

Walmart

México y Centroamérica

Webcast Results for the Third Quarter 2020

Mexico City, October 22, 2020

(FREE TRANSLATION, NOT TO THE LETTER)



3Q20 Results

Walmart México y Centroamérica

October 22, 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 third 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 October 22, 2020. Today's webcast is being recorded, and will be 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.

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

GUILHERME LOUREIRO:

Thank you Pilar and good afternoon everyone, thank you for joining us today to review our third quarter results.

We continue to see a great amount of disruption and volatility in the environment, which has challenged us to work differently and to adapt to changing customer needs.

Our commitment continues. Being true to our purpose of helping people save money and live better, we continue to respond to the many ways our associates, customers, business partners and communities need us.

Before I discuss our third quarter results, I would like to give you an update on our response to COVID-19 in Mexico and in Central America.





Our priority remains consistent: keeping our associates and customers safe.

It is amazing to see the impressive job our associates are doing during a very difficult time, and I can't thank them enough for it. Whether serving our customer directly or supporting those who do, they are making a difference.

During our 1Q and 2Q webcasts, we outlined a number of measures to support our associates, such as the change in payment frequency from biweekly to weekly so they can have quicker access to their earnings, a discount to buy every day needs in stores that is now also enabled for online shopping, and a medical line to support our associates' and their families' health and well-being. All those measures continue in place, and in addition to them, last quarter we made a partial early payment of the annual bonus for operations associates as a recognition to their constant effort to serve our customers.

We also continue to take preventative measures to keep our stores clean and maintain a healthy environment. Our front-line associates have always been a priority in our company. We continue to support them and to look for ways to operate as safely as possible.

As we enter the holiday season, it becomes increasingly important not to let our guard down, to continue monitoring the situation daily and to follow the authorities' guidelines.



Our next priority is serving customers.

Our customers' preferences have been changing as the pandemic evolves, and we are doing everything we can to serve them. Our supply chain is operating at full speed, our stores continue to operate with the required social distancing measures and health protocols, and we continue to take additional cleaning and sanitizing measures to keep customers safe.

We remain committed to our Every Day Low Prices philosophy, ensuring the lowest prices on a basket of goods.

As we shared with you in our previous webcasts, earlier in the year we launched "Los Esenciales" campaign, which consists in providing the lowest prices for nearly 300 basic items and maintaining these low prices for an extended period of time, with the goal of reinforcing even further our Low Price value proposition. During the third quarter, we extended this program to 60 basic school supply items, to support our customers during the back-to-school season.

Our Private Brand products are a great alternative and have an important role during these times, as customers are becoming more price sensitive. We can offer great quality products at the lowest prices, while driving loyalty. We launched an event featuring our Private Label products in Walmart, Superama and Bodega Aurrera, where we achieved double-digit sales growth.

We continue to respond to the needs of our communities:

In collaboration with other organizations, we were able to support more than 45,000 people affected by COVID-19, by donating over \$33 million pesos to help them afford every day needs through our gift cards program.

In the past months, several areas of the region have been impacted by natural disasters, such as hurricane Hannah and tropical storm

Hernan. Together with the Mexican Red Cross, we donated more than 27 tons of food to over 10,000 people to support relief efforts.

Frontline workers in our communities continue to be an example during these times, and they deserve our deepest admiration and respect. In an effort to support them, we decided to grant a 10% discount in pharmacy products to all doctors, nurses, paramedics, police officers and firefighters who shop at our stores.

We know these are challenging times for our business partners and suppliers too, especially for the small ones, as many of them were not prepared for the unprecedented and accelerated shift we are experiencing from the physical to the digital world.

We launched *Walmart Reemprende Digital*. A digital strengthening program designed for entrepreneurs with micro and small businesses that were affected by the COVID-19 contingency and that require support to enter the digital world as an alternative to face the crisis. We made this program possible through the alliance between Fundación Walmart and Fundación ProEmpleo Productivo, A.C., and we hope this initiative will contribute to reactivate the economic activity in the country.

Collaboration between our suppliers and our teams remains close and strong. As an additional measure to support our micro and small suppliers, we decided to keep the reduced payment terms indefinitely to help them finance their operations.

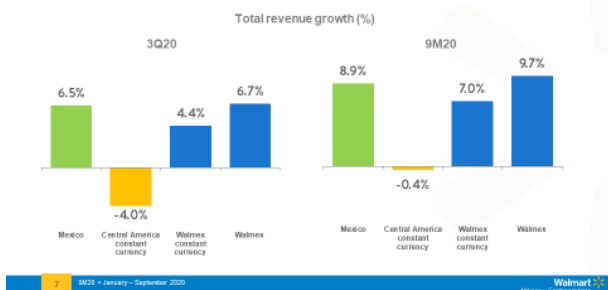
We're doing everything we can to help strengthen our community of families, friends and associates. We know together, we'll get through this.

SALES PERFORMANCE

Guilherme Loureiro



During 3Q20 total revenues grew 6.7%



Now, let's begin with the financial results for the third quarter 2020.

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

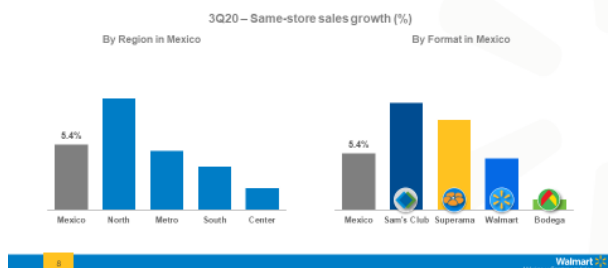
At a consolidated level, total revenues increased 6.7%.

Mexico delivered total revenue of \$135.2 billion pesos, an increase of 6.5% over last year.

In Central America, total revenue reached \$30.1 billion pesos, a decrease of 4.0%.

For the 9 months from January to September, Walmex total revenues grew 9.7%. In Mexico we saw an 8.9% increase and in Central America a 0.4% decline.

Same-store sales grew by 5.4% in Mexico, all regions and formats had a positive performance



Our performance has been consistent and same-store sales growth continues to be the main driver.

In Mexico, same-store sales increased 5.4%.

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

The Center delivered softer growth, as the macroeconomic situation in the region is softer than in the rest of the country.

Looking at the performance by format, Sam's Club posted the highest same-store sales growth, followed by Superama and Walmart. The exposure to high and mid socio-economic level customers, the one-stop shop nature of the formats and a compelling omnichannel offering have been key drivers of the strong performance in those formats.

In Sam's, we hosted another edition of our "Open House" event where we invited customers to shop at our clubs and online without a membership so they can experience firsthand the amazing merchandise and value they can find at Sam's Club.

At Walmart, we launched "Semanas de Frescura" in the southeast region of the country. The program continues to reinforce our Fresh division by offering great quality products at very low prices throughout the week, aligning with our EDLP philosophy. We know Fresh is a key traffic driver and we are innovating and finding ways to improve our value proposition.

Bodega's sales growth continues to be softer than the rest of the business, as our Bodega customer is the most price sensitive and is facing challenging times.

In terms of categories, Grocery delivered the highest growth



In terms of categories, Food and Consumables delivered the highest growth, followed by General Merchandise and Apparel.

With operating restrictions for non-essential businesses across the country, families continue to stay at home and prepare more meals than usual, and our Food and Consumables division has benefited from that trend.

Within General Merchandise, during the quarter we experienced strong growth in categories such as Home, as customers looked for ways to improve their living spaces while they were required to stay in their houses; or Computers and Tablets, as most students started the school year virtually given the social distancing measures. However, the back-to-school season was much softer than usual given the uncertainty around the timing of students physically returning to school. As expected, school supplies, uniforms and snacks sales were weak, though we saw a slight recovery later in the period.

The Apparel division has suffered the most during the pandemic. In order to provide our customers better access to our Apparel catalogue, we started to offer apparel items online through our on-demand platform. We saw a sequential improvement from the 2Q to the 3Q, and we will continue to find ways to resume growth in the division.

Before I move on to the next topic, I would like to give you an update on the new labeling rule adoption. We worked on an implementation schedule with our suppliers to make sure our customers find the products with the right labels on our shelves

once the rule is implemented. We are progressing quickly, and I would like to thank our suppliers for this great effort.

Despite the situation, we continue to innovate and to position our business for the future.

During the quarter, we launched the first self-checkout stations in Sam's Club and we expect to finish the year with this solution implemented in about 20% of the clubs. We know customers want a frictionless experience and they are getting more familiar with digital solutions, so they really appreciate this new feature. Self-checkout not only offers a seamless shopping experience for customers, it also translates into greater productivity for our clubs, as in some of them, up to 28% of the transactions are moving through this solution.

We are also leveraging technology to do our jobs in an efficient way amid this unprecedented situation.

We have more than 3,400 stores and 31 distribution centers across six countries, and it is very important for us to keep close contact with our stores, clubs and DC associates. Given the situation we are facing, we restricted travel to visit stores and clubs, and to keep our operating discipline, we started to use technology to visit our units virtually. This technology is allowing us to do more visits, more frequently and to do more targeted visits, which translates to faster decision-making.

We are able to visit stores in Baja California and Cancun on a single morning, something unthinkable with physical visits. More associates can join the store tours and we are inviting our suppliers too, which encourages an end-to-end vision. Additionally, this new supervision technology drives savings and productivity.

We had a similar situation with our Customer Experience Factory. Now a days, it is not safe to do focus groups or to interview our customers in person, so we are doing virtual focus groups and visits to customers' houses. This way we can keep listening to them and learning from their journeys to make sure our customers are always in the center of all our decisions.

Now let's talk about omnichannel...

The investments we've made in our omnichannel business have us in a unique position to serve customers. Being close to the customer is becoming even a greater competitive advantage as the online demand remains almost as high as in March, when the pandemic was declared.

The surge in demand we saw earlier in the year led to a drop in our service levels. For April, the NPS dropped 26 points. By building capacity, investing and fine-tuning our models, we have been able to improve our service, taking it beyond pre-COVID-19 levels. During September, we reached an all-time max in NPS in Superama and Walmart, by improving NPS by 48 points vs. our lowest score in the year. I want to congratulate our associates for this great achievement. You can expect us to continue to focus on improving customer experience, as it is key to keep customers in our ecosystem.

On the third quarter, we finished the roll out of Sam's on-demand to our 164 clubs and we extended the offering to more categories, such as Pharmacy.

We continue innovating to serve our customers in a seamless way



Sam's Self-Checkout

Virtual Tours

Progressing in the implementation of our omnichannel strategy



Sam's On-Demand

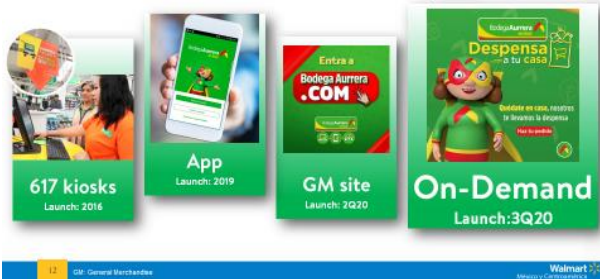
Crowdsourcing Model

Extended Assortment

We also progressed with the implementation of our crowdsourcing model, which will be critical to improve service levels in an efficient way.

To further improve the customer experience in Extended Assortment, we launched Self Service Returns in our Walmart app. Now customers can return or cancel orders in a frictionless way at the store or using a delivery company. This feature will help reduce costs and improve the overall returns experience.

Evolving the omnichannel offering for our Bodega customer



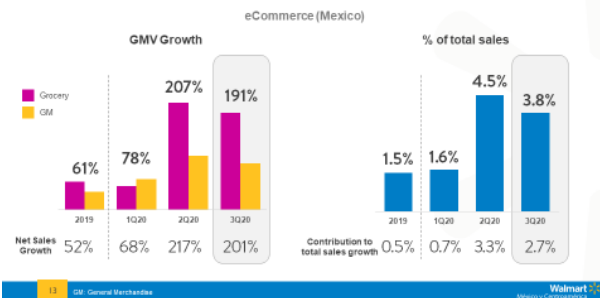
On our last webcast, Ignacio shared with you that we launched Bodega 1P operations for General Merchandise through our bodegaurrera.com.mx site. So far, we've had a great response from our customers. They appreciate the access to a wider variety of items at a low cost, the convenience of being able to pay at our stores with their preferred payment method and the practicality of receiving their items at home or of picking them up at their nearest store at no extra cost.

In the third quarter, we took our omnichannel offering to the next level by starting Grocery Home Shopping in Bodega.

We are offering delivery and pickup, which has been welcomed by our customers. So far, the service is enabled in 40 stores and we plan to expand it to 100 stores by the end of the year.

There is a lot to learn from our Bodega customer when it comes to omnichannel, but we are sure there is great potential to provide a seamless shopping experience for our customers. Our assets, our brand and our customers' trust position us uniquely to win in this space.

Keeping up the omnichannel growth momentum



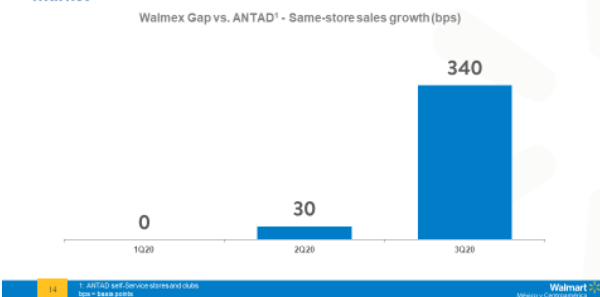
The omnichannel growth momentum continues and we are seeing significant improvements in profitability.

During the quarter, eCommerce sales grew by 201% and GMV by 191%.

eCommerce sales represented 3.8% of Mexico sales and contributed 270 bps to total sales growth.

We know customers are appreciating our eCommerce offering and are likely to continue to buy online once the situation normalizes. The NPS evolution and the progress we've done in our omni business tell us we are in the right path to continue to serve them going forward. So, we believe it is critical to continue to invest and improve our service levels to keep customers in our ecosystem.

Sequentially expanding the same-store sales growth gap vs. the market



Now, looking at the performance vs. the market...

We have been able to expand sequentially the same-store sales growth gap vs. the self-service and clubs market measured by ANTAD throughout the year.

As consumer habits slowly return to a more normal state, our Every Day Low Price proposition continues to gain strength, especially amid the high- low promotional environment we typically experience during the summer. During the third quarter, we grew 340 bps ahead of the market.

Our associates are doing a great work in serving customers and operating with discipline, and they are rewarding us with their loyalty.

Central America's environment remains challenging



Now, let's talk about Central America.

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.

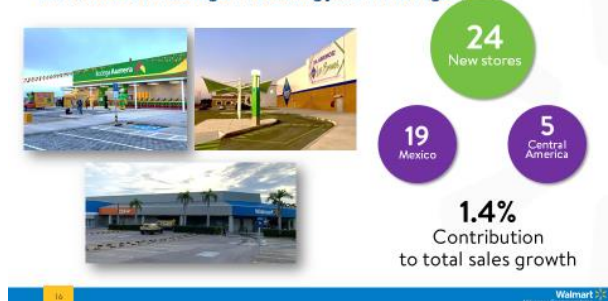
We are focusing commercial activities on basic items by reinforcing our price leadership through campaigns such as “Aquí lo tienes” or “Lo que necesitas pagando menos”.

We are also making progress with our productivity and innovation agenda. We opened our first omnichannel store in the region: Walmart Supercenter Heredia Este in Costa Rica.

In this new store prototype, we are taking into consideration our customers' new shopping habits to provide an enhanced shopping experience. The store is equipped with pickup station and enabled to do home delivery. It is the first store with self-checkout, it has a revised and leaner catalogue and our associates have a multi-task profile, which translates into greater productivity.

Regarding omnichannel, we accelerated considerably our omnichannel plans due to the pandemic. As of today, we have more than 200 stores with omnichannel capabilities, in which we offer pickup and delivery, providing a seamless and safe shopping experience to our customers.

We continue investing and creating jobs in the region



Moving to new store growth...

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

We had to defer store construction and remodels due to practical impossibility of obtaining permits and licenses or due to the social distancing measures. Now, we are resuming new store growth at a faster pace, following authorities' guidelines for construction and making sure conditions are safe to resume activities.

We opened 24 new stores during the quarter: 19 in Mexico and 5 in Central America, which compares to 9 stores and 12 stores opened in the first and second quarters, respectively.

New stores contribution to total sales growth during the third quarter was 1.4%.

I would like to highlight that during the third quarter, we opened an omnichannel Sam's Clubs in Ciudad Juarez, Chihuahua. It is very exciting as our previous Sam's opening was in 2018. We will continue to focus on omnichannel and on driving same-store sales in Sam's, and we'll open new clubs as appropriate.

Thank you!

#NosCuidamos EntreTodos



In closing, I would like to say thank you to our associates again, 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. Our business is resilient and our financial strength allows us to continue innovating and investing to build a business that is even more prepared to face future challenges.

I would like to invite all the investment community to join our Virtual Omnichannel Tour on October 28. We are very excited to share with you all the new projects and innovations in our business.

I wish you and your families good health, and I look forward to seeing you in person when the time is right.

Now, I will turn it over to Milton.



3Q20 RESULTS

Milton Brandt

Thanks Gui, and good afternoon to all of you. Thank you for joining us today to review the financial results of the third quarter 2020.

In Mexico EBITDA margin was 11.5%

Mexico 3Q20 results

(MX\$ Milions)	3Q20		3Q19		Var.
	\$	%	\$	%	
Total revenue	135,247	100.0	126,975	100.0	6.5
Gross margin	31,520	23.3	29,614	23.3	6.4
General expenses	19,457	14.4	18,284	14.4	6.5
Earnings before other income, net	12,063	8.9	11,350	8.9	6.3
Other income, net	112	0.1	97	0.1	16.0
Operating income	12,175	9.0	11,447	9.0	6.4
EBITDA	15,529	11.5	14,765	11.6	5.2

I will start with Mexico.

During the third quarter, total revenues grew 6.5%.

We experienced a shift to lower margin categories and we invested further in price, yet we were able to keep gross margin at 23.3% of revenues.

Disciplined expense control allowed us to maintain SG&A at 14.4% of revenues and growing in line with total revenues, even though we incurred higher costs to operate related to the COVID-19 pandemic.

EBITDA grew 5.2% resulting in an 11.5% margin.

In Central America we continue to grow ahead of the market amid a challenging environment

Central America 3Q20 results

(MX\$ Milions)	3Q20		3Q19		Var. (%)	
	\$	%	\$	%	Price terms	On a constant currency basis
Total revenue	30,139	100.0	28,044	100.0	7.5	(4.0)
Gross margin	7,575	25.1	6,913	24.6	9.6	(2.1)
General expenses	5,991	19.9	4,993	17.8	20.0	7.2
Earnings before other income, net	1,584	5.3	1,920	6.8	(17.5)	(26.3)
Other income, net	24	0.1	17	0.1	40.1	25.4
Operating income	1,608	5.3	1,937	6.9	(16.9)	(25.7)
EBITDA	2,728	9.0	2,912	10.4	(6.3)	(16.3)

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

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

Total revenues decreased 4.0%.

Gross margin expanded 50 bps to 25.1% due to a better inventory and shrink management.

General expenses represented 19.9% of revenues, reflecting an impact of \$380 M MXN due to the royalties' payment.

EBITDA margin for the quarter was 9.0%. Excluding the royalties payment, EBITDA margin would have been 10.3%.

Consolidated EBITDA margin reached 11.0%

Walmex Consolidated 3Q20 results

(MX\$ Milions)	3Q20		3Q19		Var.
	\$	%	\$	%	
Total revenue	165,386	100.0	155,019	100.0	6.7
Gross margin	39,095	23.6	36,527	23.6	7.0
General expenses	25,448	15.4	23,257	15.0	9.4
Earnings before other income, net	13,647	8.3	13,270	8.6	2.8
Other income, net	136	0.1	114	0.1	19.7
Operating income	13,783	8.3	13,384	8.6	3.0
EBITDA	18,257	11.0	17,677	11.4	3.3
Net Income	9,172	5.5	9,251	6.0	(0.9)

At a consolidated level, total revenues grew 6.7%.

Gross profit increased 7.0%, resulting in a 23.6% margin and expenses grew 9.4%.

Consolidated EBITDA margin contracted 40 bps to 11.0% and net income decreased 0.9%.

Underlying results were positive, excluding the royalties payment, EBITDA margin would have been 11.3% and net income would've grown 3.2%.



9M20 RESULTS

Milton Brandt



22 9M20 - January - September 2020

Walmart México y Centroamérica

For the first 9 months, total revenues grew 8.9% in Mexico

Mexico 9M20 results

(MX\$ Miliones)	9M20		9M19		Var.
	\$	%	\$	%	
Total revenue	412,176	100.0	378,583	100.0	8.9
Gross margin	93,982	22.8	86,003	22.7	9.3
General expenses	59,761	14.5	53,909	14.2	10.9
Earnings before other income, net	34,221	8.3	32,094	8.5	6.6
Other income, net	316	0.1	226	0.1	39.5
Operating income	34,537	8.4	32,320	8.5	6.9
EBITDA	44,853	10.8	42,091	11.1	6.1

Excluding the royalties payment, CAM would have expanded its EBITDA margin by 20 bps

Central America 9M20 results

(MX\$ Miliones)	9M20		9M19		Var. (%)	
	\$	%	\$	%	Price Index	On a constant currency basis
Total revenue	93,570	100.0	82,520	100.0	13.4	(0.4)
Gross margin	22,712	24.3	19,931	24.2	14.0	0.2
General expenses	17,728	18.9	14,528	17.6	22.0	7.3
Earnings before other income, net	4,984	5.3	5,403	6.5	(7.8)	(18.8)
Other income, net	52	0.1	80	0.1	(35.1)	(40.2)
Operating income	5,036	5.4	5,483	6.6	(8.2)	(19.1)
EBITDA	8,388	9.0	8,324	10.1	0.8	(11.3)

Consolidated EBITDA margin reached 10.5%

Walmex Consolidated 9M20 results

(MX\$ Miliones)	9M20		9M19		Var.
	\$	%	\$	%	
Total revenue	505,746	100.0	461,103	100.0	9.7
Gross margin	116,694	23.1	105,934	23.0	10.2
General expenses	77,489	15.3	68,437	14.8	13.2
Earnings before other income, net	39,205	7.8	37,497	8.1	4.6
Other income, net	368	0.1	306	0.1	20.0
Operating income	39,573	7.8	37,803	8.2	4.7
EBITDA	53,041	10.5	50,415	10.9	5.2
Net Income	20,832	4.1	26,666	5.8	(21.9)

Now, let's see the results for the first nine months of 2020.

In Mexico, total revenues increased 8.9%, gross profit margin expanded by 10 bps to 22.8% and expenses increased 10.9%.

Operating income grew 6.9% and EBITDA margin contracted 30 bps to 10.8%.

Excluding the payment to the SAT, general expenses would have grown below total revenues rate, representing 14.1% of revenues; and EBITDA margin would have expanded 20 bps to 11.3%.

In Central America, total revenues decreased 0.4%.

Gross margin expanded 10 bps to 24.3%.

General expenses represented 18.9% of revenues, including the royalties' payment.

EBITDA margin reached 9.0%. Excluding the royalties' payment, it would have expanded 20 bps to 10.3%.

At a consolidated level, total revenues increased 9.7%, gross profit margin expanded 10 bps, reaching 23.1% and expenses increased 13.2%.

Operating income increased 4.7% and EBITDA margin contracted 40 bps to 10.5%.

Net income decreased 21.9%, affected by the payment to the SAT and the royalties in Central America.

Underlying results were positive

Walmex Consolidated - Excluding payment to SAT & CAM royalties

(MX\$ Million)	9M20		9M19		Var.
	\$	%	\$	%	
Total revenue	505,746	100.0	461,103	100.0	9.7
Gross margin	116,694	23.1	105,934	23.0	10.2
General expenses	74,468	14.7	68,437	14.8	8.8
Earnings before other income, net	42,226	8.3	37,497	8.1	12.6
Other income, net	368	0.1	306	0.1	20.0
Operating income	42,594	8.4	37,803	8.2	12.7
EBITDA	56,062	11.1	50,415	10.9	11.2
Net Income	30,115	6.0	26,666	5.8	12.9

9M - January - September
SAT 1.1 for Administrative Services

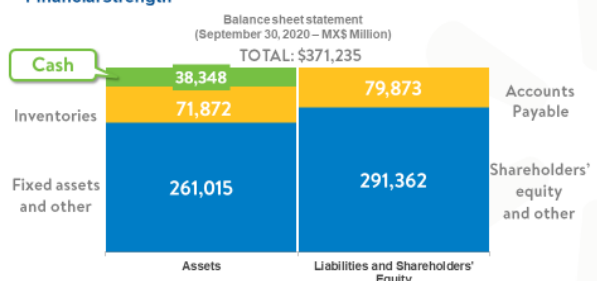
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Excluding the SAT and royalties' payments, general expenses would have represented 14.7% of sales, growing below total revenues.

Operating income would have increased 12.7% and EBITDA margin would have expanded 20 bps to 11.1%.

Net income would have increased 12.9%.

Financial strength



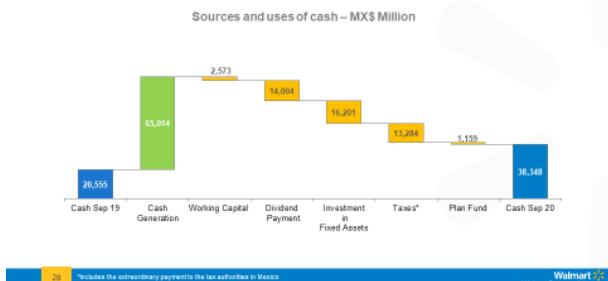
Now moving to the balance sheet.

As we grow and reinvest in the business our financial strength increases.

We closed the quarter with \$38.3 billion pesos, \$17.8 billion pesos or 86.6% more than in 2019, as last year the second dividend payment took place in August and this year the second payment will be in November.

Inventories increased 4.7%, 200 bps below consolidated total revenues growth, and accounts payable increased 6.6%.

Strong cash generation



*Includes the extraordinary payments to the tax authorities in Mexico

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Cash generation increased 1.1% vs. last year reaching \$65.0 billion.

After investing \$16.2 billion pesos in our business, we returned \$14.0 billion pesos to our shareholders in the form of dividends during the last twelve months.

Walmart
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3Q20 Results

Walmart México y Centroamérica

October 22, 2020

Walmart
México y Centroamérica

In closing, I would like to echo Gui's comments in saying we look forward to seeing you in our first Virtual Omnichannel Tour on October 28, please contact our Investor Relations team in case you have any questions.

Thank you for your interest in our company, I wish you and your families good health and happy holidays. As always, we will make ourselves available to receive your calls and answer any questions you may have.