

# Walmart

## México y Centroamérica

Webcast Results for the Fourth Quarter 2020 and Walmex Day 2021

Mexico City, February 18, 2021

(FREE TRANSLATION, NOT TO THE LETTER)



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### MILTON BRANDT:

Thank you Gui and good morning everyone, thank you for joining us today in our Walmex Day 2021.



This year proofed our business to be resilient, to constantly innovate and to work with discipline in order to win our customers loyalty, while delivering results.

In 2020, the circumstances required us to work remotely, yet closer and more integrated than ever with our stores, clubs and DCs associates. I am very pleased with how our associates are embracing agile as the way of working, with our progress in omnichannel and with how we managed to keep our customers and associates at the center of all our decisions.

Being true to our purpose of helping people save money and live better, now all our formats have an omnichannel offering

that allows us to make things easier for our customers and help them stay safe during these unprecedented times.

Let's review the fourth quarter and full year results. I'll start with Mexico.

During the 4Q, total revenues increased 5.9% and 8.0% during the full year.

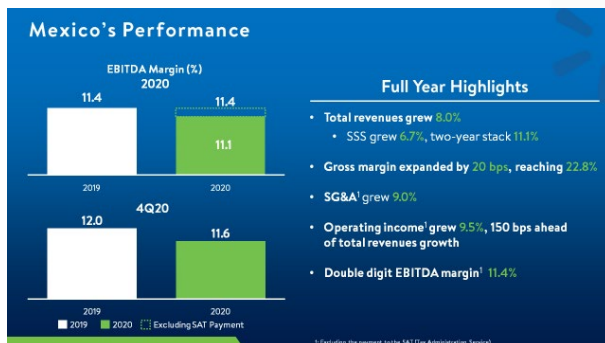
Throughout the year, we worked with our suppliers to continue to provide the lowest prices to our customers through programs like "Los Esenciales". We were able to expand our price gap by 50 bps and to expand gross profit by 20 bps for the full year.

In terms of expenses, in the 4Q we saw a higher growth than in the rest of the year, primarily because of three reasons:

- 1) We saw higher personnel costs, as we decided to pay another gratitude bonus to store, club and DC associates and we increased the provision for performance bonus to show our appreciation for all the hard work our associates have done this challenging year,
- 2) We caught up with construction, remodel and maintenance work that we couldn't do earlier in the year given the restrictions; and
- 3) We incurred extraordinary expenses to keep our customers and associates safe.

However, when we look at the full year, I am quite pleased with how the team managed to keep the operating discipline, despite the high expense environment we experienced. Excluding one-time effects, expenses as percentage of sales were quite similar to 2019 levels.

All in, underlying 2020 results were positive. Operating income grew 9.5%, 150 bps ahead of total revenues growth and we were able to maintain our double digit EBITDA margin of 11.4%



Now, looking at the details of the quarter. We delivered broad-based growth across regions, formats and categories.

During the quarter, same-store sales increased 4.9% and 6.7% for the full year, which led to an 11.1% two-year stack.

All regions had a positive performance. The North and South regions delivered the highest same-store sales growth, followed by the Metro and Center regions. Sales in the Metro region were softer during December, as operating restrictions increased and selling some categories, such as toys or wines, was temporarily prohibited.

Regarding formats, Sam's Club continued to post the highest same-store sales growth, followed by Bodega, Walmart and Superama. Important to note how Bodega's sales trend improved significantly vs. previous quarters' performance, as customer are reacting to the pricing actions we've taken and our omni-proposition is starting to gain traction.

Looking at same-store sales by category, Food & Consumables and General Merchandise posted the highest growth driven by in-home consumption, "El Fin Irresistible" event and holiday sales.



It's encouraging to see that the Apparel division resumed growth and posted a positive result, after several quarters on negative territory.

While SSS growth continues to be strong and sustainable, eCommerce contribution to total sales growth is accelerating.

During the year, contribution increased 5x vs. 2019, reaching 260 bps. Looking only at the 4Q, eCommerce contributed 340 bps to total growth.

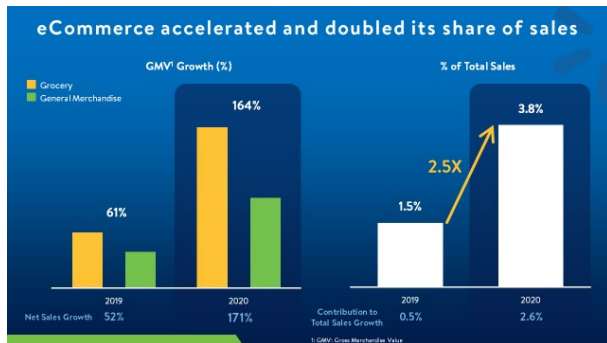
eCommerce sales growth was 171%, both in the quarter and for the full year.

eCommerce sales represented 5.1% of Mexico sales during quarter and 3.8% during the year, 2.5 times the penetration we had on 2019.

On November, we reached our monthly sales historic maximum for General Merchandise in on demand. It's encouraging to see the potential we have on the omni space as the market evolves.

We will focus on service levels and on providing the best shopping experience; we believe it is critical to continue investing to improve our omni value proposition in order to win our customers' loyalty.

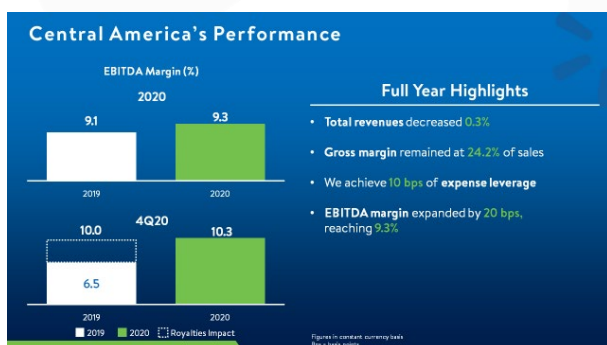
Ignacio and Cristian will talk about our plans going forward.



We have been able to outpace the self-service and clubs market measured by ANTAD for 6 consecutive years now.

In 2020, we sequentially expanded the same-store sales growth gap vs. ANTAD, reaching a 160 bps gap during the quarter and a 130 bps gap for the full year.

Our Every Day Low Price proposition continues to gain strength, and our efforts to operate with discipline and continuously improve our service levels are allowing us to gain or customers' loyalty.



Now, I'll talk about results in Central America.

Topline growth continued to be softer in the region given the macro environment and the restrictions in place to contain COVID-19 pandemic. The team made a great job, launching campaigns, such as "Tu Menudo Campeón", and reinforcing our pricing positioning to drive sales. Despite the price investments, we worked together with our suppliers and were able to maintain a 24.2% gross profit margin in the region.

I have to say I am very pleased with how the team managed to keep expenses under control in such challenging times. We were able to achieve 10 bps of expense leverage during the year, despite the additional costs incurred due to the pandemic. It is an example of our commitment to costs control and discipline.

As a result, EBITDA margin expanded by 20 bps in the year.



Looking at the performance by country...

We continue to face a challenging environment, yet we are managing to grow ahead of the market and to gain share in most of the countries.

Nicaragua and Guatemala managed to grow sales, while in El Salvador, Costa Rica and Honduras sales were softer, as the effects of the pandemic, with its operating restrictions, and hurricanes, affected those countries more severely.

I'd like to highlight the omnichannel progress in the region, which allowed us to serve our customers amid these unprecedented times... it's amazing how the team stepped-up to the challenge and provided an essential service to customers.

Flavio will speak about our plans for the region later in the session.



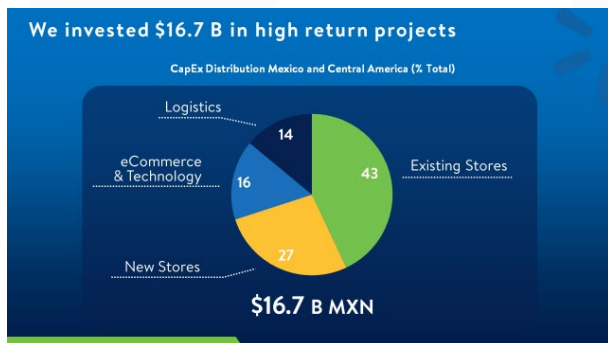
Moving to new store growth...

We continue to invest in Mexico and in Central America despite an uncertain environment, as we believe in the long-term potential of the region.

We are resuming new store growth at a faster pace. Following authorities' guidelines for construction and making sure conditions are safe, we opened 37 stores in the last quarter of 2020

During the full year, we opened 82 new stores: 63 in Mexico and 19 in Central America. This includes two new Walmart Express stores, which had amazing results on their opening month. We're very excited about the potential of this format.

For the year, new stores contribution to total sales growth was 1.5%.



Last year we were not able to implement our investment plans as we expected to, but we managed to make strategic investments to better position our business, while continuing to generate returns.

We invested \$16.7 billion pesos: 43% of the investment was allocated to the remodeling and maintenance of existing stores, 27% to the opening of new stores, 16% to eCommerce and technology and 14% to the logistics network redesign.

As we shared with you on previous quarters, we decided to shift our investment focus to omnichannel, automation and technology projects to accelerate the implementation of our strategy.

In summary, I am very pleased with what we achieved in the year. We were able to serve our customers, to take care of our associates, to give back to the community, to progress with our strategic agenda and generate returns for our shareholder, while we managed to grow the topline and maintain profitability.

That will be it for the 4Q and 2020 results, now let's talk about our plans going forward.



### Financial framework remains consistent



Our financial framework will remain consistent. We will focus on four levers for value creation:

- 1) The first one is quality growth: we will continue to drive broad-based, profitable and therefore sustainable growth across the different formats, regions and categories, leveraging the eCommerce momentum and previous investments.
- 2) The second one is an EDLC Mindset: we continuously launch and search for new productivity initiatives to leverage expenses. Our capacity to save and be efficient is what gives us the flexibility to invest and continue positioning our Company.
- 3) The third: strategic capital management: we continue to optimize our working capital and to invest in high return projects.
- 4) This should translate into value creation for our shareholders.

### Generating savings to fund strategic initiatives



CUSTOMERS' & ASSOCIATES' VALUE PROPOSITION

Talking about EDLC mindset...

We continue to focus on productivity and expense control, in 2021 we will implement projects such as:

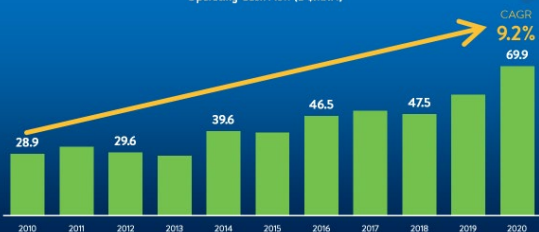
- **Work force management** program: through which we will change the way of working of our associates at stores by reducing layers and friction, while we empower them and provide the necessary digital tools to make their jobs easier.
- Another example is **smart spending**: were we will review and optimize the expenses of the company, line by line through a sustainable program;

We will also step-up our efforts in terms of automation and digitalization. We shared with you plenty of examples of what we are doing in our stores during the omni tour: self-scanning stations, the back room unloader or the Fresh App.

The savings that we generate will be reinvested into our Customers' and Associates' Value proposition.

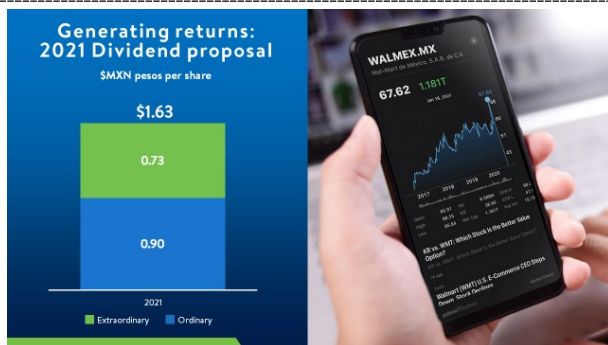
### Maintaining a solid cash flow generation

Operating Cash Flow (B \$MXN)



Our financial strength becomes increasingly important at these times.

Operating cash flow generation has increased annually 9.2% and we will continue to focus on further improving our cash position by managing the business in a disciplined way, so we can continue to invest and generate returns... which leads to the next point.



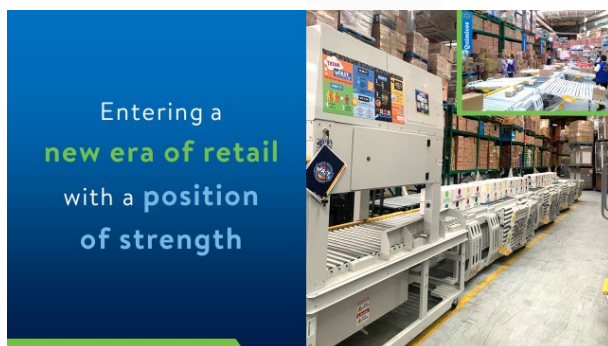
We are committed to delivering consistent returns to shareholders while investing for the future.

Yesterday, the Walmex's Board of Directors agreed to recommend a proposal to shareholders for an ordinary dividend of \$0.90 pesos per share and an extraordinary dividend of \$0.73 pesos per share; total dividends add up to \$1.63 pesos per share payable in two installments, one in November and the other one in December 2021.

We expect the proposal to be approved at the Annual Shareholders Meeting to be held on March 23, 2021.



We are also generating returns in the form of capital gains. For the last five years, every year our stock price has reached a new maximum, despite the volatility in the environment.



In closing, Walmex is evolving and preparing for the future; we will continue to invest and innovate.

Our business is resilient and by operating with discipline and becoming more productive we will be able to deliver results as we transform our business. We will keep a strong cash flow generation that will allow us to invest and build a business that is even more prepared to face future challenges.

I would like to say thank you to our associates, you have stepped up to the challenge and you are making it possible for families to safely get what they need, while positioning our company to win.

Thank again you for joining us today we will have a 10 minute break and we will come back with Gui, who will present our strategy.