

WALMEX DAY 2021 – Walmex Enterprise Strategy

The date of this meeting is February 18, 2021. Today's meeting is being recorded and will remain available at www.walmex.mx

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GUILHERME LOUREIRO:

Good morning to all of you, I hope you and your families are safe and well.

Thank you very much for joining us at our WALMEX DAY 2021.

This year we're going to have a slightly different event than what we've had in past years. In addition to being virtual due to the circumstances we're experiencing, we wanted to link the event with our fourth quarter report.



The team and I will present the strategic plans we have for the future of the company, but first I would like to talk about the quarter and the year 2020.

I'm going to give a summary of the highlights and then Milton will talk in more detail about the financial performance in this period.



I'd like to start by talking about our associates.

Words can't express how proud we are of each one of them. They are taking care of our customers and members during these unprecedented times, while providing an essential service and, thanks to their hard work and dedication, today more than ever we are fulfilling our purpose of helping people live better.

On our Walmex Day 2019, we shared with you the plan to transform our way of working with four goals: to continue to put our customers and associates always at the center of our decisions, to work in an agile way, to use data to support decision-making and to foster an end-to-end view. This new way of working was essential for us to adapt to the new circumstances and to remain productive and close to the stores, while working remotely.

In the face of uncertainty, our associates keep us moving forward. Besides serving our customers, they are managing the business effectively and progressing on the execution of our strategy.

Given the level of disruption we've seen in the environment since the pandemic began, we set 5 priorities to guide our decision-making, and I would like to give you an update on the progress on each one of them.

- The first priority is **to support our associates**.

In addition to providing the necessary protective equipment so that they can do their work safely, to show our appreciation:

- More than 23,000 associates in vulnerable conditions, were granted permission to be absent with pay;
- We granted special bonuses in the second and fourth quarters for associates in stores, clubs and distribution centers;
- We changed the payment frequency of their salary from biweekly to weekly, so that they can have a quicker access to their earnings;
- We provided transportation allowance to distribution centers with difficult access;
- We extended a discount to all associates to buy everyday needs in stores and online and;
- We enabled a medical phone line to support the health and well-being of our associates and their families.

These measures remain in place and we are constantly looking for ways to continue to support them, so that they can take care of themselves and of our customers.

- The second priority is **to serve our customers**.

We transformed our stores and the way we operate to serve our customers in the safest and most hygienic way possible. From installing protection glasses at the checkouts and marking safe distance in high traffic areas, to providing dedicated delivery and pickup slots to customers in vulnerable conditions; we have been adapting to their habits and the conditions of the environment, always following the guidelines of the authorities.

We have kept our supply chain operating at full speed, to be able to offer everything our customers are looking for.

In addition, we have further reinforced our EDLP proposition, keeping the lowest prices on more than 300 items in the "Los Esenciales" program.

Our customers have appreciated this effort and rewarded us with their preference.

- The third priority is **to help each other**, including:
 - **the communities** we serve,
 - our **suppliers** who have always been our great allies,
 - the **tenants** who lease space in our stores, and
 - federal, state, and local **authorities**.

We have responded in different ways to the needs of each one of them.

We donated \$130 million pesos to fund the COVID-19 temporary center, which provides medical care to patients in Mexico City.



In collaboration with other organizations, we supported more than 45,000 people affected by COVID-19, donating \$33 million pesos through a gift card program.

We also donated 250 tons of food to more than 22,800 to senior people voluntary packing goods at our stores.

We know it has been a difficult time for our small suppliers too, so we decided to support them by

- reducing payment terms to 7 days,
- expanding our factoring program and,
- offering a digital training program designed for micro and small business who have been affected by contingency and who need support to understand the digital world as an alternative to address the crisis.

We also waived rent for our small tenants and worked with them to hire to their employees during peak demand.

- The fourth priority is **to manage the short term** effectively, financially, and operationally, this includes our cash and inventory position.

You saw our quarterly report early today and Milton is going to address this point later.

- And the fifth, to **continue to implement our strategy** even amid the crisis.

Everything that happened in 2020 led us to accelerate our strategic agenda and this is why today we are here to present to you the new chapter of our strategy.

I am very proud of what we have achieved as a company in recent months, especially of how our associates have dealt with the situation.

Now, I leave you with Milton, and I'll be back in a few minutes.

Good morning to all and again thank you for joining us at our WALMEX DAY 2021.

Today we are here to share with you our new long-term strategy. In my presentation I will focus on Mexico and later on Flavio will present Central America's strategy.

Last year we had planned to hold our annual event with analysts and investors at Merida's new omnichannel distribution center. Due to the circumstances, we had prepared everything necessary to do the event virtually, but during those days the WHO declared the pandemic and we began to see a significant level of disruption in the business, so we made the decision to focus 100% on serving our customers and canceled the event altogether.

Before we start talking about our future plans, I would like to use some of the material from last year's presentation as context for today... I'll leave you with this video.





In essence... Throughout all these years, we have demonstrated resilience and ability to innovate, execute and deliver results.

Customer centricity has guided our strategy, and we have built the foundations of a strong business, which is prepared for the future:

- We were able to accelerate same-store sales growth and our openings are more efficient.
- We expanded our price gap to fulfill our purpose of helping people save money and live better.
- We built a relevant omnichannel business with on-demand and we are ready to accelerate Marketplace and 1P growth.
- We continue to create shared value and build trust with our stakeholders: associates, customers, suppliers, communities, business partners, shareholders, and the planet.

A disruptive year...

2020

That's how we got to 2020... An unprecedented year, in every respect.

A year of stories, of challenges, of learnings.

A year that certainly set the before and after of several industries, including ours.

The pandemic changed the way our customers shop and interact with us; it generated structural changes in retail and an acceleration of digital adoption in several areas: from online shopping to payments and paperwork.

We are fortunate to operate a business that allowed us to be even closer to our customers and to learn from them every day.

The evolution of the market and in the way our customers shop, **accelerated the implementation of our strategic agenda** and led us to rethink our long-term plans... and I dare to say, the future of our company looks more exciting than ever.

We've evolved significantly... from a store-based business to an omni-business, and now it is time to optimize performance and create a winning omni-led ecosystem in Mexico.

Our emerging flywheel



The new strategy can be summarized in this flywheel of mutually reinforcing capabilities and assets.

But what exactly is a flywheel? I can't find the exact word in Spanish ... a steering wheel?

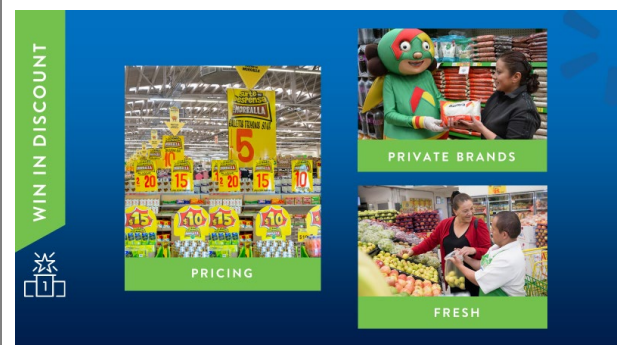
If we look up its meaning in the dictionary, a flywheel is:

"A revolving wheel that is used to increase a machine's momentum, thereby providing greater stability or reserve power for when you need it."

And that is precisely what our flywheel is trying to do.

As it "spins," it creates power on momentum or investment that we can put back into the business and make the whole machine even more efficient.

Let's see it by parts.



Our starting point is solid. We have a healthy brick and mortar business that has delivered broad-based, profitable and sustainable growth for many years, and a double-digit EBITDA margin.

Our focus will be to **win in discount**.

The discounts market in Mexico is large and offers space to continue growing, especially through the formalization of the market.

We have a unique position in this segment thanks to Bodega, a recognized and efficient vehicle that has accompanied our customers for over 60 years and nowadays is the largest retailer in Mexico.

It is necessary to evolve together with our Bodega customer and to deepen the execution of the value proposition.

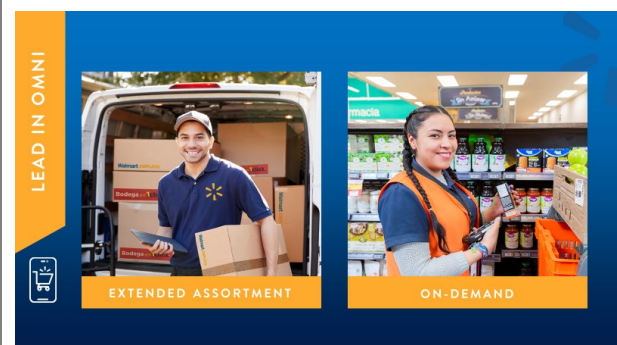
We will seek to further expand our price leadership, together with our suppliers. In addition to significantly reinforcing the price gap, we will be much more intentional in terms of price points.

We will continue to work on the assortment, and in this regard, Our Brands will become even more important, as we will seek to expand its share by about 300 basis points in the next 3 years.

Our Brands will be key to keep our customer's preference, while balancing price investment and profitability.

Another important aspect to Win in Discount, is to continue to strengthen our Fresh offering, since this category is fundamental in the purchase decision of the Bodega customer. We have progressed with the projects we have shared with you before, such as the centralization of meat and bakery or Perishables 360, but there is still a lot to do.

The flexibility of Bodega's formats and prototypes will help us accelerate new store expansion. We have developed new prototypes, such as Mi Bodega Urbana that, together with the redesign of our logistics network, allow us to reach places that we couldn't reach before and to bring our low price value proposition to more families.



Winning primary destination in brick and mortar is the foundation to **lead in omni**.

Two years ago we shared with you in this same event our decision to compete in eCommerce from our own field, leveraging our strengths: leadership in groceries and our stores. Today, I can say that I am very proud of what we have achieved in this regard with the evolution of on-demand.

Today, we can deliver the same day our customers place their order 52,000 groceries, consumables and general merchandise items, from 586 of our stores of all formats: Walmart, Walmart Express, Sam's and Bodega in 70 cities.

Thanks to our capabilities, we can deliver everything from regular weekly grocery order to orders as complex as a combo of popcorn, microwave and an ice cream... by doing so, we have managed to win the purchase frequency and scale our business significantly, while keeping the lowest prices.

In 2020 online sales grew 171%, and simultaneously we improved NPS and profitability significantly.

On-demand will continue to be a critical part of our omnichannel offering and there is still much to do in terms of service levels.

	<p>Going forward, we will seek to significantly accelerate the extended assortment, primarily in General Merchandise and Apparel. We know that our customers are looking for a wider assortment when they shop online, and we are here to serve them. We're going to strengthen the 1P and the Marketplace operations to expand our reach to more categories and customers.</p> <p>We will start with the local marketplace and develop Cross Border in the mid-term.</p> <p>To become leaders in omni, we will need to invest significantly in growth catalysts, among them technology, logistics and talent. I'll talk about this going forward.</p> <p>Walmart and Sam's are going to play a key role in our plans, we will prioritize the omni transformation of stores and clubs. Later on, Ignacio, Dolores, and Cristian will tell you in more detail about our plans.</p>
	<p>There are natural adjacencies to our omni business that will allow us to solve customer pain points.</p> <p>Imagine being able to create a digital connection with the more than 5.0 million customers who visit us every day. Offer services such as connectivity or credit so that they can buy high-ticket items... and that every time they interact with us we get to know them better and serve them better.</p> <p>We identified those services around the shopping experience that our customers value the most and we are already making progress on these fronts.</p> <p>We launched the mobile virtual network operator BAIT, to provide connectivity services for our customers, and we have now 300,000 users who can top-up their phones at 2,500 stores or using Cashi.</p> <p>We also launched our Cashi as an MVP and we learned from our customers' response. Now we are preparing to scale the product: we're hiring talent, building the technology and developing use cases that will expand customer access and loyalty.</p> <p>Developing ecosystems will also translate into new sources of revenue. We have a big opportunity in Advertising. We launched our media business in 2019, now called Walmart Connect, it's growing fast, and results are encouraging.</p> <p>In a few minutes Blas and Beatriz will talk about our plans.</p> <p>These new revenue streams, paired with productivity and automation projects, and an "Every Day Low Cost" mentality will allow us to reinvest in the business to provide a unified and engaging experience, inside and outside the stores.</p> <p>The self-service business is the foundation of everything and we will continue to invest in it to develop the ecosystem.</p>

To execute the long-term strategy, there are four enablers that we need to focus on:

- Customer centricity
- Technology and Data
- Logistics and
- Talent

Having **customers at the center** of our decisions is going to be critical to achieve our ambition.

Customer at the center is our North Star, and we have made several changes to our structures and way of working to reinforce it. Just over a year ago, we launched our “Customer Experience Factory” with the intention of never stop hearing the customer’s voice. In addition, we have evolved our customer satisfaction indicator and will continue to work to make it the driver of our actions.

There is still much to do about **Technology and Data**, the good news is that we are part of a global company that has collected learnings from different markets and situations. We will seek to leverage this strength as much as possible.

Logistics is one of the enablers where we will invest the most.

Our network has been characterized as a competitive advantage, and in recent years we have invested significantly to keep this advantage. Only in 2020 we opened three new DCs and we started the construction of two more.

Going forward, we will continue with the network redesign, now with an even more omnichannel approach that adapts to the future needs of the business.

From my perspective, the most important enabler is **talent**.

The new shape our business is taking requires new talent and different skills; and also requires a change in the mindset of our associates.

I am very proud of the team we have, I dare say that we have the best operators and merchants in Mexico. We will continue training our associates in the use of data, in the agile methodology and fostering an entrepreneurial mindset; thus the business will be increasingly focused on the needs of our customers.

We want Walmart to continue to be that place where our associates can be themselves, where they can learn, grow and have fun. To achieve this, we will continue to implement the Associate’s Value Proposition and transform our talent to further strengthen our most valuable asset.

This new strategy requires us to evolve the focus of our investments to drive omnichannel growth.

In 2021 we expect to invest **\$22.2 billion pesos** in Mexico and Central America.

- We will allocate **40%** of the investment to the **remodeling and maintenance** of our stores. It’s critical for us to keep our store base up-to-date with omnichannel capabilities to drive traffic, and for our associates to have a safe place to work, and our customers and members a safe place to shop.



- Investment for **new stores** will increase by 18% vs. last year. With this level of investment, we expect the contribution from new stores to growth to remain between 1.2% - 1.5%.
- Investment in **logistics** will represent **25%** of total. As I mentioned earlier, we have several projects on the pipeline and there is still work to do to complete the redesign of our network.
- **10%** of the funds will be allocated to **eCommerce and technology**. Remember that in addition to investing directly in these concepts, we are also leveraging technology developed in other countries where Walmart operates. This certainly positions us as one of the companies in the sector that is investing the most in technology.

We can see how the distribution of capital has evolved, adapting to the needs of the business.

A few years ago, a large part of our investment was dedicated to opening new stores. Back then, we only had home delivery service in Superama and we were just beginning to build our extended assortment operation at Walmart.

Going forward, we're going to significantly increase investments in logistics and technology, we are also going to invest in new stores and in modernizing our existing stores to grow accelerate omni growth and to build the foundations of the ecosystem.

In the coming years, the level of investment will be higher than in recent years. Between 2022 and 2024 investment as percentage of sales will be close to 4%, then it will return to current levels.

This level of investment and the transformation of our business give us confidence that we will continue to grow and to generate significant returns.

As a result of our strategic choices, our growth profile will continue to evolve.

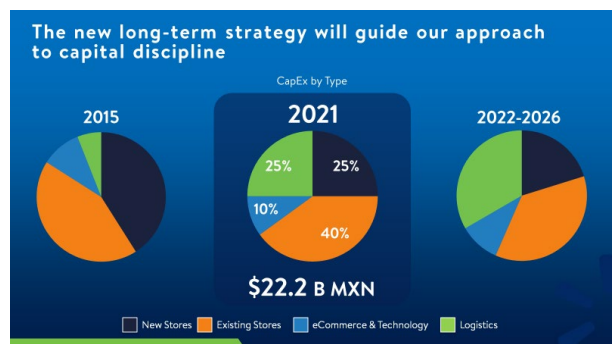
In past years, we focused on growing through new stores and building the foundation for omni business.

Going forward, omni and ecosystems will be the main drivers of growth.

In 2015 we shared with you our goal of doubling the business in 10 years. This new strategy will accelerate growth and we believe that we can double the size of the business in less time.

Accelerated omnichannel growth, the changes to our way of working, the talent we have developed and hired, and the capabilities we have built, give us confidence that we can continue to evolve our business, and that we will build in the near future a customer-centric ecosystem anchored in our core business.

It will certainly be challenging, as the pandemic is not over and economic conditions are not the most favorable. But it's right now that we become even more important to our customers. We will continue to work to serve their needs, to take care of our associates and to continue to develop a resilient, customer-centric business with a great capacity to innovate.





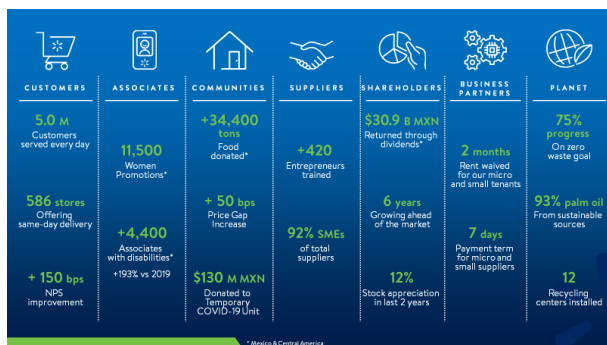
This new strategy will translate into shared value creation for our customers, associates, communities, shareholders, suppliers, business partners and for the planet.

As a company, we want to use our scale to help. Our goal is to become a regenerative company.

To achieve this, we will contribute to Walmart's global commitments: To be a net zero emissions company, and to help protect, manage and restore 50 million acres of land and 1 million square miles of ocean, both by 2040. We will collaborate with the Walmart Foundation globally to combat the loss of natural resources that threatens the planet.

We have robust programs to achieve our goals, such as Reciclamanía Evolucionaria that helps us promote a circular economy avoiding the generation of waste, or the Gigaton project that seeks to reduce the emission of greenhouse gases in the supply chain.

We will continue to focus on creating trust and shared value for our stakeholders; using our strengths to help people live better and preserve the planet.



We have made significant progress on environmental, social and corporate governance matters.

I would like to highlight that:

- We are 75% ahead of our zero waste goal.
- More than 90% of our suppliers are small and medium-sized companies
- And last year we promoted more than 11,500 women

There's still a lot to do, but we're on the right track to be a better company in these aspects.



Before closing, please let me introduce our management team:

Cristian Barrientos - COO for Mexico

Milton Brandt – our CFO

Flavio Cotini - CEO for Walmart Central America

Ignacio Caride - in charge of eCommerce

Dolores Fernández Lobbe - CMO for Self-Services. She just joined our team after a vast career in Merchandising, most recently she held the CEO position of our operations in Argentina. We are very excited to have her in our team.

Gastón Weinstein - in charge of Real Estate

Beatriz Núñez - in charge of Growth and Technology

Eduardo de la Garza - in charge of People

Adriana Velázquez - in charge of Compliance

Alberto Sepúlveda - in charge of Legal and Corporate Affairs

Main takeaways

1. **Customers** appreciate our evolution and are **rewarding us with their loyalty**
2. We have 3 priorities: **Win in Discount, Lead in Omni and Develop Ecosystems**
3. We will **step-up investments** in a disciplined thoughtful manner
4. Our ability to **transform the business** and **focus on the customer** gives us confidence that we are **following the right path**

In closing, I would like to summarize the key messages:

- 1) Customers appreciate our evolution and are rewarding us with their loyalty.
- 2) We have 3 priorities: Win in Discount, Lead in Omni and Develop Ecosystems.
- 3) We will step-up investments in a disciplined thoughtful manner.
- 4) Our ability to transform the business and focus on the customer gives us confidence that we are following the right path

Now, I leave you with Ignacio, Cristian and Dolores who will give you more details of our omnichannel strategy.