

Walmart

México y Centroamérica

Webcast Results for the Third Quarter 2019

Mexico City, October 23, 2019

(FREE TRANSLATION, NOT TO THE LETTER)



3Q19 Results

Walmart México y Centroamérica

October 23rd 2019

PILAR DE LA GARZA:

Good afternoon. This is Pilar de la Garza, head of Investor Relations for Walmex. Thank you for joining us today to review the results for the third quarter 2019.

Today with me is Guilherme Loureiro, President and Chief Executive Officer for Walmart de México y Centroamérica and Olga González, Chief Financial Officer.

The date of this call is October 23, 2019. Today's call is being recorded, and will remain available at www.walmex.mx.

Before we start, let me remind you that the content of this call is property of Wal-Mart de México S.A.B. de C.V. and is intended for the use of the company's shareholders and the investment community. It should not be reproduced in any way.

This call may contain certain references concerning Wal-Mart de México S.A.B. de C.V.'s future performance that should be considered as good faith estimates made by the Company.

These references only reflect management's expectations and are based upon currently available data. Actual results are always subject to future events, risks and uncertainties, which could materially impact the Company's actual performance.

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Now, it is my pleasure to introduce our CEO, Guilherme Loureiro.

GUILHERME LOUREIRO:

Thank you Pilar and good afternoon everyone, thank you for joining us to review Walmex's third quarter 2019 results.

We are making progress with customers and associates, and feel good about where we're heading. I'll discuss more details from our third quarter performance in a minute but I'd like to start by sharing with you that during the quarter we reached an important milestone in our business transformation.

As we shared with you during our Analysts' Meeting, we recognize that what got us to be the company we are today won't necessarily get us to where we want to go in the future. Therefore, this year we embarked on a journey to transform our organization to become a company that is even more customer and associate centric, that fosters innovation and that is data driven.



Evolve our way of working, innovating faster with data analytics capabilities



Our business transformation is based on four pillars:

- Becoming more customer centric
- Evolving our way of working and developing end-to-end thinking
- Developing data and analytics capabilities and,
- Satisfying and inspiring our associates

In line with this, we restructured our merchandising team in multi-functional tribes to put together team members from several areas with different expertise and backgrounds.

The tribe's structure will allow our merchants to deliver value to our customers fast and often, as they will oversee end-to-end processes to speed-up decision making and infuse customer-centricity into everything we do.

We are very excited about the future and the transformation we are undergoing. We are getting to reimagine retail and our business from a position of strength. We know it will be a long journey, and our associates, customers and shareholders will benefit from it.

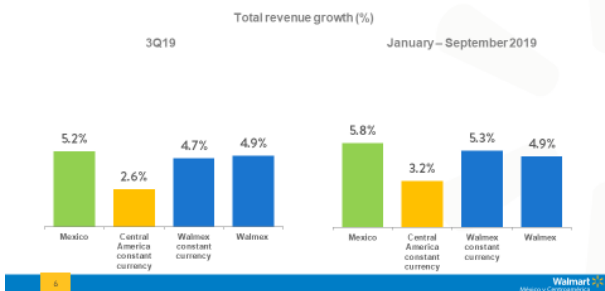


Now let's move to our third quarter results.

I will begin by discussing sales performance, and then Olga will cover the financial results for the quarter.

Please consider that when I talk about Central America, I am making reference to figures on a constant currency basis.

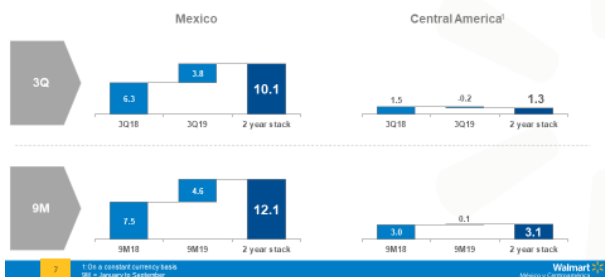
During the 3Q19 total revenues grew 4.9% on a consolidated basis...



During the third quarter, total revenue grew 4.9%: 5.2% in Mexico and 2.6% in Central America.

For the first nine months of the year, Mexico grew total revenue by 5.8% and Central America by 3.2%, which resulted in 4.9% consolidated revenue growth.

...driven by same store sales growth



Sales performance continues to be driven by same-store sales growth.

During the quarter, same-store sales in Mexico grew 3.8% and decreased 0.2% in Central America.

The two-year stack for same-store sales growth in the first nine months of the year was 12.1% in Mexico and 3.1% in Central America.

We drove growth across all regions and formats in Mexico



We drove growth across all regions in Mexico. The North and South regions had the highest same-store sales growth, followed by the Center and Metro regions, which delivered softer growth due to the competitive dynamics and macro conditions in those regions.

Looking at the performance by format...

Sam's continues to be the format with the highest same-store sales growth. Members are at the center of the decisions we make, and there are several ongoing efforts to deliver value for them. During the quarter, we had the "Online Shopping Days" event, where we continued to make progress integrating digital efforts to transform how members shop and interact with our clubs.

As a result of our focus on improving customer experience, in Walmart Supercenter we reinforced special exhibitions at our stores through a creative challenge where associates competed among stores for the best exhibition; I am very proud of our associates' strive for excellence and execution skills. Seasonal events, such as the summer campaign "Rebajas para Todos", were key to the format's performance in the quarter as well.

In Superama, we implemented the Summer Days Event, with a strong focus on Fresh. This is an important category for our target customer and a key traffic driver for us. These type of events are allowing Superama to differentiate itself from competitors while capitalizing new purchase occasions.

In Bodega, we carried out another edition of our "Morralla" campaign. This price-point program is now considered the largest promotional campaign in Mexico. "Morralla" is a great way to drive traffic to the stores by offering our customers great merchandise at unbeatable prices.

Our core division posted the highest growth



Now looking at the performance by merchandise division...

Our core division, Food and Consumables, had the highest growth, followed by General Merchandise.

The team did a great job of preparing and executing the Back to School season. A sustainable price advantage across categories, a broader assortment and great execution at the stores were key to improving our customers' experience and to driving double-digit growth during the season.

Apparel sales were impacted by operational difficulties that stemmed from the issues we experienced with the merchandise imports at the beginning of the year.

We are dealing with adverse and uncertain socio-economic circumstances in Mexico. Our business is resilient, but our customers are concerned about a less favorable outlook and becoming more cautious.

The resilience in our business comes from the path Sam Walton established with our Every Day Low Prices philosophy. Customers trust our brands and know that we can save them money so they can live better, which is why our philosophy becomes even more a competitive advantage in these times.

All of us at Walmart will continue to work hard to strengthen even further our price position and deliver for our customers.

In Central America we continue to outpace the market amid a challenging macroeconomic environment



In Central America, Nicaragua delivered the highest same-store sales growth, followed by Honduras. Sales performance in El Salvador, Costa Rica and Guatemala reflected the unsupportive macroeconomic dynamics in the region.

We continue to grow ahead of the market despite the unfavorable conditions that we are facing. During the quarter, we focused on improving our price position even further. We launched new and exciting private brand products in order to provide great value to our customers and we continued to reinforce our price gap by including more items and competitors to the measurement.

We also implemented events such as Mother's Day and Independence Day where we were able to drive traffic to our stores by leveraging the value proposition of each format.

By leveraging our assets, we are serving customers in a seamless way



Now, let's talk about omnichannel...

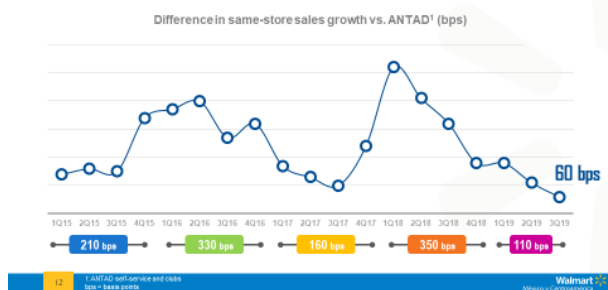
Our priority is to win in on-demand, a convenient solution for our customers that allows us to increase shopping frequency, while leveraging our unique assets. Currently, we have 12,000 General Merchandise items plus all grocery and everyday consumer items available for same-day delivery.

We also compete aggressively in extended catalogue. Our Bodega and Walmart stores are equipped with 740 kiosks where our customers can find a much broader assortment from our 1P and marketplace operations to complement their shopping experience.

Regarding the marketplace, we have now over 1,000 sellers offering a differentiated assortment to expand our reach to new customers in an asset light way.

During the quarter, eCommerce sales growth accelerated to 65% and GMV growth to 79%. eCommerce represented 1.4% of total Mexico sales and contributed 0.6% of our growth.

We outpaced the market for 19 consecutive quarters



Looking at our performance vs. the market...

During the quarter, we outpaced the self-service and clubs segment measured by ANTAD by 60 bps. With this result, we have led the market's growth for 19 consecutive quarters.

Our associates are focused on running great stores, and our customers are rewarding us with their loyalty.

We continue to invest in the region



Moving to new store growth...

We continue to invest in the region and we are making progress with our expansion plans despite an uncertain environment.

During the quarter, we opened 36 new stores, 29 in Mexico and 7 in Central America.

New stores contributed 1.9% to total growth, which is within the guidance we shared for the year.

Engaging with our associates and the community to become the most trusted retailer



We want to become the most trusted retailer and we are making progress on this end.

For the fourth consecutive year, we were included in the FTSE4Good Emerging Index for our performance in environmental, social, and governance related topics.

We received the “Éntrele 2019” Award for our outstanding policies, practices and programs in favor of labor inclusion and our commitment to create an inclusive work environment. Every year, this award is granted only to 1% of the 450 companies and 50 allied Non-Governmental Organizations (NGOs), which demonstrated their commitment to the inclusion of people with disabilities.

We also ranked second in the list “The 100 companies with the best corporate reputation” prepared by the Corporate Reputation Business Monitor (Merco).

With that, I wish you a happy holiday season and I turn it over to Olga who will cover the financial results for the quarter.



3Q19 RESULTS

Olga González

Thanks Gui, and good afternoon to all of you.

In order to provide the investment community a better view of the underlying performance of our business, we are including a retroactive estimation of the effect the adoption of the IFRS 16 would have had on the 2018 financial results. These pro-forma 2018 figures are not audited, but are based on the 2018 audited reported results and adjusted with our best estimates to show the effects related to the adoption of the IFRS 16.

Please note that all the references that I will do to last year's results are based on the 2018 pro-forma figures.

In Mexico EBITDA margin expanded by 40 bps

	3Q19		3Q18		Var.	3Q18		Var.
	\$	%	\$	%		\$	%	
Total revenue	126,975	100.0	120,732	100.0	5.2	120,732	100.0	5.2
Gross margin	29,614	23.3	27,792	23.0	6.6	27,792	23.0	6.6
General expenses	18,264	14.4	17,283	14.3	5.7	17,715	14.7	3.1
Earnings before other income, net	11,350	8.9	10,509	8.7	8.0	10,077	8.3	12.6
Other income, net	97	0.1	3	0.0	39.3x	3	0.0	39.3x
Operating Income	11,447	9.0	10,512	8.7	8.9	10,080	8.3	13.6
EBITDA	14,765	11.6	13,478	11.2	9.5	12,458	10.3	18.5

Note: Pro-forma 2018 figures are not audited, but are based on the 2018 audited reported results and adjusted with our best estimates to show the effects related to the adoption of the IFRS 16.

In Mexico, total revenue grew 5.2%.

Gross profit increased 6.6%, and we expanded the margin by 30 bps to 23.3%. Driven by cost of goods savings initiatives and by an improved markdown management.

SG&A grew 5.7%, driven primarily by higher electricity costs and marketing spend during the summer promotional activity.

Operating income grew 8.9% and EBITDA 9.5% to achieve an 11.6% margin.

In Central America EBITDA margin improved 20 bps

	3Q19		3Q18		Var. (%)		3Q18		Var. (%)	
	\$	%	\$	%	Price	QoQ Constant Currency Basis	\$	%	Price	QoQ Constant Currency Basis
Total revenue	28,044	100.0	27,036	100.0	3.7	2.6	27,036	100.0	3.7	2.6
Gross margin	6,913	24.6	6,688	24.7	3.4	2.3	6,688	24.7	3.4	2.3
General expenses	4,993	17.8	4,832	17.9	3.3	2.2	4,971	18.4	0.5	(0.6)
Earnings before other income, net	1,920	6.8	1,856	6.9	3.4	2.3	1,717	6.4	11.8	10.6
Other income, net	17	0.1	14	0.1	19.7	18.4	14	0.1	19.7	18.4
Operating Income	1,937	6.9	1,870	6.9	3.6	2.5	1,731	6.4	11.9	10.7
EBITDA	2,912	10.4	2,755	10.2	5.7	4.6	2,445	9.0	19.1	17.8

Note: Pro-forma 2018 figures are not audited, but are based on the 2018 audited reported results and adjusted with our best estimates to show the effects related to the adoption of the IFRS 16.

In Central America, total revenue grew 2.6% on a constant currency basis.

Gross profit margin contracted 10 bps to 24.6% mainly driven by a commitment to price leadership.

General expenses increased 2.2%, below total revenues growth, on the back of a very disciplined expense management.

Operating income grew 2.5% and EBITDA margin expanded 20 bps to 10.4%.

Consolidated results were strong

Walmart Consolidated 3Q19 results

(\$/B. Millions)	3Q19		3Q18		Var.	3Q18		Var.
	\$	%	\$	%		\$	%	
Total revenue	155,019	100.0	147,768	100.0	4.9	147,768	100.0	4.9
Gross margin	36,527	23.6	34,490	23.3	5.9	34,490	23.3	5.9
General expenses	23,257	15.0	22,115	15.0	5.2	22,686	15.4	2.5
Earnings before other income, net	13,270	8.6	12,365	8.4	7.3	11,794	8.0	12.5
Other income, net	114	0.1	17	0.0	5.8x	17	0.0	5.8x
Operating income	13,384	8.6	12,382	8.4	8.1	11,811	8.0	13.3
EBITDA	17,677	11.4	16,233	11.0	8.9	14,903	10.1	19.6
Net income	9,251	6.0	8,377	5.7	10.4	8,682	5.9	6.6

Note: Pro-forma 2018 figures are not audited, but are based on the 2018 audited reported results and adjusted with our best estimates to show the effect related to the adoption of the NIF-16.
Q = third, Q1 = January to September.

On a consolidated level, total revenue grew 4.9%; gross profit expanded 30 bps to achieve a 23.6% margin and expenses grew 5.2%.

Operating income increased 8.1% and EBITDA margin expanded by 40 bps to reach 11.4%.

As a result, net income grew 10.4%, ahead of total revenues growth.



9M19 RESULTS

Olga González

Now, let's review the results for the first nine months of the year.

For the first nine months we delivered positive results in Mexico

Mexico 9M19 results

(\$/B. Millions)	9M19		9M18		Var.	9M18		Var.
	\$	%	\$	%		\$	%	
Total revenue	378,583	100.0	357,807	100.0	5.8	357,807	100.0	5.8
Gross margin	86,003	22.7	81,285	22.7	5.8	81,285	22.7	5.8
General expenses	53,909	14.2	51,509	14.4	4.7	52,736	14.7	2.2
Earnings before other income, net	32,094	8.5	29,776	8.3	7.8	28,549	8.0	12.4
Other income, net	226	0.1	58	0.0	2.9x	58	0.0	2.9x
Operating income	32,320	8.5	29,834	8.3	8.3	28,607	8.0	13.0
EBITDA	42,091	11.1	38,632	10.8	9.0	35,678	10.0	18.0

Note: Pro-forma 2018 figures are not audited, but are based on the 2018 audited reported results and adjusted with our best estimates to show the effect related to the adoption of the NIF-16.
Q = third, Q1 = January to September.

For the first nine months, revenues increased 5.8% in Mexico.

Gross profit grew 5.8% and gross profit margin remained stable at 22.7%.

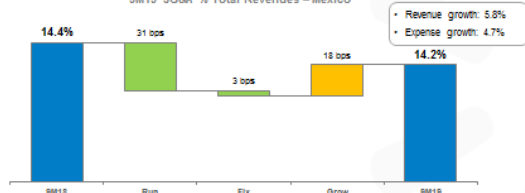
We achieved 20 bps of expense leverage as SG&A grew 4.7%, 110 bps below total revenue growth.

Driving a strong Every Day Low Costs mentality and focusing on productivity to reinvest in our business will continue to be one of our main priorities.

Operating income increased 8.3% and EBITDA grew 9.0%, resulting in a 30 bps margin expansion.

We leveraged expenses and reinvested in the business

9M19 SG&A % Total Revenues - Mexico



Note: Pro-forma 2018 figures are not audited, but are based on the 2018 audited reported results and adjusted with our best estimates to show the effect related to the adoption of the NIF-16.
Q = third, Q1 = January to September.

Regarding SG&A in Mexico, we are focused on driving productivity to leverage base expenses and fund our strategic initiatives.

We reduced our operating expenses by 31 bps, expenditures related to store remodeling and maintenance reduced by 3 bps and we invested 18 bps in new stores and eCommerce.

In Central America we continue to improve profitability

Central America 9M19 results

	9M19		9M18		Var. (%)		9M18		Var. (%)	
	\$	%	\$	%	Peso base	On a constant currency basis	\$	%	Peso base	On a constant currency basis
Total revenue	82,820	100.0	81,682	100.0	1.0	3.2	81,682	100.0	1.0	3.2
Gross margin	19,931	24.2	19,793	24.2	0.7	2.8	19,793	24.2	0.7	2.8
General expenses	14,528	17.6	14,448	17.7	0.6	2.7	14,864	18.2	(2.3)	(0.2)
Earnings before other income, net	5,403	6.5	5,345	6.5	1.1	3.1	4,929	6.0	9.6	11.8
Other income, net	80	0.1	36	0.0	1.2x	1.2x	36	0.0	1.2x	1.2x
Operating income	5,483	6.6	5,381	6.6	1.9	3.9	4,965	6.1	10.4	12.6
EBITDA	8,324	10.1	8,047	9.9	3.4	5.6	7,105	8.7	17.2	19.5

Note: Pro-forma 2018 figures are not audited, but are based on the 2018 audited reported results and adjusted with our best estimates, to show the effect related to the adoption of the NIF 16.
 3x = times, 9M = January to September

Central America continues to deliver strong results amid a very challenging macroeconomic environment.

Total revenue growth was 3.2%.

Gross profit grew 2.8% and gross profit margin remained at 24.2%.

Expenses grew 2.7% and we achieved 10 bps of leverage.

Operating income grew 3.9% and EBITDA grew 5.6%.

On a consolidated level total revenue grew 4.9% and EBITDA margin expanded by 30 bps

Walmart Consolidated 9M19 results

	9M19		9M18		Var. (%)		9M18		Var. (%)	
	\$	%	\$	%	Peso base	On a constant currency basis	\$	%	Peso base	On a constant currency basis
Total revenue	461,103	100.0	439,489	100.0	4.9	4.9	439,489	100.0	4.9	4.9
Gross margin	105,934	23.0	101,078	23.0	4.8	4.8	101,078	23.0	4.8	4.8
General expenses	68,437	14.8	65,957	15.0	3.8	3.8	67,600	15.4	1.2	1.2
Earnings before other income, net	37,497	8.1	35,121	8.0	6.8	6.8	33,478	7.6	12.0	12.0
Other income, net	306	0.1	94	0.0	2.3x	2.3x	94	0.0	2.3x	2.3x
Operating income	37,803	8.2	35,215	8.0	7.4	7.4	33,572	7.6	12.6	12.6
EBITDA	50,415	10.9	46,678	10.6	8.0	8.0	42,783	9.7	17.8	17.8
Net income	26,686	5.8	24,114	5.5	10.6	10.6	24,991	5.7	6.7	6.7

Note: Pro-forma 2018 figures are not audited, but are based on the 2018 audited reported results and adjusted with our best estimates, to show the effect related to the adoption of the NIF 16.
 3x = times, 9M = January to September

In summary, during the first nine months of the year consolidated revenues grew 4.9%.

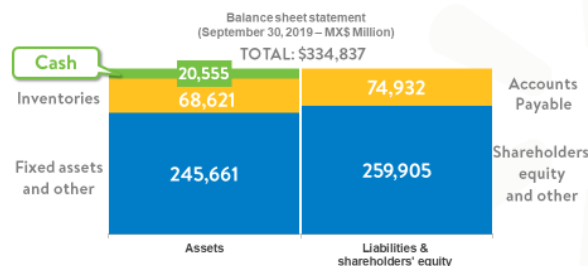
Gross profit increased 4.8% and gross profit margin remained at 23.0%.

Expenses grew 3.8%, below total revenue growth.

Operating income increased 7.4% and EBITDA grew 8.0% to achieve a 10.9% EBITDA margin.

Net income posted a double-digit growth of 10.6%.

Financial strength



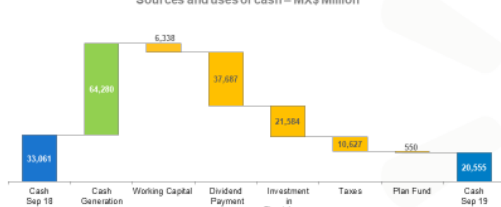
Now, moving to the balance sheet. As we grow and reinvest in the business our financial strength increases.

We closed the quarter with \$20.6 billion pesos. Our cash position decreased 37.8%, given that in August we paid a dividend of 0.58 pesos per share, twice the amount paid in August 2018 as this year we reduced the number of dividend payments from four to three, to get returns to our shareholders faster.

Our inventories increased 13.0%, as we received the merchandise for the holiday's season and during the quarter we opened 11 more stores than in 3Q18.

Investing and generating returns

Sources and uses of cash – MX\$ Million



Cash generation increased 8.5% vs. last year reaching \$64.3 billion.

After investing \$21.6 billion pesos in our business, we returned \$37.7 billion pesos to our shareholders in the form of dividends.

We are ready for the holidays!



In closing, all of us at Walmart are pleased with the progress we're making and the great work of our associates across the region. We're also excited about the actions we're taking in terms of the business transformation that are setting us up for long term growth.

The holiday season is upon us, our associates have been working hard all year to prepare, and we're ready to surprise our customers with the best value on great merchandise at the stores and online.

Walmart
México y Centroamérica

3Q19 Results



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October 23rd 2019

Thank you very much, and as always, we will make ourselves available to receive your calls and answer any questions you may have.

On behalf of the management team and our associates, we thank you for your support this year and wish you a happy holiday season.