

Wal-Mart reports stronger US sales; shares jump

NEW YORK - US retail giant Wal-Mart reported slightly higher quarterly sales on Thursday and said better-than-expected earnings reflected the benefits of heavy investment to boost worker salaries and improve the shopping experience.

But executives described US consumers as still cautious and acknowledged that steep investments in e-commerce have yet to pay off.

Net income for the first quarter of fiscal 2017 was \$3.1 billion, down 7.8 percent from the year-ago period.

The world's largest retailer reported \$115.9 billion in sales, up 0.9 percent from the year-ago period.



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Shares of Dow member Wal-Mart Stores surged 9.0 percent to \$68.86 in morning trade.

"We are proud of the overall results in the first quarter, and there is momentum in many parts of the business," said chief financial officer Brett Biggs.

The results come on the heels of a series of largely disappointing earnings reports from other larger retailers such as Target and Macy's.

Biggs told reporters on a conference call that there is "still an air of uncertainty" among US consumers, despite some favorable economic conditions, such as low unemployment and relatively low gasoline prices.

Shares of Wal-Mart took a big hit when it slashed its profit outlook in October to boost investment by some \$1.5 billion in fiscal 2017, mostly on higher wages.

But Wal-Mart attributed the first quarter's one percent rise in comparable US stores to these investments. The company's Walmart US stores account for more than 60 percent of company revenues.

Storewide improvements include cleaner parking lots, better display of fresh foods and more tightly managed inventories, said Walmart US president Greg Foran.

"This is very, very incremental," Foran said of the improvements.

"As you gradually improve on these 100-plus aspects of shopping, the customer gets a better experience and with better luck, that's reflected in them coming to visit you more often and them putting one more item in the trolley."

Foran said there is still room for improvement, since Walmart still lags some competitors in terms of the shopping experience.

Wal-Mart has also significantly boosted its spending on e-commerce as it tries to fend off competition from Amazon and other online companies.

Wal-Mart said in October it would raise investment in e-commerce from \$700 million in 2015 to \$900 million in 2016 and a projected \$1.1 billion in 2017.

Wal-Mart is still waiting a fuller payback on these investments. A seven percent rise in global e-commerce sales during the first quarter was "not as strong as we wanted," said Biggs.

The company is optimistic about the growth potential of online grocery sales and its "Walmart pay" system, Biggs said.

Walmart International reported higher operating earnings behind especially strong results in Canada and Mexico that made up for much lower sales in Britain, where intense competition in grocery has hampered performance.

Wal-Mart said it expects the solid performance to continue in the second quarter, projecting per-share earnings to be between 85 cents and \$1.08, compared with analyst expectations for 98 cents per share.

Wal-Mart said the strong results would allow it to move ahead with price cuts on key products more quickly than planned, likely pressuring other retailers.

Source: AFP