

Walmart

México y Centroamérica

Webcast Results for the First Quarter 2020

Mexico City, April 28, 2020

(FREE TRANSLATION, NOT TO THE LETTER)



1Q20 Results

Walmart México y Centroamérica

April 28, 2020

PILAR DE LA GARZA:

Good afternoon. This is Pilar de la Garza, head of Strategy and Investor Relations for Walmex. Thank you for joining us today to review the results for the first quarter 2020.

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

The date of this webcast is April 28, 2020. Today's webcast is being recorded and will remain available at www.walmex.mx.

Before we start, let me remind you that the content of this webcast 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 webcast 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.

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

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WALMEX'S Response to COVID-19



GUILHERME LOUREIRO:

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

Before I discuss our results, I would like to take a few minutes to give you an update on Walmex's response to COVID -19.

We know it is top-of-mind for all our stakeholders, so we believe it is important to share the steps we are taking to keep our people safe and our facilities clean.



Our priority is to take care of each other, just as we always have in difficult times.

Most of our stores continue to operate with regular hours, and in the past several weeks, we have taken a number of preventive hygiene and safety measures to keep them clean and to help our associates and customers stay safe and healthy.

- We reinforced the sanitizing process in all facilities;
- We increased associate focus on cleaning, especially in high traffic areas, and provided face masks and gloves for their protection;
- We implemented social distancing measures inside the stores, such as installing protection glasses at the checkouts, limiting the number of customers inside the store and designating spots for customers to queue in certain areas, keeping an appropriate distance;
- We are providing sanitizing solutions for customers at the store entrance; and
- We took additional cleaning and safety measures in the home delivery service.

We are monitoring this situation daily and following the government's guidelines. We will adjust business operations and policies as needed.



We are taking very seriously our commitment to create shared value for our customers, associates, suppliers and the communities in which we operate.

Our founder, Sam Walton, established our Every Day Low Prices philosophy, and during these unprecedented times, it is more important than ever to be true to our philosophy so we can help customers live better.

We are working with our suppliers and business partners to contain the prices of the products with the highest demand. The price containment work we carry out involves not allowing prices to increase to the extent possible, always considering that this containment action does not affect the rest of the chain, especially small and medium producers.

With the goal of reinforcing even further our Low Price value proposition, we launched "Los Esenciales" campaign across our Bodega formats. This initiative consists in providing the lowest prices in 125 basic items and maintaining this low prices for 60 days, with the purpose of supporting our most price sensitive customers.

We also stepped up our efforts in the Walmart Foundation to help those who need it the most. Recently, we donated 250 tons of food to more than 22,800 seniors.

Additionally, we donated \$100 M pesos to finance the construction of a temporary COVID-19 unit, enabled with more than 900 beds to provide medical service for the healthcare system patients in Mexico City. This is a joint effort with other Mexican companies and foundations.

We know these are challenging times for our business partners too. As many other businesses across the region, some have had to temporarily close or significantly reduce their operations.

We want to help, so we are waiving rent for our micro and small tenants in Mexico for the months of April and May. Additionally, we are leveraging installed capacity currently not used by some of our

business partners, so we can deal with the high volume and traffic that we are facing, with the support of their employees.

This is a difficult time for some of our suppliers as well, so we decided to reduce the payment term to 7 days for micro and small suppliers during April, May and June. A large percentage of our 30,000 suppliers in Mexico are small businesses who could benefit from this program.

We also bought over 700 tons of fruits and vegetables from small farmers to support local producers.

We hope that these actions will help our business partners and suppliers financially weather the current situation and take care of their employees.

Now, I'd like to talk about our people.

Words can't express how proud we are of each one of our associates for the incredible effort they have put in over the past several weeks. We are truly grateful for the vital service they are providing to their communities. In the face of uncertainty, they keep us moving forward, and they continue to deliver for our customers and for each other.

To show our appreciation, we granted a special bonus for associates in stores, clubs and distribution centers, we changed the salary payment frequency from biweekly to weekly so that associates can have quicker access to their earnings, we provided transportation allowance for Distribution Centers with difficult access, and we extended a discount for all associates to buy everyday needs.

As a safety measure, more than 13,630 associates in vulnerable conditions, among them pregnant women and adults over 60 years of age, were granted permission to be absent with pay; and associates from our home office are working remotely.

In addition, we are bringing more people who want to make a difference providing for customers to our Walmart family. In these past days, over 20,500 new associates have joined our team to help us serve our customers.

As Sam Walton used to say, "Our people make the difference", and I truly believe the heroic work our associates are doing to serve customers and support each other during this time is really making a difference in our communities.

Not all heroes wear capes. Some wear vests.



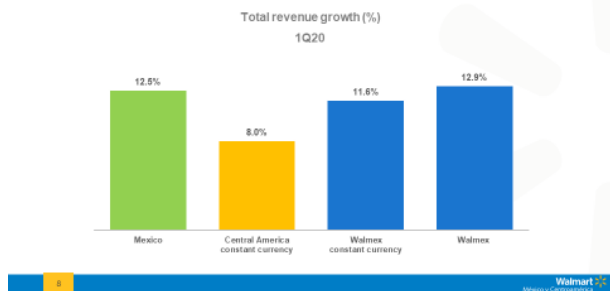
Now, let's talk about the financial results for the first quarter 2020.

I would like to begin by discussing sales performance, and then Milton 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.

I would like to note that the sales and results that we are about to see are not from the ordinary course of our business, they are the product of the high demand for an essential service during the emergency, and when this situation finishes, we will face other challenges, so they should not be taken into account to forecast our future performance.

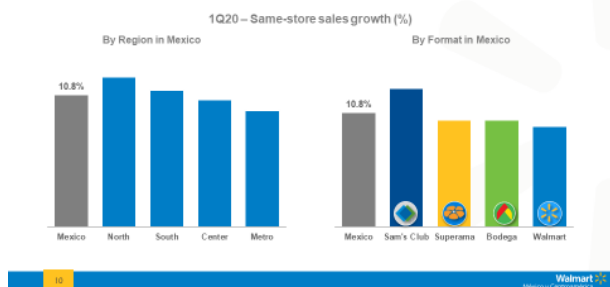
Total sales grew 12.5% in Mexico and 8.0% in Central America



During the first quarter, total revenues grew 12.9%: 12.5% in Mexico and 8.0% in Central America.

In both regions, growth continues to be driven by a healthy same store sales performance, largely impacted by the high demand generated by the emergency.

In Mexico growth was broad-based across regions and formats



In Mexico, same-store sales grew 10.8%.

All regions and formats delivered a positive performance: The North and South regions had the highest same-store sales growth, followed by the Center and Metro regions.

In terms of formats, Sam's posted the highest same-store sales growth, followed by Superama, Bodega and Walmart.

Growth was driven by the core divisions



In the self-service formats and in Sam's, growth was driven by our core divisions.

Food and Consumables delivered the highest growth, followed by General Merchandise.

Apparel sales were impacted by the situation, as customers' purchases are leaning towards essential goods.

In Central America same-store sales grew 5.5%



In Central America, we adopted additional measures suggested by the government of each country to keep associates and customers safe and healthy, such as reducing operating hours and closing several stores.

Nicaragua delivered the highest same-store sales growth, followed by El Salvador, Guatemala and Costa Rica. Sales performance in Honduras was softer as the government required the closing of stores during the COVID-19 situation.

I would like to highlight that we started home delivery operations in Central America to help customers stay home and keep their families safe.

We accelerated our omnichannel efforts to serve customers better during these unprecedented times



In Mexico, we accelerated our omnichannel efforts to serve customers better during these unprecedented times.

We know customers want and need to be served differently, and we're moving fast to adapt to those changing needs.

We have experienced a significant increase in eCommerce demand: the number of orders doubled as social distancing measures were implemented, and the number of downloads of our on-demand mobile apps increased almost 350% vs. 1Q19.

In response, we reinforced our logistics capacity at Walmart and Superama by increasing our last mile delivery fleet by 106%. We also accelerated the hiring of pickers, welcoming more than 1,700 associates, and we improved our associate value proposition.

Additionally, we launched the on-demand platform in Sam's, and customers seem to be appreciating the experience we are providing. We are planning to expand this service to 100 clubs by the end of April. To do so, we are accelerating our technology integration.

During the quarter, eCommerce sales grew 68% and GMV 78%. It represented 1.6% of Mexico sales and contributed 70 bps to total sales growth.

Our pickup and delivery services play a really important role for our customers, especially right now. We will continue to adapt and make the adjustments required to serve our customers better.

We continue investing in the region



Moving to new store growth...

We continue to invest in the region despite an uncertain environment. During the quarter, our first omnichannel distribution center started operations in Mérida, Yucatán; and we opened a new and bigger eCommerce fulfillment center in Mexico City, focused on first party merchandise.

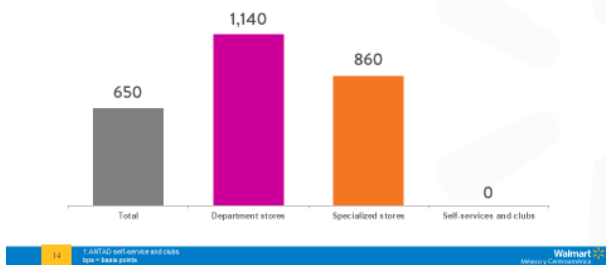
During April, we opened our second omnichannel distribution center in Chihuahua. This new distribution center will allow us to improve service and inventory distribution in the northern region and it will enable new store growth.

We also opened 9 new stores during the quarter: 3 in Mexico and 6 in Central America. New stores contribution to total sales growth for the first quarter was 1.9%.

We continue to build the new stores that were already under construction and/or have permits to start with construction works. However, we are prioritizing the health of our associates and contractors, and in some cases deferring store construction and remodels due to the practical impossibility of obtaining permits and licenses or due to the limitations for starting a new construction given the social distancing measures, and not due to an impossibility or reluctance to continue investing.

In 1Q20 we grew in line with the self-service and clubs market

Walmex Gap vs. ANTAD¹ - Same-store sales growth (bps)



During the quarter, we surpassed total ANTAD same-store sales growth by 650 bps, the department stores segment by more than 1,000 bps, the specialized stores segment by 860 bps, and we grew in line with the self-service and clubs segment.

In Mexico and in Central America, social distancing measures drove higher in-home consumption, which translated into higher sales during March across the grocery retail sector. Sales have been volatile during the month of April, and going forward in the year, we expect to face a more challenging macroeconomic environment, which could have a direct impact in consumption.

Given the volatility we are seeing in the market, for now we will not report monthly sales. Our company was built on a foundation that manages for long-term success. This decision aligns investors with the long-term view we take to build shareholder value.



In closing, I would like to reiterate our commitment to Mexico and Central America. We are all living through very challenging times and we know customers and communities are relying on us now more than ever.

Thanks for the opportunity to serve you. Rest assured we are doing everything we can to provide a safe shopping experience for our customers and a healthy environment for our associates and communities.

Now, Milton will cover the financial results of the quarter.



1Q20 RESULTS

Milton Brandt

Thanks Gui, and good afternoon to all of you.

In Mexico EBITDA increased 18.0%

Mexico 1Q20 results

(MX\$ Millions)	1Q20		1Q19		Var.
	\$	%	\$	%	
Total revenue	140,281	100.0	124,710	100.0	12.5
Gross margin	31,565	22.5	28,003	22.5	12.7
General expenses	18,978	13.5	17,483	14.0	8.5
Earnings before other income, net	12,587	9.0	10,520	8.4	19.7
Other income, net	222	0.2	12	0.0	18.8x
Operating income	12,809	9.1	10,532	8.4	21.6
EBITDA	16,211	11.6	13,734	11.0	18.0

I'll start by covering results in Mexico:

During the first quarter, total revenues grew 12.5%.

We leveraged expenses by 50 bps and we were able to maintain a 22.5% gross profit margin, despite a change in the sales mix towards lower margin categories and price investments to keep our Low Price value proposition across formats.

Operating income increased 21.6% and EBITDA margin expanded by 60 bps, reaching 11.6%.

In Central America EBITDA margin reached 9.1%

Central America 1Q20 results

	1Q20		1Q19		Var. (%)	
	\$	%	\$	%	Peso terms	On a constant currency basis
Total revenue	31,053	100.0	27,024	100.0	14.9	8.0
Gross margin	7,409	24.1	6,494	24.0	15.5	8.5
General expenses	5,711	18.4	4,745	17.6	20.4	13.1
Earnings before other income, net	1,788	5.8	1,749	6.5	2.2	(4.0)
Other income, net	43	0.1	58	0.2	(25.0)	(29.5)
Operating income	1,831	5.9	1,807	6.7	1.3	(4.8)
EBITDA	2,839	9.1	2,728	10.1	4.1	(2.2)

Now let's move to Central America.

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

Total revenues increased 8.0%.

Gross profit increased 8.5%, resulting in a 24.1% margin.

General expenses increased 13.1%. The royalties' payment agreement, which we previously announced and became effective beginning in 2019, impacted expenses by \$478 M pesos. Excluding this effect, we would have leveraged expenses by 70 bps.

Operating income decreased 4.8% and EBITDA margin reached 9.1%.

Consolidated net income increased 15.4%

Walmex Consolidated 1Q20 results

	1Q20		1Q19		Var.	
	\$	%	\$	%	Peso terms	On a constant currency basis
Total revenue	171,334	100.0	151,734	100.0	12.9	
Gross margin	39,064	22.8	34,497	22.7	13.2	
General expenses	24,689	14.4	22,228	14.6	11.1	
Earnings before other income, net	14,375	8.4	12,269	8.1	17.2	
Other income, net	265	0.2	70	0.0	2.8x	
Operating income	14,640	8.5	12,339	8.1	18.6	
EBITDA	19,050	11.1	16,462	10.8	15.7	
Net Income	9,997	5.8	8,664	5.7	15.4	

At a consolidated level, total revenues grew 12.9%.

Gross profit increased 13.2%, resulting in a 22.8% margin.

We achieved 20 bps of expense leverage, as expenses grew 180 bps below total revenues growth.

Consolidated EBITDA margin reached 11.1% and net income increased 15.4%.

Financial strength

Balance sheet statement
(March 31, 2020 - MX\$ Million)

TOTAL: \$369,314	
Cash	37,890
Inventories	63,467
Fixed assets and other	267,957
Assets	
Accounts Payable	81,349
Shareholders' equity and other	287,965
Liabilities & shareholders' equity	

Now moving to the balance sheet... as we grow and reinvest in the business, our financial strength improves further.

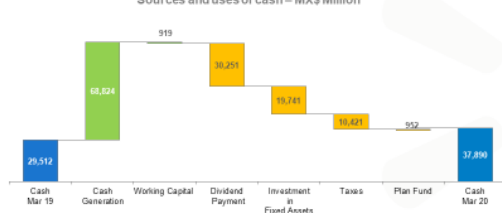
During the quarter, cash position increased by 28.4% to \$37.9 B pesos, \$8.4 B more than last year.

Inventories increased 7.5%, compared to a 12.9% increase in total revenues, and payables increased 11.8%.

Working capital management is a key element of our financial strategy and we will continue focusing on both, inventories and payables going forward.

Investing and generating returns

Sources and uses of cash - MX\$ Million



As we manage through this unprecedented period, we continue to be focused on delivering shareholder value.

Cash generation increased by 11.3%, reaching \$68.8 B pesos.

Over the last twelve months, we returned \$30.3 B pesos in the form of dividends to our shareholders, and invested \$19.7 B pesos in our business.

1Q20 Results

Walmart México y Centroamérica

April 28, 2020

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

Walmart
México y Centroamérica

