws and the adoption and interpretation of administrative rules and regulations;
- the imposition of new taxes on imports and new tariffs and changes in existing tariff rates;
- the imposition of new trade restrictions and changes in existing trade restrictions;
- adoption or creation of new, and modification of existing, governmental policies, programs and initiatives in the markets in which Walmart operates and elsewhere and actions with respect to such policies, programs and initiatives;
- changes in currency control laws;
- changes in the level of public assistance payments;
- one or more prolonged federal government shutdowns;
- the timing and amount of federal income tax refunds;
- natural disasters, public health emergencies, civil disturbances, and terrorist attacks; and
- changes in generally accepted accounting principles in the United States.

We typically earn a disproportionate part of our annual operating income in the fourth quarter as a result of seasonal buying patterns, which patterns are difficult to forecast with certainty and can be affected by many factors.

Other Risk Factors; No Duty to Update

The above list of factors that may affect the estimates and expectations discussed in or implied or contemplated by forward-looking statements we make or are made on our behalf is not exclusive. We are subject to other risks discussed under "Part I, Item 1A. Risk Factors," and that we may discuss in Management's Discussions and Analysis of Financial Condition and Results of Operations under "Part II, Item 5," and in risks that may be discussed under "Part II, Item 1A. Risk Factors" and "Part I, Item 2. Management's Discussions and Analysis of Financial Condition and Results of Operations" appearing in our Quarterly Reports on Form 10-Q or may otherwise be disclosed in our Quarterly Reports on Form 10-Q and other reports filed with the SEC. Investors and other readers are urged to consider all of these risks, uncertainties and other factors carefully in evaluating our forward-looking statements. The forward-looking statements that we make or that are made by others on our behalf are based on our knowledge of our business and our operating environment and assumptions that we believe to be or will believe to be reasonable when such forward-looking statements were or are made. As a consequence of the factors described above, the other risks, uncertainties and factors we disclose below and in the other reports as mentioned above, other risks not known to us at this time, changes in facts, assumptions not being realized or other circumstances, our actual results may differ materially from those discussed in or implied or contemplated by our forward-looking statements. Consequently, this cautionary statement qualifies all forward-looking statements we make or that are made on our behalf, including those made herein and incorporated by reference herein. We cannot assure you that the results or developments expected or anticipated by us will be realized or, even if substantially realized, that those results or developments will result in the expected consequences for us or affect us, our business, our operations or our operating results in the manner or to the extent we expect. We caution readers not to place undue reliance on such forward-looking statements, which speak only as of their dates. We undertake no obligation to revise or update any of the forward-looking statements to reflect subsequent events or circumstances except to the extent required by applicable law.

ITEM 1. BUSINESS

General

Walmart Inc. ("Walmart," the "Company" or "we") helps people around the world save money and live better – anytime and anywhere – by providing the opportunity to shop in retail stores and through eCommerce. Through innovation, we strive to continuously improve a customer-centric experience that seamlessly integrates our eCommerce and retail stores in an omni-channel offering that saves time for our customers. Each week, we serve nearly 275 million customers who visit our more than 11,300 stores and numerous eCommerce websites under 58 banners in 27 countries.

Our strategy is to make every day easier for busy families, operate with discipline, sharpen our culture and become digital, and make trust a competitive advantage. Making life easier for busy families includes our commitment to price leadership, which has been and will remain a cornerstone of our business, as well as increasing convenience to save our customers time. By leading on price, we earn the trust of our customers every day by providing a broad assortment of quality merchandise and services at everyday low prices ("EDLP"). EDLP is our pricing philosophy under which we price items at a low price every day so our customers trust that our prices will not change under frequent promotional activity. Everyday low cost ("EDLC") is our commitment to control expenses so our cost savings can be passed along to our customers.

Our operations comprise three reportable segments: Walmart U.S., Walmart International and Sam's Club. Our fiscal year ends on January 31 for our United States ("U.S.") and Canadian operations. We consolidate all other operations generally using a one-month lag and on a calendar year basis. Our discussion is as of and for the fiscal years ended January 31, 2019 ("fiscal 2019"), January 31, 2018 ("fiscal 2018") and January 31, 2017 ("fiscal 2017"). During fiscal 2019, we generated total revenues of \$514.4 billion, which was primarily comprised of net sales of \$510.3 billion. We maintain our principal offices at 702 S.W. 8th Street, Bentonville, Arkansas 72716, USA. Our common stock trades on the New York Stock Exchange under the symbol "WMT."

The Development of Our Company

Although Walmart was incorporated in Delaware in October 1969, the businesses conducted by our founders began in 1945 when Sam M. Walton opened a franchise Ben Franklin variety store in Newport, Arkansas. In 1946, his brother, James L. Walton, opened a similar store in Versailles, Missouri. Until 1962, our founders' business was devoted entirely to the operation of variety stores. In that year, the first Wal-Mart Discount City, which was a discount store, opened in Rogers, Arkansas. In 1983, we opened our first Sam's Club, and in 1988, we opened our first supercenter. In 1998, we opened our first Walmart Neighborhood Market. In 1991, we began our first international initiative when we entered into a joint venture in Mexico. Since then, our international presence has expanded and, as of January 31, 2019, our Walmart International segment conducted business in 26 countries.

In 2000, we began our first eCommerce initiative by creating walmart.com. That same year, we also created samsclub.com. Since then, our eCommerce presence has continued to grow. In 2007, leveraging our physical stores, walmart.com launched its Site to Store service, enabling customers to make a purchase online and pick up merchandise in stores. In 2016, we acquired jet.com in the U.S. and formed a strategic alliance with JD.com in China. Since the jet.com purchase, we have continued to expand our U.S. eCommerce capabilities through acquisitions including Shoes.com, Moosejaw, Bonobos and other digital consumer brands. In 2017, walmart.com launched free two-day shipping on more than 2 million items and we created Store N° 8, a technology incubator with a focus to drive commerce forward. In fiscal 2019, we acquired a majority stake of Flipkart Private Limited ("Flipkart"), an Indian-based eCommerce marketplace, with an ecosystem that includes eCommerce platforms of Flipkart, Myntra and Jabong. In the U.S., we added more grocery pickup and delivery locations and as of January 31, 2019, we offered grocery pickup at more than 2,100 locations and grocery delivery at nearly 800 locations. Our eCommerce efforts and innovation have led to omni-channel offerings in many of our markets. We are building an ecosystem with our omni-channel capabilities, stores, services, eCommerce sites, supply chain and more than 2.2 million associates to better serve our customers.

Information About Our Segments

We are engaged in global operations of retail, wholesale and other units, as well as eCommerce, located throughout the U.S., Africa, Argentina, Canada, Central America, Chile, China, India, Japan, Mexico and the United Kingdom, as well as Brazil prior to the sale of the majority stake of Walmart Brazil discussed in Note 13 to our Consolidated

Financial Statements. Our operations are conducted in three reportable segments: Walmart U.S., Walmart International and Sam's Club. We define our segments as those operations whose results the chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources. Each of our segments contributes to the Company's operating results differently. Each, however, has generally maintained a consistent contribution rate to the Company's net sales and operating income in recent years other than minor changes to the contribution rate for the Walmart International segment due to fluctuations in currency exchange rates. We sell similar individual products and services in each of our segments. It is impractical to segregate and identify revenues for each of these individual products and services.

We measure the results of our segments using, among other measures, each segment's net sales and operating income, which includes certain corporate overhead allocations. From time to time, we revise the measurement of each segment's operating income, including any corporate overhead allocations, as determined by the information regularly reviewed by our CODM. When the measurement of a segment changes, previous period amounts and balances are reclassified to be comparable to the current period's presentation. In fiscal 2019, we revised certain of our corporate overhead allocations to the operating segments and, accordingly, revised prior period amounts for comparability.

Walmart U.S. Segment

Walmart U.S. is our largest segment and operates in the U.S., including in all 50 states, Washington D.C. and Puerto Rico. Walmart U.S. is a mass merchandiser of consumer products, operating under the "Walmart" and "Walmart Neighborhood Market" brands, as well as walmart.com, jet.com and other eCommerce brands. Walmart U.S. had net sales of \$331.7 billion for fiscal 2019, representing 65% of our fiscal 2019 consolidated net sales, and had net sales of \$318.5 billion and \$307.8 billion for fiscal 2018 and 2017, respectively. Of our three segments, Walmart U.S. has historically had the highest gross profit as a percentage of net sales ("gross profit rate"). In addition, Walmart U.S. has historically contributed the greatest amount to the Company's net sales and operating income.

Omni-channel. Walmart U.S. provides an omni-channel experience to customers, integrating retail stores and eCommerce, through services such as "Walmart Pickup," "Pickup Today," "Grocery Pickup," "Grocery Delivery," and "Endless Aisle." As of January 31, 2019, we had over 2,100 Grocery Pickup locations and nearly 800 Grocery Delivery locations. Our eCommerce websites include walmart.com, jet.com and others. The following table provides the approximate size of our retail stores as of January 31, 2019:

	Minimum Square Feet	Maximum Square Feet	Average Square Feet
Supercenters (general merchandise and grocery)	69,000	260,000	178,000
Discount stores (general merchandise and limited grocery)	30,000	206,000	105,000
Neighborhood markets ⁽¹⁾ (grocery)	28,000	65,000	42,000

(1) Excludes other small formats.

The following table provides the retail unit count and retail square feet by format for the fiscal years shown:

Supercenters					Discount Stores				
Fiscal Year	Opened	Closed	Conversions ⁽¹⁾	Total ⁽²⁾	Square Feet ⁽²⁾	Opened	Closed	Conversions ⁽¹⁾	Total ⁽²⁾
Balance forward				3,288	589,858				508
2015	79	—	40	3,407	607,415	2	—	(40)	470
2016	55	(16)	19	3,465	616,428	—	(9)	(19)	442
2017	38	(2)	21	3,522	625,930	—	(6)	(21)	415
2018	30	—	9	3,561	632,479	—	(6)	(9)	400
2019	6	(2)	5	3,570	634,198	1	(10)	(5)	386
Neighborhood Markets and Other Small Formats					Total Segment				
Fiscal Year	Opened and acquired ⁽³⁾	Closed	Conversions ⁽¹⁾	Total ⁽²⁾	Square Feet ⁽²⁾	Opened and acquired ⁽³⁾	Closed	Conversions ⁽¹⁾	Total ⁽²⁾
Balance forward				407	15,778				4,203
2015	235	(3)	—	639	23,370	316	(3)	—	4,516
2016	161	(133)	—	667	27,228	216	(158)	—	4,574
2017	73	(5)	—	735	30,012	111	(13)	—	4,672
2018	85	(20)	—	800	30,111	115	(26)	—	4,761
2019	24	(11)	—	813	29,895	31	(23)	—	4,769

(1) Conversions of discount stores or neighborhood markets to supercenters.

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"Total" and "Square Feet" columns are as of January 31 for the years shown. "Square Feet" columns are reported in thousands.

(3) Includes acquired retail locations related to Walmart U.S. eCommerce brands

(4) Total opened, net of conversions of discount stores or neighborhood markets to supercenters.

Merchandise. Walmart U.S. does business in three strategic merchandise units, listed below:

Grocery consists of a full line of grocery items, including meat, produce, natural & organics, deli & bakery, dairy, frozen foods, alcoholic and nonalcoholic beverages, floral and dry grocery, as well as consumables such as health and beauty aids, baby products, household chemicals, paper goods and pet supplies;

Health and wellness includes pharmacy, optical services, clinical services, and over-the-counter drugs and other medical products;

General merchandise includes:

Entertainment (e.g., electronics, cameras and supplies, photo processing services, wireless, movies, music, video games and books);

Hardlines (e.g., stationery, automotive, hardware and paint, sporting goods, outdoor living and horticulture);

Apparel (e.g., apparel for women, girls, men, boys and infants, as well as shoes, jewelry and accessories); and

Home/Seasonal (e.g., home furnishings, housewares and small appliances, bedding, home decor, toys, fabrics and crafts and seasonal merchandise).

Walmart U.S. also offers fuel and financial services and related products, including money orders, prepaid cards, wire transfers, money transfers, check cashing and bill payment. These services total less than 1% of annual net sales.

Brand name merchandise represents a significant portion of the merchandise sold in Walmart U.S. We also market lines of merchandise under our private-label brands, including brands such as: "Athletic Works," "Bonobos," "Equate," "Everstart," "George," "Great Value," "Holiday Time," "Mainstays," "Marketside," "ModCloth," "No Boundaries," "Onn," "Ozark Trail," "Parent's Choice," "Time and Tru" and "Wonder Nation." The Company also markets lines of merchandise under licensed brands, some of which include: "Better Homes & Gardens," "Farberware," "Russell" and "SwissTech."

Periodically, revisions are made to the categorization of the components comprising our strategic merchandise units. When revisions are made, the previous periods' presentation is adjusted to maintain comparability.

Operations. Many supercenters, discount stores and neighborhood markets are open 24 hours each day. A variety of payment methods are accepted.

Seasonal Aspects of Operations. Walmart U.S.'s business is seasonal to a certain extent due to calendar events and national and religious holidays, as well as different weather patterns. Historically, its highest sales volume and segment operating income have occurred in the fiscal quarter ending January 31.

Competition. Walmart U.S. competes with omni-channel retailers operating discount, department, retail and wholesale grocers, drug, dollar, variety and specialty stores, supermarkets, hypermarkets and supercenter-type stores, as well as eCommerce retailers. Our ability to develop, open and operate units at the right locations and to deliver a customer-centric omni-channel experience largely determines our competitive position within the retail industry. We employ many programs designed to meet competitive pressures within our industry. These programs include the following:

• EDLP: our pricing philosophy under which we price items at a low price every day so our customers trust that our prices will not change under frequent promotional activity;

• EDLC: everyday low cost is our commitment to control expenses so our cost savings can be passed along to our customers; and

• Omni-channel offerings such as Walmart Pickup, where a customer places an order online and picks it up for free from a store; Pickup Today, where a customer places an order online and picks it up for free from a store; Grocery Delivery, where a customer places a grocery order online and has it delivered; or Grocery Pickup, where a customer places a grocery order online and picks it up at one of our participating stores or remote locations.

Distribution. For fiscal 2019, approximately 77% of Walmart U.S.'s purchases of store merchandise were shipped through our 156 distribution facilities, which are located strategically throughout the U.S. The remaining store merchandise we purchased was shipped directly from suppliers. General merchandise and dry grocery merchandise is transported primarily through the segment's private truck fleet; however, we contract with common carriers to transport the majority of our perishable grocery merchandise. We ship merchandise purchased by customers on our eCommerce platforms by a number of methods from multiple locations including from our 33 dedicated eCommerce fulfillment centers.

Walmart International Segment

Walmart International is our second largest segment and operates in 26 countries outside of the U.S. Walmart International operates through our wholly-owned subsidiaries in Argentina, Canada, Chile, China, India, Japan and the United Kingdom, as well as Brazil prior to the sale of the majority stake of Walmart Brazil discussed in Note 13 to our Consolidated Financial Statements; and our majority-owned subsidiaries in Africa (which includes Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, South Africa, Swaziland, Tanzania, Uganda and Zambia), Central America (which includes Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua), India and Mexico.

Walmart International includes numerous formats divided into three major categories: retail, wholesale and other. These categories consist of many formats, including: supercenters, supermarkets, hypermarkets, warehouse clubs (including Sam's Clubs) and cash & carry, as well as eCommerce through walmart.com.mx, asda.com, walmart.ca, flipkart.com and other sites.

Walmart International had net sales of \$120.8 billion for fiscal 2019, representing 24% of our fiscal 2019 consolidated net sales, and had net sales of \$118.1 billion and \$116.1 billion for fiscal 2018 and 2017, respectively. The segment's net sales have been negatively impacted by currency exchange rate fluctuations for all years presented. The gross profit rate is lower than that of Walmart U.S. primarily because of its merchandise mix.

To deliver strong efficient growth, we have to be decisive when it comes to our capital and our time. As such, we have taken certain strategic actions to reposition Walmart International, including:

Acquisition of a majority stake of Flipkart in August 2018 for \$16 billion, or \$13.8 billion net of cash acquired. We began consolidating Flipkart's results in the third quarter of fiscal 2019, using a one-month lag. The ongoing operations negatively impacted fiscal 2019 net income and this negative impact will continue in fiscal 2020.

Proposed combination of J Sainsbury plc and Asda Group Limited ("Asda"), our wholly-owned United Kingdom retail subsidiary. Under the terms, we would receive approximately 42 percent of the share capital of the combined company and approximately £3.0 billion in cash, subject to customary closing adjustments, while retaining obligations under the Asda defined benefit pension plan. Due to a complex regulatory review process, the outcome of which is uncertain and may take some time to complete, the held for sale classification criteria for the disposal group has not been met as of January 31, 2019. Further, there can be no assurance as to whether regulatory approval will be obtained or the proposed combination will be consummated. In the future, if the held for sale classification criteria is met for the disposal group, we expect to recognize a loss, the amount of which may fluctuate based on the changes in the value of share capital received and foreign exchange rates.

Divestiture of 80 percent of Walmart Brazil to Advent International ("Advent") in August 2018. Advent agreed to contribute additional capital to the business over a three-year period and we agreed to indemnify Advent for certain pre-closing tax and legal contingencies and other matters. We recorded a pre-tax net loss of \$4.8 billion in fiscal 2019 for the sale, of which \$2.0 billion related to cumulative foreign currency translation loss which was reclassified from accumulated other comprehensive loss.

Consistent with our focus on core retail capabilities, the divestiture of the Walmart Chile banking operations in December 2018 and the proposed divestiture of the Walmart Canada banking operations, classified as held for sale as of January 31, 2019.

Omni-channel. Walmart International provides an omni-channel experience to customers, integrating retail stores and eCommerce, such as through services like "Click & Collect" in the United Kingdom, our grocery pick-up and delivery business in several other markets, and our marketplaces, such as Flipkart in India.

Generally, retail units range in size from 1,500 square feet to 186,000 square feet. Our wholesale stores generally range in size from 25,000 square feet to 155,000 square feet. Other includes stand-alone gas stations operating in the United Kingdom, which range in size up to 2,200 square feet.

The following tables provide the unit count⁽¹⁾ and square feet⁽²⁾ for the fiscal years shown:

	Africa		Argentina		Brazil ⁽³⁾		Canada		Central America		Chile	
Fiscal Year	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet
Balance forward	379	20,513	104	8,062	556	32,501	389	49,914	661	10,427	380	13,697
2015	396	21,223	105	8,119	557	33,028	394	50,927	690	11,094	404	14,762
2016	408	21,869	108	8,280	499	30,675	400	51,784	709	11,410	395	15,407
2017	412	22,542	107	8,264	498	30,642	410	53,088	731	11,770	363	15,260
2018	424	23,134	106	8,305	465	29,824	410	53,082	778	12,448	378	15,990
2019	436	24,317	92	8,095	—	—	411	53,167	811	12,978	371	16,411

"Unit Count" includes retail stores, wholesale clubs and other. Walmart International unit counts, with the

(1)exception of Canada, are as of December 31, to correspond with the fiscal year end of the related geographic market. Canada unit counts and square footage are as of January 31.

(2)"Square Feet" columns are reported in thousands.

(3)The Company sold the majority stake of Walmart Brazil in fiscal 2019.

	China		India		Japan		Mexico ⁽⁴⁾		United Kingdom		Total Segment	
Fiscal Year	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet	Unit Count	Square Feet
Balance forward	405	67,205	20	1,083	438	24,489	2,199	94,900	576	35,416	6,107	358,207
2015	411	68,269	20	1,083	431	24,429	2,290	98,419	592	36,277	6,290	367,630
2016	432	71,724	21	1,146	346	22,551	2,360	100,308	621	37,044	6,299	372,198
2017	439	73,172	20	1,091	341	21,921	2,411	101,681	631	37,338	6,363	376,769
2018	443	73,615	20	1,091	336	21,181	2,358	97,024	642	37,587	6,360	373,281
2019	443	71,543	22	1,204	332	20,290	2,442	98,623	633	37,582	5,993	344,210

"Unit Count" includes retail stores, wholesale clubs and other. Walmart International unit counts, with the (1) exception of Canada, are as of December 31, to correspond with the fiscal year end of the related geographic market. Canada unit counts and square footage are as of January 31.

(2) "Square Feet" columns are reported in thousands.

(4) All periods presented exclude units and square feet for the Vips restaurant business. The Company completed the sale of the Vips restaurant business in fiscal 2015.

Unit counts⁽¹⁾ as of January 31, 2019 for Walmart International are summarized by major category for each geographic market as follows:

Geographic Market	Retail	Wholesale	Other ⁽²⁾	Total
Africa ⁽³⁾	346	90	—	436
Argentina	92	—	—	92
Canada	411	—	—	411
Central America ⁽⁴⁾	811	—	—	811
Chile	363	8	—	371
China	420	23	—	443
India	—	22	—	22
Japan	332	—	—	332
Mexico	2,279	163	—	2,442
United Kingdom	615	—	18	633
Total	5,669	306	18	5,993

(1) Walmart International unit counts, with the exception of Canada, are as of December 31, 2018, to correspond with the balance sheet date of the related geographic market. Canada unit counts are as of January 31, 2019.

(2) Other includes stand-alone gas stations.

(3) Africa unit counts by country are Botswana (11), Ghana (4), Kenya (2), Lesotho (3), Malawi (2), Mozambique (6), Namibia (4), Nigeria (5), South Africa (389), Swaziland (1), Tanzania (1), Uganda (1) and Zambia (7).

(4) Central America unit counts by country are Costa Rica (256), El Salvador (97), Guatemala (250), Honduras (105) and Nicaragua (103).

Merchandise. The merchandising strategy for Walmart International is similar to that of our operations in the U.S. in terms of the breadth and scope of merchandise offered for sale. While brand name merchandise accounts for a majority of our sales, we have both leveraged U.S. private brands and developed market specific private brands to serve our customers with high quality, low priced items. Along with the private brands we market globally, such as "Equate," "George," "Great Value," "Holiday Time," "Mainstays," "Marketside," and "Parent's Choice," our international markets have developed market specific brands including "Aurrera," "Cambridge," "Lider," "Myntra," "Jabong," "PhonePe," and "Extra Special." In addition, we have developed relationships with regional and local suppliers in each market to ensure reliable sources of quality merchandise that is equal to national brands at low prices.

Operations. The hours of operation for operating units in Walmart International vary by country and by individual markets within countries, depending upon local and national ordinances governing hours of operation. Operating units in each country accept a variety of payment methods.

Seasonal Aspects of Operations. Walmart International's business is seasonal to a certain extent. Historically, the segment's highest sales volume and operating income have occurred in the fourth quarter of our fiscal year. The seasonality of the business varies by country due to different national and religious holidays, festivals and customs, as well as different weather patterns.

Competition. Walmart International competes with omni-channel retailers who operate department, drug, discount, variety and specialty stores, supermarkets, hypermarkets and supercenter-type stores, wholesale clubs, home-improvement stores, specialty electronics stores, cash & carry operations and convenience stores, and eCommerce retailers, as well as catalog businesses. Our ability to develop, open and operate units at the right locations and to deliver a customer-centric omni-channel experience largely determines our competitive position within the retail industry. We believe price leadership is a critical part of our business model and we continue to focus on moving our markets towards an EDLP approach. Additionally, our ability to operate food departments effectively has a significant impact on our competitive position in the markets where we operate.

Distribution. We utilize a total of 226 distribution facilities located in Argentina, Canada, Central America, Chile, China, Japan, Mexico, South Africa, India and the United Kingdom. Through these facilities, we process and distribute both imported and domestic products to the operating units of the Walmart International segment. During fiscal 2019, approximately 83% of Walmart International's purchases passed through these distribution facilities. Suppliers ship the balance of Walmart International's purchases directly to our stores in the various markets in which we operate. We ship merchandise purchased by customers on our eCommerce platforms by a number of methods from multiple locations including from our 90 dedicated eCommerce fulfillment centers, as well as more than 1,900 eCommerce sort centers in India.

Sam's Club Segment

Sam's Club operates in 44 states in the U.S. and in Puerto Rico. Sam's Club is a membership-only warehouse club that also operates samsclub.com. Sam's Club had net sales of \$57.8 billion for fiscal 2019, representing 11% of our consolidated fiscal 2019 net sales, and had net sales of \$59.2 billion and \$57.4 billion for fiscal 2018 and 2017, respectively. As a membership-only warehouse club, membership income is a significant component of the segment's operating income. Sam's Club operates with a lower gross profit rate and lower operating expenses as a percentage of net sales than our other segments.

Membership. The following two options are available to members:

	Plus Membership	Club Membership
Annual Membership Fee	\$100	\$45
Number of Add-on Memberships (\$40 each)	Up to 16	Up to 8
Eligible for Cash Rewards	Yes	No

All memberships include a spouse/household card at no additional cost. Plus Members are eligible for Cash Rewards, which is a benefit that provides \$10 for every \$500 in qualifying Sam's Club purchases up to a \$500 cash reward annually. The amount earned can be used for purchases, membership fees or redeemed for cash. Plus Members are also eligible for Free Shipping on the majority of merchandise, with no minimum order size, and receive discounts on prescriptions, glasses and contacts.

Omni-channel. While Sam's Club is a membership-only warehouse club, it provides an omni-channel experience to customers, integrating retail stores and eCommerce. The warehouse facility sizes generally range between 34,000 and 168,000 square feet, with an average size of approximately 134,000 square feet. The following table provides the retail unit count and retail square feet for the fiscal years shown:

Fiscal Year	Opened	Closed	Total ⁽¹⁾	Square Feet ⁽¹⁾
Balance forward			632	84,382
2015	16	(1)	647	86,510
2016	8	—	655	87,552
2017	9	(4)	660	88,376
2018	4	(67)	597	80,068
2019	2		599	80,240

(1) "Total" and "Square Feet" columns are as of January 31 for the fiscal years shown. "Square Feet" column is reported in thousands.

Members have access to a broad assortment of merchandise, including products not found in our clubs, and services online at samsclub.com and through our mobile commerce applications, providing the option of delivery direct-to-home or to the club through services such as "Club Pickup." Sam's Club omni-channel capabilities also include "Scan and Go," a mobile checkout and payment solution, which allows members to bypass the checkout line.

Merchandise. Sam's Club offers merchandise in the following five merchandise categories:

- Grocery and consumables includes dairy, meat, bakery, deli, produce, dry, chilled or frozen packaged foods, alcoholic and nonalcoholic beverages, floral, snack foods, candy, other grocery items, health and beauty aids, paper goods, laundry and home care, baby care, pet supplies and other consumable items;
- Fuel and other categories consists of gasoline stations, tobacco, tools and power equipment, and tire and battery centers;
-

Home and apparel includes home improvement, outdoor living, grills, gardening, furniture, apparel, jewelry, housewares, toys, seasonal items, mattresses and small appliances;

Technology, office and entertainment includes electronics, wireless, software, video games, movies, books, music, office supplies, office furniture, photo processing and third-party gift cards; and

Health and wellness includes pharmacy, optical and hearing services and over-the-counter drugs.

The Member's Mark brand continues to expand assortment and deliver member value. In fiscal 2019, Member's Mark sales exceeded \$12 billion, driven by growth across multiple categories in the private brand portfolio.

Operations. Operating hours for Sam's Clubs are generally Monday through Friday from 10:00 a.m. to 8:30 p.m., Saturday from 9:00 a.m. to 8:30 p.m. and Sunday from 10:00 a.m. to 6:00 p.m. Additionally, all club locations offer Plus Members the ability to shop before the regular operating hours Monday through Saturday, starting at 7:00 a.m. A variety of payment methods are accepted.

Seasonal Aspects of Operations. Sam's Club's business is seasonal to a certain extent due to calendar events and national and religious holidays, as well as different weather patterns. Historically, its highest sales volume and segment operating income have occurred in the fiscal quarter ending January 31.

Competition. Sam's Club competes with other membership-only warehouse clubs, the largest of which is Costco, as well as with discount retailers, retail and wholesale grocers, general merchandise wholesalers and distributors, gasoline stations as well as omni-channel and eCommerce retailers and catalog businesses. At Sam's Club, we provide value at members-only prices, a quality merchandise assortment, and bulk sizing to serve both our Plus and Club members. Our eCommerce website and mobile commerce applications have increasingly become important factors in our ability to compete.

Distribution. During fiscal 2019, approximately 70% of Sam's Club's non-fuel club purchases were shipped from Sam's Club's 23 dedicated distribution facilities, located strategically throughout the U.S., or from some of the Walmart U.S. segment's distribution facilities, which service the Sam's Club segment for certain items. Suppliers shipped the balance of the Sam's Club segment's club purchases directly to Sam's Club locations. Sam's Club ships merchandise purchased on samsclub.com and through its mobile commerce applications by a number of methods from its six dedicated eCommerce fulfillment centers and other distribution centers, including two dedicated import facilities.

The principal focus of Sam's Club's distribution operations is on cross-docking merchandise while minimizing stored inventory. Cross-docking is a distribution process under which shipments are directly transferred from inbound to outbound trailers. Shipments typically spend less than 24 hours in a cross-dock facility, and sometimes less than an hour.

Sam's Club uses a combination of our private truck fleet, as well as common carriers, to transport non-perishable merchandise from distribution facilities to clubs. The segment contracts with common carriers to transport perishable grocery merchandise from distribution facilities to clubs.

Intellectual Property

We regard our trademarks, service marks, copyrights, patents, domain names, trade dress, trade secrets, proprietary technologies, and similar intellectual property as important to our success, and with respect to our associates, customers and others, we rely on trademark, copyright, and patent law, trade-secret protection, and confidentiality and/or license agreements to protect our proprietary rights. We have registered, or applied for the registration of, a number of U.S. and international domain names, trademarks, service marks and copyrights. Additionally, we have filed U.S. and international patent applications covering certain of our proprietary technology. We have licensed in the past, and expect that we may license in the future, certain of our proprietary rights to third parties.

Suppliers and Supply Chain

As a retailer and warehouse club operator, we utilize a global supply chain that includes over 100,000 suppliers located around the world, including in the United States, from whom we purchase the merchandise that we sell in our stores, clubs and online. In many instances, we purchase merchandise from producers located near the stores and clubs in which such merchandise will be sold, particularly products in the "fresh" category. Our purchases may represent a significant percentage of a number of our suppliers' annual sales, and the volume of product we acquire from many suppliers allows us to obtain favorable pricing from such suppliers. Our suppliers are subject to standards of conduct, including requirements that they comply with local labor laws, local worker safety laws and other applicable laws. Our ability to acquire from our suppliers the assortment and volume of products we wish to offer to our customer, to receive those products within the required time through our supply chain and to distribute those products to our stores and clubs determines, in part, our in-stock levels in our stores and clubs and the attractiveness of our merchandise assortment we offer to our customers and members.

Employees

As of the end of fiscal 2019, Walmart Inc. and our subsidiaries employed more than 2.2 million employees ("associates") worldwide, with 1.5 million associates in the U.S. and 0.7 million associates internationally. Similar to other retailers, the Company has a large number of part-time, hourly or non-exempt associates. We believe our relationships with our associates are good. A large number of associates turn over each year, although Walmart U.S. turnover has improved in both fiscal 2019 and 2018 as a result of our focus on increasing wages and providing improved tools, technology and training to associates.

Certain information relating to retirement-related benefits we provide to our associates is included in Note 12 to our Consolidated Financial Statements. In addition to retirement-related benefits, in the U.S. we offer a broad range of Company-paid benefits to our associates. These include a store discount card or Sam's Club membership, bonuses based on Company performance, matching a portion of associate purchases of our stock through our Associate Stock Purchase Plan and life insurance. In addition to the health-care benefits for eligible full-time and part-time associates in the U.S., we offer maternity leave and a paid parental leave program to all full-time associates. We also offer a \$5,000 benefit to assist eligible associates with adoption. Additionally, we offer eligible associates tuition assistance towards earning a college degree. Similarly, in the

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operations outside the U.S., we provide a variety of associate benefits that vary based on customary local practices and statutory requirements.

Executive Officers of the Registrant

The following chart names the executive officers of the Company as of the date of the filing of this Annual Report on Form 10-K with the SEC, each of whom is elected by and serves at the pleasure of the Board of Directors. The business experience shown for each officer has been his or her principal occupation for at least the past five years, unless otherwise noted.

Name	Business Experience	Current Position Held Since	Age
Daniel J. Bartlett	Executive Vice President, Corporate Affairs, effective June 2013. From November 2007 to June 2013, he served as the Chief Executive Officer and President of U.S. Operations at Hill & Knowlton, Inc., a public relations company.	2013	47
M. Brett Biggs	Executive Vice President and Chief Financial Officer, effective January 2016. From January 2014 to December 2015, he served as Executive Vice President and Chief Financial Officer of Walmart International.	2016	50
Rachel Brand	Executive Vice President, Global Governance, Chief Legal Officer and Corporate Secretary, effective April 2018. From May 2017 to February 2018, she served as Associate Attorney General in the United States Department of Justice. From January 2017 to May 2017, she was an Associate Professor of Law at George Mason University Antonin Scalia Law School. From August 2012 to February 2017, she served as a Board Member on the Privacy and Civil Liberties Oversight Board of the U.S. government.	2018	45
Jacqueline P. Canney	Executive Vice President, Global People, effective August 2015. From September 2003 to July 2015, she served as the Managing Director of Global Human Resources at Accenture plc., a global management consulting, technology services and outsourcing company.	2015	51
David M. Chojnowski	Senior Vice President and Controller effective January 2017. From October 2014 to January 2017, he served as Vice President and Controller, Walmart U.S. From January 2013 to October 2014, he served as Vice President, Finance Transformation, of Walmart International.	2017	49
Gregory Foran	Executive Vice President, President and Chief Executive Officer, Walmart U.S. effective August 2014. From May 2014 to August 2014, he served as President and Chief Executive Officer for the Walmart Asia region. From March 2012 to May 2014, he served as President and Chief Executive Officer of Walmart China.	2014	57
John Furner	Executive Vice President, President and Chief Executive Officer, Sam's Club, effective February 2017. From October 2015 to January 2017, he served as Executive Vice President and Chief Merchandising Officer of Sam's Club. From January 2013 to October 2015, he served as Senior Vice President and Chief Merchandising Officer of Walmart China.	2017	44
Marc Lore		2016	47

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Executive Vice President, President and Chief Executive Officer, U.S. eCommerce, effective September 2016. From April 2014 to September 2016, he served as President and Chief Executive Officer of Jet.com, Inc.

Judith McKenna	Executive Vice President, President and Chief Executive Officer, Walmart International, effective February 2018. From February 2015 to January 2018, she served as Executive Vice President and Chief Operating Officer of Walmart U.S. From April 2014 to February 2015, she served as Executive Vice President 2018 and Chief Development Officer for Walmart U.S. From April 2013 to April 2014, she served as Executive Vice President, Strategy and Development, for Walmart International.	52
C. Douglas McMillon	President and Chief Executive Officer, effective February 2014. From February 2009 to January 2014, he served as Executive Vice President, President and Chief Executive Officer, Walmart International.	2014 52

Our Website and Availability of SEC Reports and Other Information

Our corporate website is located at www.stock.walmart.com. We file with or furnish to the SEC Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports, proxy statements and annual reports to shareholders, and, from time to time, other documents. The reports and other documents filed with or furnished to the SEC are available to investors on or through our corporate website free of charge as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. The SEC maintains a website that contains reports, proxy and information statements and other information regarding issuers, such as the Company, that file electronically with the SEC. The address of that website is www.sec.gov. Our SEC filings, our Code of Ethics for our CEO and senior financial officers and our Statement of Ethics can be found on our website at www.stock.walmart.com. These documents are available in print to any shareholder who requests a copy by writing or calling our Investor Relations Department, which is located at our principal offices.

A description of any substantive amendment or waiver of Walmart's Code of Ethics for the CEO and senior financial officers or our Statement of Ethics for our chief executive officer, our chief financial officer and our controller, who is our principal accounting officer, will be disclosed on our website at www.stock.walmart.com under the Corporate Governance section. Any such description will be located on our website for a period of 12 months following the amendment or waiver.

ITEM 1A. RISK FACTORS

The risks described below could materially and adversely affect our business, results of operations, financial condition and liquidity. Our business operations could also be affected by additional factors that apply to all companies operating in the U.S. and globally.

Strategic Risks

General or macro-economic factors, both domestically and internationally, may materially adversely affect our financial performance.

General economic conditions and other economic factors, globally or in one or more of the markets we serve, may adversely affect our financial performance. Higher interest rates, lower or higher prices of petroleum products, including crude oil, natural gas, gasoline, and diesel fuel, higher costs for electricity and other energy, weakness in the housing market, inflation, deflation, increased costs of essential services, such as medical care and utilities, higher levels of unemployment, decreases in consumer disposable income, unavailability of consumer credit, higher consumer debt levels, changes in consumer spending and shopping patterns, fluctuations in currency exchange rates, higher tax rates, imposition of new taxes or other changes in tax laws, changes in healthcare laws, other regulatory changes, the imposition of tariffs or other measures that create barriers to or increase the costs associated with international trade, overall economic slowdown or recession and other economic factors in the U.S. or in any of the other markets in which we operate could adversely affect consumer demand for the products we sell in the U.S. or such other markets, change the mix of products we sell to one with a lower average gross margin, cause a slowdown in discretionary purchases of goods, adversely affect our net sales and result in slower inventory turnover and greater markdowns of inventory, or otherwise materially adversely affect our operations and operating results and could result in impairment charges to intangible assets, goodwill or other long-lived assets.

In addition, the economic factors listed above, any other economic factors or circumstances resulting in higher transportation, labor, insurance or healthcare costs or commodity prices, and other economic factors in the U.S. and other countries in which we operate can increase our cost of sales and operating, selling, general and administrative expenses and otherwise materially adversely affect our operations and operating results.

The economic factors that affect our operations may also adversely affect the operations of our suppliers, which can result in an increase in the cost to us of the goods we sell to our customers or, in more extreme cases, in certain suppliers not producing goods in the volume typically available to us for sale.

We face strong competition from other retailers and wholesale club operators which could materially adversely affect our financial performance.

Each of our segments competes for customers, employees, digital prominence, products and services and in other important aspects of its business with many other local, regional, national and global eCommerce and omni-channel retailers, wholesale club operators and retail intermediaries.

We compete in a variety of ways, including the prices at which we sell our merchandise, merchandise selection and availability, services offered to customers, location, store hours, in-store amenities, the shopping convenience and overall shopping experience we offer, the attractiveness and ease of use of our digital platforms, cost and speed of and options for delivery to customers of merchandise purchased through our digital platforms or through our omni-channel integration of our physical and digital operations.

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A failure to respond effectively to competitive pressures and changes in the retail markets or delays or failure in execution of our strategy could materially adversely affect our financial performance. See "Item 1. Business" above for additional discussion of the competitive situation of each of our reportable segments.

Certain segments of the retail industry are undergoing consolidation, which could result in increased competition and significantly alter the dynamics of the retail marketplace. Other segments are substantially reducing operations which could also result in competition rushing to fill the void created by such corporate actions. Such consolidation, or other business combinations or alliances, or reduction in operation may result in competitors with greatly improved financial resources, improved access to merchandise, greater market penetration than they previously enjoyed and other improvements in their competitive positions. Such business combinations or alliances could result in the provision of a wider variety of products and services at competitive prices by such consolidated or aligned companies, which could adversely affect our financial performance.

We may not timely identify or effectively respond to consumer trends or preferences, which could negatively affect our relationship with our customers, demand for the products and services we sell, our market share and the growth of our business.

It is difficult to predict consistently and successfully the products and services our customers will demand and changes in their shopping patterns. The success of our business depends in part on how accurately we predict consumer demand, availability of merchandise, the related impact on the demand for existing products and the competitive environment. Price transparency, assortment of products, customer experience, convenience, ease and the speed and cost of shipping are of primary importance to customers and continue to increase in importance, particularly as a result of digital tools and social media available to consumers and the choices available to consumers for purchasing products. Our failure to adequately or effectively respond to changing consumer tastes, preferences and shopping patterns, or any other failure on our part to timely identify or effectively respond to changing consumer tastes, preferences and shopping patterns could negatively affect our relationship with our customers, the demand for the products we sell, our market share and the growth of our business.

Failure to successfully execute our omni-channel strategy and the cost of our increasing eCommerce investments may materially adversely affect our market position, net sales and financial performance.

The retail business is rapidly evolving and consumers are increasingly embracing shopping digitally. As a result, the portion of total consumer expenditures with retailers and wholesale clubs occurring through digital platforms is increasing and the pace of this increase could accelerate.

Our strategy, which includes acquisitions, joint ventures, investments in eCommerce, technology, store remodels and other customer initiatives may not adequately or effectively allow us to grow our eCommerce business, increase comparable store sales, maintain or grow our overall market position or otherwise offset the impact on the growth of our business of a moderated pace of new store and club openings. The success of this strategy will depend in large measure on our ability to build and deliver a seamless omni-channel shopping experience and is further subject to the risks we face as outlined in this Item 1A. As a result, our market position, net sales and financial performance could be adversely affected, which could also result in impairment charges to intangible assets or other long-lived assets. In addition, a greater concentration of eCommerce sales could result in a reduction in the amount of traffic in our stores and clubs, which would, in turn, reduce the opportunities for cross-store or cross-club sales of merchandise that such traffic creates and could reduce our sales within our stores and clubs and materially adversely affect our financial performance.

Furthermore, the cost of certain eCommerce and technology investments, including any operating losses incurred will adversely impact our financial performance in the short-term and may adversely impact our financial performance over the longer term.

The performance of strategic alliances and other business relationships to support the expansion of our business could materially adversely affect our financial performance.

We may enter into strategic alliances and other business relationships in the countries in which we have existing operations or in other markets to expand our retail operations. These arrangements may not generate the level of sales we anticipate when entering into the arrangement or may otherwise adversely impact our business and competitive position relative to the results we could have achieved in the absence of such alliance. In addition, any investment we make in connection with a strategic alliance or business relationship could materially adversely affect our financial

performance.

Operational Risks

Natural disasters, changes in climate, and geo-political events could materially adversely affect our financial performance.

The occurrence of one or more natural disasters, such as hurricanes, tropical storms, floods, fires, earthquakes, tsunamis, cyclones, typhoons, weather conditions such as major or extended winter storms, droughts and tornadoes, whether as a result of climate change or otherwise, severe changes in climate and geo-political events, such as war, civil unrest or terrorist attacks in a

country in which we operate or in which our suppliers are located could adversely affect our operations and financial performance.

Such events could result in physical damage to, or the complete loss of, one or more of our properties, the closure of one or more stores, clubs and distribution facilities, the lack of an adequate work force in a market, the inability of customers and associates to reach or have transportation to our stores and clubs affected by such events, the evacuation of the populace from areas in which our stores, clubs and distribution facilities are located, the unavailability of our digital platforms to our customers, changes in the purchasing patterns of consumers and in consumers' disposable income, the temporary or long-term disruption in the supply of products from some suppliers, the disruption in the transport of goods from overseas, the disruption or delay in the delivery of goods to our distribution facilities or stores within a country in which we are operating, the reduction in the availability of products in our stores, the disruption of utility services to our stores and our facilities, and disruption in our communications with our stores.

We bear the risk of losses incurred as a result of physical damage to, or destruction of, any stores, clubs and distribution facilities, loss or spoilage of inventory and business interruption caused by such events. These events and their impacts could otherwise disrupt and adversely affect our operations in the areas in which they occur and could materially adversely affect our financial performance.

Risks associated with our suppliers could materially adversely affect our financial performance.

The products we sell are sourced from a wide variety of domestic and international suppliers. Global sourcing of many of the products we sell is an important factor in our financial performance. We expect our suppliers to comply with applicable laws, including labor, safety, anti-corruption and environmental laws, and to otherwise meet our required supplier standards of conduct. Our ability to find qualified suppliers who uphold our standards, and to access products in a timely and efficient manner, is a significant challenge, especially with respect to suppliers located and goods sourced outside the U.S.

Political and economic instability in the countries in which our foreign suppliers and their manufacturers are located, the financial instability of suppliers, suppliers' failure to meet certain of our supplier standards (including our responsible sourcing standards), labor problems experienced by our suppliers and their manufacturers, the availability of raw materials to suppliers, merchandise safety and quality issues, disruption in the transportation of merchandise from the suppliers and manufacturers to our stores, clubs, and other facilities, including as a result of labor slowdowns at any port at which a material amount of merchandise we purchase enters into the markets in which we operate, currency exchange rates, transport availability and cost, transport security, inflation and other factors relating to the suppliers and the countries in which they are located are beyond our control.

In addition, the U.S. foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, the limitation on the importation of certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade are beyond our control. These and other factors affecting our suppliers and our access to products could adversely affect our financial performance.

If the products we sell are not safe or otherwise fail to meet our customers' expectations, we could lose customers, incur liability for any injuries suffered by customers using or consuming a product we sell or otherwise experience a material impact to our brand, reputation and financial performance. We may also face reputational and other risks related to third-party sales on our digital platforms.

Our customers count on us to provide them with safe products. Concerns regarding the safety of food and non-food products that we source from our suppliers or that we prepare and then sell could cause customers to avoid purchasing certain products from us, or to seek alternative sources of supply for all of their food and non-food needs, even if the basis for the concern is outside of our control. Any lost confidence on the part of our customers would be difficult and costly to reestablish and may also expose us to product liability or food safety claims. As such, any issue regarding the safety of any food or non-food items we sell, regardless of the cause, could adversely affect our brand, reputation and financial performance. In addition, third-parties sell goods on some of our digital platforms, which we refer to as marketplace transactions. The applicability to us of laws related to such sales is currently unsettled and we may face reputational, financial and other risks, including liability, for third-party sales of goods that are counterfeit or otherwise fraudulent.

We rely extensively on information systems to process transactions, summarize results and manage our business. Disruptions in our systems could harm our ability to conduct our operations.

Given the number of individual transactions we have each year, it is crucial that we maintain uninterrupted operation of our business-critical information systems. Our information systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, worms, other malicious computer programs, denial-of-service attacks, security breaches (through cyber-attacks from cyber-attackers and sophisticated organizations), catastrophic events such as fires, tornadoes, earthquakes and hurricanes, and usage errors by our associates or contractors. Our information systems are essential to our business operations, including the processing of transactions, management of our associates, facilities, logistics, inventories, physical stores and clubs and our online operations. Our information systems are not fully

redundant and if our systems are damaged, breached or cease to function properly, we may have to make a significant investment to repair or replace them, and we may suffer interruptions in our business operations in the interim. Any interruption to our information systems may have a material adverse effect on our business or results of operations. In addition, we are constantly updating our information technology processes and systems. The risk of system disruption is increased when significant system changes are undertaken. If we fail to timely integrate and update our information systems and processes, we may fail to realize the cost savings anticipated to be derived from these initiatives.

If the technology-based systems that give our customers the ability to shop with us online do not function effectively, our operating results, as well as our ability to grow our eCommerce business globally, could be materially adversely affected.

Increasingly, customers are using computers, tablets, and smart phones to shop with us and with our competitors and to do comparison shopping. We use social media and electronic mail to interact with our customers and as a means to enhance their shopping experience. As a part of our omni-channel sales strategy, in addition to home delivery, we offer "Walmart Pickup," "Pickup Today," "Club Pickup" and "Online Grocery" programs under which many products available for purchase online can be picked up by the customer at a local Walmart store or Sam's Club, which provides additional customer traffic at such stores and clubs. Omni-channel retailing is a rapidly evolving part of the retail industry and of our operations in the U.S. (whether through organic growth or eCommerce acquisitions) and in a number of markets in which our Walmart International segment operates.

We must anticipate and meet our customers' changing expectations while adjusting for technology investments and developments in our competitors' operations through focusing on the building and delivery of a seamless shopping experience across all channels by each operating segment. Any failure on our part to provide attractive, user-friendly secure digital platforms that offer a wide assortment of merchandise at competitive prices and with low cost and rapid delivery options and that continually meet the changing expectations of online shoppers and developments in online and digital platform merchandising and related technology could place us at a competitive disadvantage, result in the loss of eCommerce and other sales, harm our reputation with customers, have a material adverse impact on the growth of our eCommerce business globally and have a material adverse impact on our business and results of operations. Our digital platforms, which are increasingly important to our business and continue to grow in complexity and scope, and the computer and operating systems on which they run, including those applications and systems in our acquired eCommerce businesses, are regularly subject to cyber-attacks. Those attacks involve attempts to gain access to our eCommerce websites (including marketplace platforms) or mobile commerce applications to obtain and make unauthorized use of customers' or members' payment information and related risks discussed below. Such attacks, if successful, may also create denials of service or otherwise disable, degrade or sabotage one or more of our digital platforms and otherwise significantly disrupt our customers' and members' shopping experience. If we are unable to maintain the security of our digital platforms and keep them operating within acceptable parameters, we could suffer loss of sales, reductions in traffic, reputational damage and deterioration of our competitive position and incur liability for any damage to customers whose personal information is unlawfully obtained and used, any of which events could have a material adverse impact on our business and results of operations and impede the execution of our strategy for the growth of our business.

Any failure to maintain the security of the information relating to our company, customers, members, associates and vendors, whether as a result of cybersecurity attacks on our information systems or otherwise, could damage our reputation, result in litigation or other legal actions against us, cause us to incur substantial additional costs, and materially adversely affect our business and operating results.

As do most retailers, we receive and store in our digital information systems certain personal information about our customers and members, and we receive and store personal information concerning our associates and vendors. Some of that information is stored digitally in connection with our digital platforms. We also utilize third-party service providers for a variety of reasons, including, without limitation, for encryption and authentication technology, content delivery to customers and members, back-office support, and other functions. Such providers may have access to information we hold about our customers, members, associates or vendors. In addition, our eCommerce operations depend upon the secure transmission of confidential information over public networks, including information permitting cashless payments.

Cyber threats are rapidly evolving and those threats and the means for obtaining access to information in digital and other storage media are becoming increasingly sophisticated. Cyber threats and cyber-attackers can be sponsored by countries or sophisticated criminal organizations or be the work of single "hackers" or small groups of "hackers." Each year, cyber-attackers make numerous attempts to access the information stored in our information systems. As cyber threats evolve, change and become more difficult to detect and successfully defend against, one or more cyber-attacks might defeat our or a third-party service provider's security measures in the future and obtain the personal information of customers, members, associates and vendors.

Associate error or malfeasance, faulty password management or other irregularities may also result in a defeat of our or our third-party service providers' security measures and a breach of our or their information systems. Moreover, hardware, software or applications we use may have inherent defects of design, manufacture or operations or could be inadvertently or intentionally implemented or used in a manner that could compromise information security. We or our third-party service providers may not discover any security breach and loss of information for a significant period of time after the security breach occurs.

Any breach of our security measures or any breach, error or malfeasance of those of our third-party service providers and loss of our confidential information, or any failure by us to comply with applicable privacy and information security laws and regulations, could cause us to incur significant costs to protect any customers, members, associates and vendors whose personal data was compromised and to restore their confidence in us and to make changes to our information systems and administrative processes to address security issues and compliance with applicable laws and regulations.

In addition, such events could be widely publicized and could materially adversely affect our reputation with our customers, members, associates, vendors and shareholders, could harm our competitive position particularly with respect to our eCommerce operations, and could result in a material reduction in our net sales in our eCommerce operations, as well as in our stores thereby materially adversely affecting our operations, net sales, results of operations, financial condition, cash flows and liquidity. Such events could also result in the release to the public of confidential information about our operations and financial condition and performance and could result in litigation or other legal actions against us or the imposition of penalties, fines, fees or liabilities, which may not be covered by our insurance policies. Moreover, a security breach could require us to devote significant management resources to address the problems created by the security breach and to expend significant additional resources to upgrade further the security measures we employ to guard personal information against cyber-attacks and other attempts to access such information and could result in a disruption of our operations, particularly our digital operations.

We accept payments using a variety of methods, including cash, checks, credit and debit cards, our private label credit cards and gift cards, and we may offer new payment options over time, which may have information security risk implications. As a retailer accepting debit and credit cards for payment, we are subject to various industry data protection standards and protocols, such as payment network security operating guidelines and the Payment Card Industry Data Security Standard. We cannot be certain that the security measures we maintain to protect all of our information technology systems are able to prevent, contain or detect any cyber-attacks, cyber terrorism, or security breaches from known cyber-attacks or malware that may be developed in the future. To the extent that any cyber-attack or incursion in our or one of our third-party service provider's information systems results in the loss, damage or misappropriation of information, we may be materially adversely affected by claims from customers, financial institutions, regulatory authorities, payment card networks and others. In certain circumstances, payment card association rules and obligations to which we are subject under our contracts with payment card processors make us liable to payment card issuers if information in connection with payment cards and payment card transactions that we hold is compromised, which liabilities could be substantial. In addition, the cost of complying with stricter and more complex data privacy, data collection and information security laws and standards could be significant to us. Changes in the results of our retail pharmacy business could adversely affect our overall results of operations, cash flows and liquidity.

Walmart has retail pharmacy operations in our Walmart U.S. and Sam's Club segments. A large majority of our retail pharmacy net sales are generated by filling prescriptions for which we receive payment through established contractual relationships with third-party payers and payment administrators, such as private insurers, governmental agencies and pharmacy benefit managers ("PBMs").

Our retail pharmacy operations are subject to numerous risks, including: reductions in the third-party reimbursement rates for drugs; changes in our payer mix (i.e., shifts in the relative distribution of our pharmacy customers across drug insurance plans and programs toward plans and programs with less favorable reimbursement terms); changes in third party payer drug formularies (i.e., the schedule of prescription drugs approved for reimbursement or which otherwise receive preferential coverage treatment); growth in, and our participation in or exclusion from, exclusive and preferred pharmacy network arrangements operated by PBMs and/or any insurance plan or program; increases in the prices we pay for brand name and generic prescription drugs we sell; increases in the administrative burdens associated with

seeking third-party reimbursement; changes in the frequency with which new brand name pharmaceuticals become available to consumers; introduction of lower cost generic drugs as substitutes for existing brand name drugs for which there was no prior generic drug competition; changes in drug mix (i.e., the relative distribution of drugs customers purchase at our pharmacies between brands and generics); changes in the health insurance market generally; changes in the scope of or the elimination of Medicare Part D or Medicaid drug programs; increased competition from other retail pharmacy operations; further consolidation among third party payers, PBMs or purchasers of drugs; overall economic conditions and the ability of our pharmacy customers to pay for drugs prescribed for them to the extent the costs are not reimbursed by a third party; failure to meet any performance or incentive thresholds to which our level of third party reimbursement may be subject; and changes in the regulatory environment for the retail pharmacy industry and the pharmaceutical industry, including as a result of restrictions on the further implementation of or the repeal of

the Patient Protection and Affordable Care Act or the enactment and implementation of a law replacing such act, and other changes in laws, rules and regulations that affect our retail pharmacy business.

If the supply of certain pharmaceuticals provided by one or more of our vendors were to be disrupted for any reason, our pharmacy operations could be severely affected until at least such time as we could obtain a new supplier for such pharmaceuticals. Any such disruption could cause reputational damage and result in a significant number of our pharmacy customers transferring their prescriptions to other pharmacies.

One or a combination of such factors may adversely affect the volumes of brand name and generic pharmaceuticals we sell, our cost of sales associated with our retail pharmacy operations, and the net sales and gross margin of those operations or result in the loss of cross-store or cross-club selling opportunities and, in turn, adversely affect our overall net sales, other results of operations, cash flows and liquidity.

Our failure to attract and retain qualified associates, increases in wage and benefit costs, changes in laws and other labor issues could materially adversely affect our financial performance.

Our ability to continue to conduct and expand our operations depends on our ability to attract and retain a large and growing number of qualified associates globally. Our ability to meet our labor needs, including our ability to find qualified personnel to fill positions that become vacant at our existing stores, clubs and distribution centers, while controlling our associate wage and related labor costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force of the markets in which we operate, unemployment levels within those markets, prevailing wage rates, changing demographics, health and other insurance costs and adoption of new or revised employment and labor laws and regulations. If we are unable to locate, to attract or to retain qualified personnel, the quality of service we provide to our customers may decrease and our financial performance may be adversely affected.

In addition, if our costs of labor or related costs increase for other reasons or if new or revised labor laws, rules or regulations or healthcare laws are adopted or implemented that further increase our labor costs, our financial performance could be materially adversely affected.

Financial Risks

Fluctuations in foreign exchange rates may materially adversely affect our financial performance and our reported results of operations.

Our operations in countries other than the U.S. are conducted primarily in the local currencies of those countries. Our consolidated financial statements are denominated in U.S. dollars, and to prepare those financial statements we must translate the amounts of the assets, liabilities, net sales, other revenues and expenses of our operations outside of the U.S. from local currencies into U.S. dollars using exchange rates for the current period. In recent years, fluctuations in currency exchange rates that were unfavorable have had adverse effects on our reported results of operations.

As a result of such translations, fluctuations in currency exchange rates from period-to-period that are unfavorable to us may also result in our consolidated financial statements reflecting significant adverse period-over-period changes in our financial performance or reflecting a period-over-period improvement in our financial performance that is not as robust as it would be without such fluctuations in the currency exchange rates. Such unfavorable currency exchange rate fluctuations will adversely affect the reported performance of our Walmart International operating segment and have a corresponding adverse effect on our reported consolidated results of operations.

We may pay for products we purchase for sale in our stores and clubs around the world with a currency other than the local currency of the country in which the goods will be sold. When we must acquire the currency to pay for such products and the exchange rates for the payment currency fluctuate in a manner unfavorable to us, our cost of sales may increase and we may be unable or unwilling to change the prices at which we sell those goods to address that increase in our costs, with a corresponding adverse effect on our gross profit. Consequently, fluctuations in currency exchange rates may adversely affect our results of operations.

Failure to meet market expectations for our financial performance could adversely affect the market price and volatility of our stock.

We believe that the price of our stock generally reflects high market expectations for our future operating results. Any failure to meet or delay in meeting these expectations, including our comparable store and club sales growth rates, eCommerce growth rates, gross margin, or earnings and earnings per share could cause the market price of our stock to decline, as could changes in our dividend or stock repurchase programs or policies. Additionally, failure of

Walmart's performance to compare favorably to that of other retailers may have a negative effect on the price of our stock.

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Legal, Tax, Regulatory, Compliance, Reputational and Other Risks

Our international operations subject us to legislative, judicial, accounting, legal, regulatory, tax, political and economic risks and conditions specific to the countries or regions in which we operate, which could materially adversely affect our business or financial performance.

In addition to our U.S. operations, we operate our retail business in Africa, Argentina, Canada, Central America, Chile, China, India, Japan, Mexico and the United Kingdom.

During fiscal 2019, our Walmart International operations generated approximately 24% of our consolidated net sales. Walmart International's operations in various countries also sources goods and services from other countries. Our future operating results in these countries could be negatively affected by a variety of factors, most of which are beyond our control. These factors include political conditions, including political instability, local and global economic conditions, legal and regulatory constraints (such as regulation of product and service offerings including regulatory restrictions on eCommerce offerings in international markets, such as India), restrictive governmental actions (such as trade protection measures), local product safety and environmental laws, tax regulations, local labor laws, anti-money laundering laws and regulations, trade policies, currency regulations, laws and regulations regarding consumer and data protection, and other matters in any of the countries or regions in which we operate, now or in the future.

Our business and results of operations in the UK may be negatively affected by increases in food costs, changes in trade policies, changes in labor, immigration, tax or other laws and fluctuations in currency exchange rates resulting from the UK's pending exit from the European Union. We expect continued uncertainty around the extent of the impact of this exit on our business until the UK and the European Union put in alternative trade and other arrangements.

The economies of some of the countries in which we have operations have in the past suffered from high rates of inflation and currency devaluations, which, if they occurred again, could adversely affect our financial performance. Other factors which may impact our international operations include foreign trade, monetary and fiscal policies of the U.S. and of other countries, laws, regulations and other activities of foreign governments, agencies and similar organizations, and risks associated with having numerous facilities located in countries which have historically been less stable than the U.S. Additional risks inherent in our international operations generally include, among others, the costs and difficulties of managing international operations, adverse tax consequences and greater difficulty in enforcing intellectual property rights in countries other than the U.S. The various risks inherent in doing business in the U.S. generally also exist when doing business outside of the U.S., and may be exaggerated by the difficulty of doing business in numerous sovereign jurisdictions due to differences in culture, laws and regulations.

In foreign countries in which we have operations, a risk exists that our associates, contractors or agents could, in contravention of our policies, engage in business practices prohibited by U.S. laws and regulations applicable to us, such as the Foreign Corrupt Practices Act ("FCPA"), or the laws and regulations of other countries, such as the UK Bribery Act. We maintain a global policy prohibiting such business practices and have in place a global anti-corruption compliance program designed to ensure compliance with these laws and regulations. Nevertheless, we remain subject to the risk that one or more of our associates, contractors or agents, including those based in or from countries where practices that violate such U.S. laws and regulations or the laws and regulations of other countries may be customary, will engage in business practices that are prohibited by our policies, circumvent our compliance programs and, by doing so, violate such laws and regulations. Any such violations, even if prohibited by our internal policies, could adversely affect our business or financial performance and our reputation.

Changes in tax and trade laws and regulations could materially adversely affect our financial performance.

In fiscal 2019, our Walmart U.S. and Sam's Club operating segments generated approximately 76% of our consolidated net sales. The federal government has created the potential for significant changes in trade policies, including tariffs and government regulations affecting trade between the U.S. and other countries where we source many of the products we sell in our stores and clubs. Potential changes which have been discussed include the renegotiation or termination of trade agreements and the imposition of higher tariffs on imports into the U.S. A significant portion of the general merchandise we sell in our U.S. stores and clubs is manufactured in other countries. Any such actions could increase the cost to us of such merchandise (whether imported directly or indirectly) and cause increases in the prices at which we sell such merchandise to our customers, which could materially adversely affect

the financial performance of our U.S. operations and our business.

We are subject to income taxes and other taxes in both the U.S. and the foreign jurisdictions in which we currently operate or have historically operated. The determination of our worldwide provision for income taxes and current and deferred tax assets and liabilities requires judgment and estimation. Our income taxes could be materially adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in worldwide tax laws, regulations, or accounting principles.

For example, the Tax Cuts and Jobs Act of 2017 (the "Tax Act") significantly changed income tax laws that affect U.S. corporations and there are aspects of the Tax Act that remain unclear as additional guidance from the U.S. tax authority is pending. As further guidance is issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, any resulting changes in our estimates will be treated in accordance with the relevant accounting guidance.

In addition, we are subject to regular review and audit by both domestic and foreign tax authorities as well as subject to the prospective and retrospective effects of changing tax regulations and legislation. Although we believe our tax estimates are reasonable, the ultimate tax outcome may materially differ from the tax amounts recorded in our consolidated financial statements and may materially affect our income tax provision, net income, or cash flows in the period or periods for which such determination and settlement is made.

Changes in and/or failure to comply with other laws and regulations specific to the environments in which we operate could materially adversely affect our reputation, market position, or our business and financial performance.

We operate in complex regulated environments in the United States and in the other countries in which we operate and could be adversely affected by changes to existing legal requirements including the related interpretations and enforcement practices, new legal requirements and/or any failure to comply with applicable regulations.

Our pharmacy operations in the United States are subject to numerous federal, state and local regulations including licensing and other requirements for pharmacies and reimbursement arrangements. The regulations to which we are subject include, but are not limited to: federal and state registration and regulation of pharmacies; dispensing and sale of controlled substances and products containing pseudoephedrine; applicable governmental payer regulations including Medicare and Medicaid; data privacy and security laws and regulations including the Health Insurance Portability and Accountability Act, the Affordable Care Act, laws and regulations relating to the protection of the environment and health and safety matters, including those governing exposure to, and the management and disposal of, hazardous substances; regulations regarding food and drug safety including those of the U.S. Food and Drug Administration (the "FDA") and the Drug Enforcement Administration (the "DEA"), trade regulations including those of the U.S. Federal Trade Commission, and consumer protection and safety regulations including those of the Consumer Product Safety Commission, as well as state regulatory authorities, governing the availability, sale, advertisement and promotion of products we sell and the financial services we offer; anti-kickback laws; false claims laws; and federal and state laws governing health care fraud and abuse and the practice of the professions of pharmacy, optical care and nurse practitioner services.

For example, in the United States the DEA and various other regulatory authorities regulate the distribution and dispensing of pharmaceuticals and controlled substances. We are required to hold valid DEA and state-level licenses, meet various security and operating standards and comply with the federal and various state controlled substance acts and related regulations governing the sale, dispensing, disposal and holding of controlled substances. The DEA, the FDA and state regulatory authorities have broad enforcement powers, including the ability to seize or recall products and impose significant criminal, civil and administrative sanctions for violations of these laws and regulations.

We are also governed by foreign, national and state laws and regulations of general applicability, including laws and regulations related to working conditions, health and safety, equal employment opportunity, employee benefit and other labor and employment matters, laws and regulations related to competition, and antitrust matters, and health and wellness related regulations for our pharmacy operations outside of the United States. In addition, certain financial services we offer or make available, such as our money transfer agent services, are subject to legal and regulatory requirements, including those intended to help detect and prevent money laundering, fraud and other illicit activity.

The impact of new laws, regulations and policies and the related interpretations and changes in enforcement practices or regulatory scrutiny generally cannot be predicted, and changes in applicable laws, regulations and policies and the related interpretations and enforcement practices may require extensive system and operational changes, be difficult to implement, increase our operating costs, require significant capital expenditures, or adversely impact the cost or attractiveness of the products or services we offer.

Untimely compliance or noncompliance with applicable laws and regulations could result in the imposition of civil and criminal penalties that could adversely affect the continued operation of our businesses, including: suspension of payments from government programs; loss of required government certifications; loss of authorizations to participate in or exclusion from government programs, including the Medicare and Medicaid programs in the United States; loss

of licenses; and significant fines or monetary damages and/or penalties. In addition, failure to comply with applicable legal or regulatory requirements in the United States or in any of the countries in which we operate could result in significant legal and financial exposure, damage to our reputation, and have a material adverse effect on our business operations, financial condition and results of operations.

We are subject to certain legal proceedings that may materially adversely affect our results of operations, financial condition and liquidity.

We are involved in a number of legal proceedings, which include consumer, employment, tort and other litigation. In particular, we are currently a defendant in a number of cases containing class-action allegations in which the plaintiffs have brought claims under federal and state wage and hour laws, as well as a number of cases containing class-action allegations in which the plaintiffs have brought claims under federal and state consumer laws.

In addition, ASDA Stores, Ltd. ("Asda"), a wholly-owned subsidiary of the Company, has been named as a defendant in numerous "equal value" claims pending in the Manchester Employment Tribunal (the "Employment Tribunal") in the United Kingdom. The claimants, who are current and former Asda store employees, allege that the work performed by female employees in Asda's retail stores is of equal value in terms of, among other things, the demands of their jobs to that of male employees working in Asda's warehouses and distribution facilities, and that the disparity in pay between these different job positions is not objectively justified. The claimants are seeking differential back pay based on higher wage rates in the warehouses and distribution facilities and higher wage rates on a prospective basis. At present, we cannot predict the number of such claims that may be filed, and cannot reasonably estimate any loss or range of loss that may arise from these matters.

In December 2017, the United States Judicial Panel on Multidistrict Litigation consolidated numerous lawsuits filed against a wide array of defendants by various plaintiffs, including counties, cities, healthcare providers, Native American tribes, individuals, and third-party payors, asserting claims generally concerning the impacts of widespread opioid abuse. The consolidated multidistrict litigation is entitled *In re National Prescription Opiate Litigation* (MDL No. 2804), and is pending in the U.S. District Court for the Northern District of Ohio. The Company is named as a defendant in some of the cases included in this multidistrict litigation. Similar cases that name the Company have also been filed in state courts by state, local and tribal governments, health care providers and other plaintiffs. Plaintiffs are seeking compensatory and punitive damages, as well as injunctive relief including abatement. The Company cannot predict the number of such claims that may be filed, and cannot reasonably estimate any loss or range of loss that may arise from such claims.

We discuss these cases and other litigation to which we are party below under the caption "Item 3. Legal Proceedings" and in Note 10 in the "Notes to our Consolidated Financial Statements," which are part of this Annual Report on Form 10-K.

We could be subject to liability, penalties and other sanctions and other adverse consequences arising out of our on-going FCPA matter.

As previously disclosed, we are under investigation by the U.S. Department of Justice (the "DOJ") and the SEC regarding possible violations of the FCPA. We have been cooperating with those agencies and discussions have been ongoing with them regarding the resolution of these matters. These discussions have progressed to a point that in fiscal 2018, we reasonably estimated a probable loss and recorded an aggregate accrual of \$283 million with respect to these matters (the "Accrual").

A number of federal and local government agencies in Mexico also investigated these matters. Walmex cooperated with the Mexican governmental agencies that conducted these investigations.

Furthermore, lawsuits relating to the matters under investigation were filed by several of our shareholders against us, certain of our current and former directors and former officers and certain of Walmex's former officers. These matters have been resolved or immaterial accruals have been made for proposed settlements.

We could be exposed to a variety of negative consequences as a result of the matters noted above. One or more enforcement actions could be instituted in respect of the matters that are the subject of some or all of the on-going government investigations, and such actions, if brought, may result in judgments, settlements, fines, penalties, injunctions, cease and desist orders, debarment or other relief, criminal convictions and/or penalties. Shareholder lawsuits may result in judgments against us and our current and former directors and officers named in those proceedings. We also expect that there will be ongoing media and governmental interest regarding these matters, including additional news articles on these matters that could impact the perception among certain audiences of our role as a corporate citizen. Moreover, we have incurred and expect to continue to incur costs in responding to requests for information or subpoenas seeking documents, testimony and other information in connection with the government investigations, in defending the shareholder lawsuits and with respect to investigations.

While we have made an Accrual for these matters, because the discussions are continuing, there can be no assurance as to the timing or the terms of the final resolution of these matters. Although we do not presently believe that these matters, including the Accrual (and the payment of the Accrual at some point-in-time in the future) will have a material adverse effect on our business, financial position, results of operations or cash flows, given the inherent uncertainties in such situations, we can provide no assurance that these matters will not be material to our business, financial position, results of operations or cash flows in the future.

ITEM 1B.UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

United States

The Walmart U.S. and Sam's Club segments comprise the Company's operations in the U.S. As of January 31, 2019, unit counts for Walmart U.S. and Sam's Club are summarized by format for each state and territory as follows:

State or Territory	Walmart U.S.		Neighborhood	Sam's	Grand Total
	Supercenters	Discount Stores	Markets	Club	
			and other small formats (1)	Clubs	
Alabama	101	1	30	13	145
Alaska	7	2	—	—	9
Arizona	83	2	31	12	128
Arkansas	76	5	37	9	127
California	141	72	80	29	322
Colorado	70	4	18	17	109
Connecticut	12	21	1	1	35
Delaware	6	3	—	1	10
Florida	232	9	98	46	385
Georgia	154	2	35	24	215
Hawaii	—	10	—	2	12
Idaho	23	—	3	1	27
Illinois	139	15	12	25	191
Indiana	97	6	12	13	128
Iowa	58	2	—	9	69
Kansas	58	2	16	9	85
Kentucky	78	7	9	9	103
Louisiana	89	2	34	14	139
Maine	19	3	—	3	25
Maryland	30	18	3	11	62
Massachusetts	27	22	3	—	52
Michigan	91	3	10	23	127
Minnesota	65	4	1	12	82
Mississippi	65	3	10	7	85
Missouri	112	9	18	19	158
Montana	14	—	—	2	16
Nebraska	35	—	7	5	47
Nevada	30	2	11	7	50
New Hampshire	19	8	—	2	29
New Jersey	33	30	—	8	71
New Mexico	35	2	9	7	53
New York	80	17	7	12	116
North Carolina	144	6	45	22	217
North Dakota	14	—	—	3	17
Ohio	139	6	3	27	175
Oklahoma	81	8	35	13	137
Oregon	29	7	10	—	46
Pennsylvania	116	21	3	24	164
Puerto Rico	13	5	12	7	37

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Rhode Island	5	4	—	—	9
South Carolina	84	—	27	13	124
South Dakota	15	—	—	2	17
Tennessee	117	2	21	14	154
Texas	393	18	112	82	605
Utah	41	—	13	8	62
Vermont	3	3	—	—	6
Virginia	109	6	25	15	155
Washington	52	10	6	—	68
Washington D.C.	3	—	3	—	6
West Virginia	38	—	1	5	44
Wisconsin	83	4	2	10	99
Wyoming	12	—	—	2	14
U.S. total	3,570	386	813	599	5,368

(1) Includes 698 neighborhood markets, 77 Walmart U.S. eCommerce retail locations and 38 other small formats.

International

The Walmart International segment comprises the Company's operations outside of the U.S. Unit counts as of January 31, 2019⁽¹⁾ for Walmart International are summarized by major category for each geographic market as follows:

Geographic Market	Retail	Wholesale	Other ⁽²⁾	Total
Africa ⁽³⁾	346	90	—	436
Argentina	92	—	—	92
Canada	411	—	—	411
Central America ⁽⁴⁾	811	—	—	811
Chile	363	8	—	371
China	420	23	—	443
India	—	22	—	22
Japan	332	—	—	332
Mexico	2,279	163	—	2,442
United Kingdom	615	—	18	633
International total	5,669	306	18	5,993

(1) Walmart International unit counts, with the exception of Canada, are as of December 31, 2018, to correspond with the balance sheet date of the related geographic market. Canada unit counts are as of January 31, 2019.

(2) Other includes stand-alone gas stations.

(3) Africa unit counts by country are Botswana (11), Ghana (4), Kenya (2), Lesotho (3), Malawi (2), Mozambique (6), Namibia (4), Nigeria (5), South Africa (389), Swaziland (1), Tanzania (1), Uganda (1) and Zambia (7).

(4) Central America unit counts by country are Costa Rica (256), El Salvador (97), Guatemala (250), Honduras (105) and Nicaragua (103).

Owned and Leased Properties

The following table provides further details of our retail units and distribution facilities, including return facilities and dedicated eCommerce fulfillment centers, as of January 31, 2019:

	Owned and Operated	Owned and Third Party Operated	Leased and Operated	Third Party Owned and Operated	Total
U.S. properties					
Walmart U.S. retail units	4,075	—	694	—	4,769
Sam's Club retail units	513	—	86	—	599
Total U.S. retail units	4,588	—	780	—	5,368
Walmart U.S. distribution facilities	107	2	29	18	156
Sam's Club distribution facilities	7	3	4	9	23
Total U.S. distribution facilities	114	5	33	27	179
Total U.S. properties	4,702	5	813	27	5,547
International properties					
Africa	38	—	398	—	436
Argentina	67	—	25	—	92
Canada	124	—	287	—	411
Central America	327	—	484	—	811
Chile	218	—	153	—	371
China	2	—	441	—	443
India	2	—	20	—	22
Japan	54	—	278	—	332
Mexico	680	—	1,762	—	2,442

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United Kingdom	434	—	199	—	633
Total International retail units	1,946	—	4,047	—	5,993
International distribution facilities	33	5	122	66	226
Total International properties	1,979	5	4,169	66	6,219
Total properties	6,681	10	4,982	93	11,766
Total retail units	6,534	—	4,827	—	11,361
Total distribution facilities	147	10	155	93	405
Total properties	6,681	10	4,982	93	11,766

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We own office facilities in Bentonville, Arkansas, that serve as our principal office and own and lease office facilities throughout the U.S. and internationally for operations as well as for field and market management. The land on which our stores are located is either owned or leased by the Company. We use independent contractors to construct our buildings. All store leases provide for annual rentals, some of which escalate during the original lease or provide for additional rent based on sales volume. Substantially all of the Company's store and club leases have renewal options, some of which include rent escalation clauses.

For further information on our distribution centers, see the caption "Distribution" provided for each of our segments under "Item 1. Business."

ITEM 3. LEGAL PROCEEDINGS

I. SUPPLEMENTAL INFORMATION: We discuss certain legal proceedings in Note 10 to our Consolidated Financial Statements, entitled "Contingencies," which is included in Part II, Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K. We refer you to that discussion for important information concerning those legal proceedings, including the basis for such actions and, where known, the relief sought. We provide the following additional information concerning those legal proceedings, including the name of the lawsuit, the court in which the lawsuit is pending, and the date on which the petition commencing the lawsuit was filed.

ASDA Equal Value Claims: Ms S Brierley & Others v ASDA Stores Ltd (2406372/2008 & Others - Manchester Employment Tribunal); ASDA Stores Ltd v Brierley & Ors (A2/2016/0973 - United Kingdom Court of Appeal); ASDA Stores Ltd v Ms S Brierley & Others (UKEAT/0059/16/DM - United Kingdom Employment Appeal Tribunal); ASDA Stores Ltd v Ms S Brierley & Others (UKEAT/0009/16/JOJ - United Kingdom Employment Appeal Tribunal). National Prescription Opiate Litigation: In re National Prescription Opiate Litigation (MDL No. 2804) (the "MDL"). The MDL is pending in the U.S. District Court for the Northern District of Ohio and includes 440 cases as of March 15, 2019; 27 cases are in the process of being transferred to the MDL or have remand motions pending; and there are 92 additional state cases pending as of March 15, 2019. The case citations for the state cases are listed on Exhibit 99.1 to this Form 10-K.

II. CERTAIN OTHER PROCEEDINGS: The Company is a defendant in a lawsuit in which the complaint closely tracks the allegations set forth in a news story that appeared in The New York Times (the "Times") on April 21, 2012. This is a securities lawsuit, City of Pontiac General Employees Retirement System v. Wal-Mart Stores, Inc., USDC, Western Dist. of AR, that was filed on May 7, 2012, in the United States District Court for the Middle District of Tennessee, and subsequently transferred to the Western District of Arkansas, in which the plaintiff alleges various violations of the U.S. Foreign Corrupt Practices Act (the "FCPA") beginning in 2005, and asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, relating to certain prior disclosures of the Company. The plaintiff seeks to represent a class of shareholders who purchased or acquired stock of the Company between December 8, 2011, and April 20, 2012, and has sought damages and other relief based on allegations that the defendants' conduct affected the value of such stock. On September 20, 2016, the court granted plaintiff's motion for class certification. On October 6, 2016, the defendants filed a petition to appeal the class certification ruling to the U.S. Court of Appeals for the Eighth Circuit. On November 7, 2016, the U.S. Court of Appeals for the Eighth Circuit denied the Company's petition. On October 26, 2018, the parties filed a motion asking the court to approve a proposed settlement under which the Company would pay \$160 million (the "Settlement Amount") to resolve the claims of all class members. On December 6, 2018, the court preliminarily approved the settlement and scheduled the final approval hearing for April 4, 2019. The settlement does not include or constitute an admission, concession, or finding of any fault, liability, or wrongdoing by the Company or any defendant. The Settlement Amount was expensed in the Company's fiscal 2019 financial statements.

Securities Class Action: City of Pontiac General Employees Retirement System v. Wal-Mart Stores, Inc., USDC, Western Dist. of AR; 5/7/12.

III. ENVIRONMENTAL MATTERS: Item 103 of SEC Regulation S-K requires disclosure of certain environmental matters. The following matters are disclosed in accordance with that requirement. For the matters listed below, management does not believe any possible loss or the range of any possible loss that may be incurred in connection with each matter, individually or in the aggregate, will be material to the Company's financial condition or results of operations.

In September 2018, the United States Environmental Protection Agency (the “EPA”) notified the Company that it had initiated an administrative penalty action by issuing a Draft Consent Agreement and Final Order. The letter accompanying the Draft Consent Agreement and Final Order alleges that the Company distributed and/or sold three unregistered pesticide products from March 1, 2017 through June 23, 2017. The EPA is seeking a penalty of \$960,000. The manufacturer of the product is responsible for ensuring that a FIFRA-regulated product is properly registered prior to its sale. The Company is cooperating with the EPA.

In January 2018, the Environmental Prosecutor of the State of Chiapas (Procuraduría Ambiental del Estado de Chiapas) in Mexico imposed a fine of approximately \$163,000 for the absence of an Environmental Impact Authorization License related to the store Mi Bodega Las Rosas. The Company is challenging the fine.

In April 2017, the California Air Resources Board (the "ARB") notified the Company that it had taken the position that retailers are required to use unclaimed deposits collected on sales of small containers of automotive refrigerant to fund certain consumer education programs. The ARB alleged that the Company had improperly retained approximately \$4.2 million in unclaimed deposits and has sought reimbursement. The Company has denied any wrongdoing.

In April 2013, a subsidiary of the Company, Corporacion de Compañias Agroindustriales, operating in Costa Rica, became aware that the Municipality of Curridabat is seeking a penalty of approximately \$380,000 in connection with the construction of a retaining wall for a perishables distribution center that is situated along a protected river bank. The subsidiary obtained permits from the Municipality and the Secretaria Técnica Nacional Ambiental at the time of construction, but the Municipality now alleges that the wall is non-conforming.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND
ISSUER PURCHASES OF EQUITY SECURITIES

Market for Common Stock

Walmart's common stock is listed for trading on the New York Stock Exchange, which is the primary market for Walmart's common stock. The common stock trades under the symbol "WMT."

Holders of Record of Common Stock

As of March 26, 2019, there were 223,968 holders of record of Walmart's common stock.

Stock Performance Chart

This graph compares the cumulative total shareholder return on Walmart's common stock during the five fiscal years ending with fiscal 2019 to the cumulative total returns on the S&P 500 Retailing Index and the S&P 500 Index. The comparison assumes \$100 was invested on February 1, 2014, in shares of our common stock and in each of the indices shown and assumes that all of the dividends were reinvested.