

Walmart lifts outlook as upbeat results buck sector trend

LINDSAY WHIPP — CHICAGO

Walmart reported a strong second quarter yesterday as an increase in US same-store sales helped it beat estimates and raise full-year guidance, in further evidence that its turnaround plan is gaining traction.

The upbeat results from the world's largest retailer by revenues bucked the trend of yet another weak quarter across the industry and pushed Walmart's shares up 2.6 per cent to \$74.82 in early trading in New York.

The group, which accounts for nearly 10 per cent of US retail sales, was boosted by a 6.5 per cent increase in revenues at its supermarket-sized Neighborhood Market, which helped like-for-like US sales rise 1.6 per cent. The pace of store traffic growth in its domestic market slowed slightly to 1.2 per cent but shoppers were spending more per trip, it said.

In the US, Walmart's most important market, the Arkansas-based company has been spending billions of dollars raising wages and improving store layouts, as well as reducing prices to reignite growth at its 4,600 stores.

Although its investments appeared to be paying off as net sales rose 3.1 per cent in the quarter to \$76.2bn, it has yet to filter down to earnings, with operating income falling 6.2 per cent to \$4.52bn.

'We're really never satisfied with anything; we're looking to grow the business'

"While there is still a lot of work to do in executing our multiyear plan, we're encouraged by the results we're seeing," said Doug McMillon, chief of Walmart.

That work includes better integrating its online and physical operations by expanding in-store pick-up for online purchases, the roll out of its mobile payment system and the expansion of its ShippingPass free delivery offer, a service it is testing that is aimed squarely at competing with Amazon Prime.

Sales at its ecommerce business climbed 12 per cent, a sharp increase from the 7 per cent rise in the first quarter. However, this is still below the industry's annual growth of about 25 per cent last year.

Walmart has made an expensive \$3.3bn bet that it can play catch-up in the US by acquiring online marketplace Jet.com and bringing its co-founder Marc Lore on board to run Walmart's ecommerce business. It recently announced a tie-up in China with Alibaba rival JD.com.

"We're really never satisfied with anything; we're looking to grow the business," Brett Biggs, chief financial officer, said of the rise in online revenues. "With



Grocer's margins Asda posts its worst quarterly sales fall

UK supermarket group Asda reported its worst decline in quarterly sales on record yesterday, as the Walmart-owned chain said "fierce competition and food deflation" had cost it customers in the second quarter.

Like-for-like sales fell 7.5 per cent in the three months to the end of June at Asda, one of Walmart's biggest businesses outside of the US.

The results marked the supermarket chain's eighth consecutive quarter of falling sales and were far worse than the first quarter, when Asda reported a 5.7 per cent slide in like-for-like revenues.

Like-for-like sales in the final three months of last year fell 5.8 per cent — which was, until yesterday, the worst quarterly decline in the supermarket's 50-year history.

Doug McMillon, Walmart chief executive, pointed to the UK's supermarket price war to explain the poor performance, saying the "competitive environment and food deflation continued to challenge the market, significantly impacting traffic and comp[arative] sales". He added that Asda

was "focused on improving the retail basics", as well as bolstering the availability and assortment of its product ranges while reducing costs and investing in pricing. "While our turnaround will take time, I'm confident in the new leadership team there and want to assure you we're addressing this with urgency."

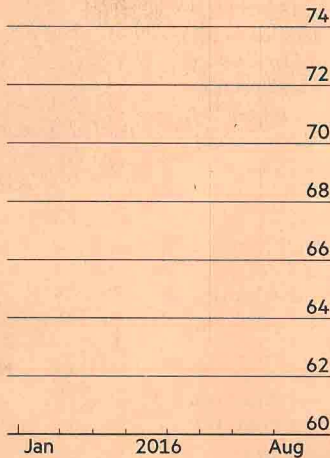
Sean Clarke, who was until recently president and chief executive of Walmart China, took over as chief executive of Asda last month, replacing longtime boss Andy Clarke.

Roger Burnley, who was until recently retail and operations director at J Sainsbury, is set to join Asda as deputy chief executive and chief operating officer in October.

Asda is the UK's third-largest grocer by market share, behind Tesco and Sainsbury, according to research group Kantar Worldpanel. But Kantar data published last month showed Asda was the worst performer among the major UK supermarkets in the 12 weeks to July 17, with sales falling 5.7 per cent. Lauren Fedor

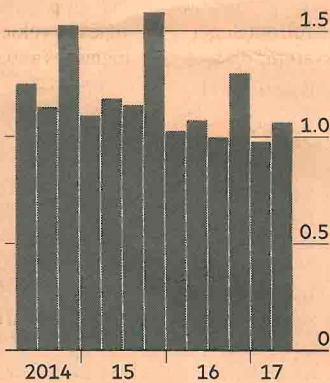
Walmart

Share price (\$)



Walmart performance

Earnings per share from continuing operations (\$)



Sources: Thomson Reuters Datastream; Bloomberg

the proposed acquisition of Jet and [tie-up with] JD, we will try to accelerate that growth in ecommerce. Doug McMillon said last quarter we weren't happy [with the growth]. We're more pleased this quarter but continue to press and keep growing the business at an accelerated pace."

In the US, Mr Lore will be crucial to driving online sales growth and integrating ecommerce with physical stores. Greg Foran, head of Walmart's US business, declined to give details of how he and Mr Lore would work together.

Walmart said that second-quarter sales rose 0.5 per cent to \$120.9bn, compared with consensus analyst estimates for an increase of 0.1 per cent to \$120.3bn. Excluding the impact of the strong dollar, sales rose 2.8 per cent.

Earnings — adjusted for a one-off gain from the sale of its Chinese venture — came in at \$1.07 a share, beating estimates for \$1.02.

Walmart said it now expected full-year adjusted EPS of between \$4.15 and \$4.35 compared with an earlier forecast of between \$4.00 and \$4.30. Analysts had estimated \$4.26 a share.

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