

Walmart México y Centroamérica

Webcast Results for the First Quarter 2021

Mexico City, April 27, 2021

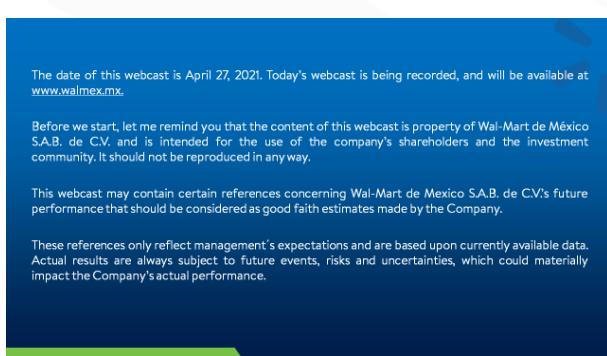
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PILAR DE LA GARZA:

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 2021.

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



The date of this webcast is April 27, 2021. Today's webcast is being recorded and will be available at www.walmex.mx.

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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 results for the first quarter of 2021.

Before starting with the quarterly performance, let me give you a quick update on our operations and support actions in the face of the ongoing pandemic.

Our hearts are with all of those affected by the pandemic. The beginning of the year was particularly difficult for the countries in which we operate, as cases, hospitalizations and deaths increased after the holidays.

Today, we are in a better situation, yet we can't let down our guard. Our priorities remain consistent:

The first one is, to support our associates. We are very proud of each one of them, and we have tried to show them our respect and gratitude with our words and our actions.

During February, we decided to increase the discount we granted to all associates to shop online or at the stores from 6% to 10%.



Besides keeping all the health and safety measurements in place in our stores, DCs and offices, we are evolving our business model to serve our customers how they want to be served, by expanding our omnichannel capacity and developing new solutions beyond retail. I'll talk about this in more detail later in the presentation.

We are also doing our best to help our communities, suppliers and business partners.

We decided to turn the temporary financing program we implemented last year for micro and small suppliers into a permanent program. We will continue to work hand in hand with all our suppliers and business partners to deliver our value proposition for our customers.



We continue to face challenging times, however it's also a time that presents great opportunities.

During our Walmex Day, we shared with you a new chapter of our strategy. 2020 accelerated many customer trends, and we have the talent, culture and assets to enter a new era of retail from a position of strength.

We feel encouraged by the opportunity in front of us. We're building new capabilities and businesses and designing them to work together in a mutually reinforcing way.

The self-service business is the foundation of everything and we will continue to invest in it to develop the leading retail ecosystem in Mexico.



Now, let's look at our performance on the quarter.

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

We had an atypical comparison base on 1Q21, as we lapped the leap year and the panic purchases triggered by the start of the pandemic in 2020.

We managed to grow total revenues in Mexico by 0.5%, however revenues decreased 2.7% in Central America, resulting in a 0.3% decrease in consolidated revenues.

Despite the tough comparison, our underlying performance is strong. We reached a 12.6% two-year stacked total revenues growth at a consolidated level.

Let's start by reviewing Mexico's results...

During the quarter, same-store sales decreased 0.6%, which is a positive 10.2% on a two-year stack.

Sam's Club continues to show momentum. During the quarter we hosted our Open House event, where we allowed customers to shop without a membership and try out the great merchandise and value in our clubs. We had an exclusive online sale where we received 5 online orders every minute; and we hosted virtual concerts that our members enjoyed.

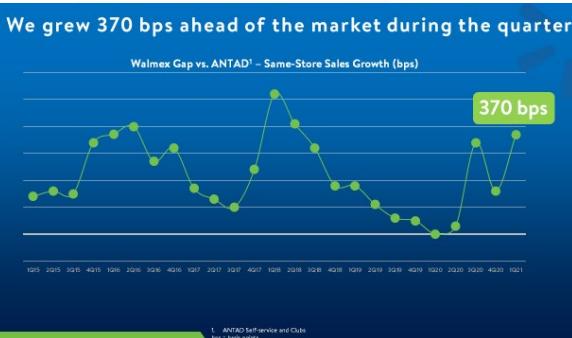
At Walmart, we ran seasonal campaigns with different focus areas: from beauty to cleaning or gardening to support our customers while they continued to stay at home.

During the quarter, we also changed the look of our Superama's website and app to start to transition into the Walmart Express concept. Later in the year, we will merge both apps and Walmart Express customers will have access to our broader General Merchandise assortment. The NPS for Walmart Express online is one of the highest among our formats, which shows our customers appreciate these changes.

In Bodega, we refreshed our iconic campaign -Morralla- and reinforced multi-savings, driving 30% sales growth. 6 out of 10 customers bought an item that participated in the campaign.

Regarding regions, the North and South posted the highest growth. Performance in the Center and Metro regions was softer, as operating restrictions imposed by the authorities were stricter in these regions at the beginning of the year, and the macroeconomic conditions are less favorable than in the rest of the country.

Looking at same-store sales by category, Apparel and General Merchandise showed improvement vs. previous quarters, while our core divisions, Grocery and Consumables, faced a much tougher base, as panic purchases last year were focused on these divisions.



During the first quarter 2021, we were able to exceed the market's growth. We outpaced the self-services and clubs segment measured by ANTAD by 370 bps.

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



We continue to face a challenging environment in Central America, yet we have been implementing many initiatives to keep winning our customers' loyalty.

We are reinforcing our price leadership through commercial campaigns such as "Precios Rojos" or "Quetzales Campeones" and providing quality products at the best prices through our Private Brands. Our customers responded in a positive way, and in the quarter the private brand share of total sales increased 290 bps.

We are also making progress with our productivity and innovation agenda including increasing the number of retail ready packaging items. We continue to optimize our assortment and the percentage of transactions done through our self-scan and self-checkout solutions increased 1,000 bps in 1Q21 vs. last year.

Moving to other topics, as all of you know, our goal is to build an omni-driven ecosystem, and we are moving fast in this direction.

In the quarter, we expanded our on-demand service in Bodega to 34 additional stores. We now have the service available at 135 Bodega stores in 23 states. Even in this early stage, "*Despensa a tu Casa*" has a double-digit share of total eCommerce sales of the format.

We also enabled 60 additional Walmart and Superama stores with the on-demand service, reinforcing our coverage in key cities such as Queretaro, Puebla, Yucatan, Guanajuato and Tamaulipas.

We expanded the crowdsourcing model to 55 stores with encouraging NPS and on-time results. This model allows us to serve customers faster and to handle the variable demand.

Using our stores as fulfillment centers to leverage our proximity to our customers is a key strength that we continue to develop.

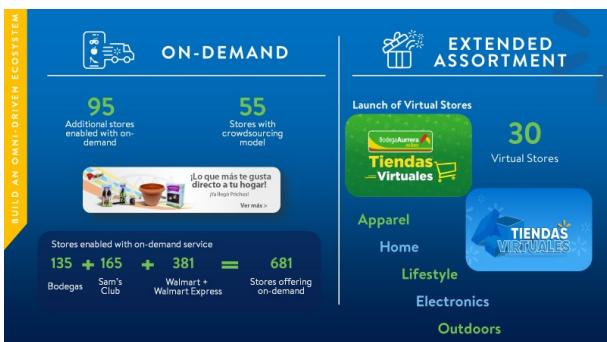
We are testing a hub model for the on-demand business, where we consolidate orders in high density and demand areas to provide a consistent and faster service and improve our customers' experience overall.

We launched new technology to close the gap between what we offer in-store and online, especially in the Apparel and Toys categories. We also enabled merchandise from Prichos, our dollar store-type department, on on-demand.

I'd like to highlight that during the quarter we reached another record NPS for on-demand, and we will continue to evolve our business and invest to provide the best shopping experience for our customers.

To lead in omni, we need to accelerate extended assortment, and we have good news to share with you about this. During the quarter, we launched our Virtual Stores to bring brands that our customers love to our marketplace in Walmart and Bodega Aurrera. We now have 30 Virtual Stores complementing our assortment with a compelling Apparel, Home, Life Style, Electronics and Outdoors offering.

We are just starting, but the opportunity is very encouraging, and I want to congratulate the team for this achievement.





eCommerce contribution to total sales growth continues to accelerate. During the quarter, contribution increased 190 bps vs. 1Q20, reaching 2.6%.

GMV growth was 155% and net sales grew by 164%, representing 4.2% of Mexico sales, 2.6 times the penetration we had on 1Q20.

I'd like to highlight that in 2020 we were able to expand our market share on eCommerce by 280 bps, as measured by Euromonitor. We can't be prouder of how our associates are adapting to change and accelerating our strategy.



Customers welcome us serving them in new ways. Our strengths and assets position us uniquely to serve them and are being monetized in ways we haven't tapped into before.

We are making progress with Cashi. This quarter we launched a 2% cashback to reward our customers loyalty. Key use cases like online payments and card on file, which means customers will be able to link their cards to their Cashi account, will be launched later in the year.

During the 1Q21, 215,000 new users joined Bait, resulting in a 385,000 users base. We launched Bait in Sam's Club and a pilot for home broad band internet to continue to reinforce our connectivity ecosystem.

Our advertising business is growing very fast. We increased the number of advertisers by more than a 100% during the quarter, and sales grew over 80%.

We launched a campaign in collaboration with Nestle and Procter and Gamble to help those who need it the most. Each time a customer buys a participating item, we donate an essential everyday item.

We're excited about the revenue-generating potential of our advertising business, Walmart Connect, which we expect to grow mid double-digits this year.

Logistics is one of the key enablers of our strategy.

Our network has been characterized as a competitive advantage, and we will continue to invest in it to further reinforce our position.

We are currently building two new DCs that will be ready to operate soon: one in Villahermosa for Fresh merchandise that will open in 2022 and one in Mexicali for dry goods that is about to start operations.

These DCs will generate ~3,200 direct and indirect jobs, serving 10 states and more than 500 stores.

Besides new DCs, our investment is also dedicated to the automation of our existing facilities. During the quarter, automated sorters and conveyors started operations in our Estado de Mexico DCs.





We are resuming new store growth at a faster pace.

Following authorities' guidelines for construction and making sure conditions are safe, we opened 24 stores in the first quarter of 2021, which is the largest number of openings in a first quarter for the last five years.

In February, we opened Sam's Club Santin in Toluca, Estado de Mexico. It is a very special club that reflects how we are adapting our prototypes to our customers' evolving needs.

Besides being fully omnichannel and inclusive for people with disabilities, it is our first "lean club" as we implemented a new structure that empowers our associates even more. During the opening week, we reached record member affiliation and sales with almost 30,000 new memberships. I am very proud of our associates for this achievement.

For the quarter, new stores contribution to total sales growth was 1.1%.

Regarding Walmart Express, last year we opened two new stores and converted 6 stores. Customer's response has been positive, and results are encouraging. Currently, we are remodeling 15 stores that will be ready during April.

Our plan is to finish all the conversions from Superama to Walmart Express by the end of the year.



We take a multi-stakeholder view because we know that mindset and approach delivers the most valuable, sustainable business over time.

By January of this year, we removed plastic bags from 100% of our stores, showing our commitment with sustainability.

We were included in the Bloomberg Gender-Equality Index for the fourth consecutive year as, the only self-service retailer in Mexico who is part of the index.

We ranked first place on Merco's survey as the company with the best response during the pandemic.

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.

Before finalizing, I would like to mention that we have been preparing our company to fully comply with the recent amendments to the Federal Labor Law and other labor, tax and social security laws and we can confirm we will be ready to adopt them.

The implementation of these amendments does not change our financial expectations for the year or our ability to deliver our strategic plans.

Our associates are our greatest strength and a key enabler for our strategy. We want Walmart to continue to be that place where they can be themselves, where they can learn, grow and have fun.

Thank you very much. Now, I will turn it over to Milton who will cover the financial results of the quarter.

1Q21 Financial Results

Milton Brandt
CFO

April 27, 2021

Financial framework remains consistent



MILTON BRANDT:

Thank you Gui and good afternoon everyone. Thank you for joining us today to review our results for the first quarter 2021.

Before I cover the quarterly result, let me remind you of our financial framework, which focuses on four levers for value creation:

- 1) The first one is quality growth: we will continue to drive broad-based, profitable and sustainable growth across the different formats, regions and categories, leveraging the eCommerce momentum and previous investments.
- 2) The second one is an EDLC mindset: we remain laser-focused on operating efficiency and delivering sustainable expense leverage.
- 3) The third is strategic capital management: we continue to optimize our working capital and to invest in high return projects.
- 4) The fourth: is to deliver shareholder value.

Let's review the first quarter results. I'll start with Mexico.

During the first quarter, total revenues increased 0.5%.

We continued to work with our suppliers to provide the lowest prices to our customers. We saw higher growth in margin-driving categories, such as Apparel and Home than in the rest of the business, which led to a 50 bps gross profit margin expansion.

Expenses grew 2.9%, as we paid a gratitude bonus to our stores, clubs and DC associates to show them our appreciation for their hard work, and we invested in technology and in our eCommerce business. These investments are key to enable our omni-led ecosystem and to accelerate growth going forward.

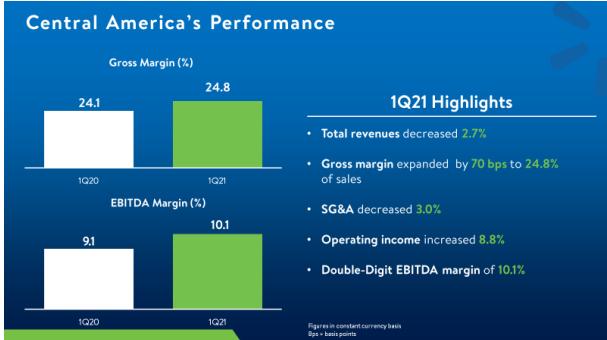
As a result, operating income grew 80 bps ahead of total revenues and EBITDA margin expanded by 10 bps to 11.7%.

Mexico's Performance



In Mexico total revenues grew 0.5%

(\$MZN Millions)	1Q21		1Q20		Var.
	\$	%	\$	%	
Total revenues	141,032	100.0	140,281	100.0	0.5
Gross margin	32,398	23.0	31,565	22.5	2.6
General expenses	19,533	13.8	18,978	13.5	2.9
Earnings before other income, net	12,865	9.1	12,587	9.0	2.2
Other income, net	116	0.1	222	0.2	(47.5)
Operating income	12,981	9.2	12,809	9.1	1.3
EBITDA	16,468	11.7	16,211	11.6	1.6



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

As Gui mentioned, topline growth continued to be softer in the region given the macroeconomic environment and the restrictions in place to contain the pandemic caused by COVID-19.

The team did a great job, launching campaigns and reinforcing our pricing positioning to drive sales. Despite the price investments, we worked together with our suppliers and reinforced our cost analytics program, so we were able to expand our gross profit margin by 70 bps.

We will remain focused on price investments and in driving productivity by implementing technology and simplifying our business. Reducing price changes, optimizing assortment and the implementation of self-scan, are some of the projects that allowed us to leverage expenses during the quarter.

Operating income increased 8.8% and EBITDA margin expanded by 100 bps to 10.1%.

In Central America EBITDA margin expanded by 100 bps

Central America 1Q results

(\$MZN Millions)	1Q21		1Q20		Var. (%)	
	\$	%	\$	%	Peso terms	Constant currency basis
Total revenues	29,725	100.0	31,053	100.0	(4.3)	(2.7)
Gross margin	7,382	24.8	7,499	24.1	(1.6)	0.1
General expenses	5,450	18.3	5,711	18.4	(4.6)	(3.0)
Earnings before other income, net	1,932	6.5	1,788	5.8	8.1	9.9
Other income, net	27	0.1	43	0.1	(38.3)	(37.2)
Operating income	1,959	6.6	1,831	5.9	7.0	8.8
EBITDA	3,007	10.1	2,839	9.1	5.9	7.7

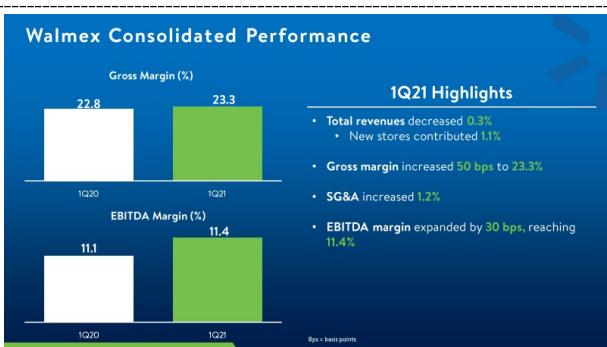
Looking at the consolidated figures.

Total revenues decreased 0.3%.

As Mexico and Central America delivered gross profit expansion, consolidated gross profit margin reached 23.3%.

Operating income expanded by 20 bps to 8.7% and EBITDA margin was 11.4%, 30 bps higher than in 1Q20.

Net income expanded to 5.9% of sales, growing 100 bps ahead of total revenues.



At a consolidated level, total revenues decreased 0.3%

Walmex Consolidated 1Q results

(\$MZN Millions)	1Q21		1Q20		% Var.
	\$	%	\$	%	
Total revenues	170,757	100.0	171,334	100.0	(0.3)
Gross margin	39,780	23.3	39,064	22.8	1.8
General expenses	24,983	14.6	24,689	14.4	1.2
Earnings before other income, net	14,797	8.7	14,375	8.4	2.9
Other income, net	143	0.1	265	0.2	(46.0)
Operating income	14,940	8.7	14,640	8.5	2.0
EBITDA	19,475	11.4	19,050	11.1	2.2
Net income	10,070	5.9	9,997	5.8	0.7



Now moving to the balance sheet.

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

We closed the quarter with a cash position of \$29.8 B pesos, inventories increased 5.6%, primarily due to a low base in 2020 as our inventory position was affected by the panic purchases, and accounts payable ended the quarter at \$79.2 B pesos.



In the last twelve months, we had a strong cash generation that enabled us to pay \$30.9 B pesos in dividends to our shareholders and invest \$16.7 B pesos to enhance our business, even with the limitations resulting from the measures imposed by the authorities in the various countries in which we operate.

Working capital required \$5.7 B pesos, we paid \$17.2 B pesos in taxes and finished the quarter with a cash position of \$29.8 B pesos.



Our company is resilient. By operating with discipline and becoming more productive, we will be able to offer the best prices to our customers and a better shopping experience while we deliver results and transform our business. We will continue to generate strong cash flows that will allow us to invest and build a business that is even more prepared to face future challenges.

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

Thank you again for joining us today. As always, we will make ourselves available to answer the questions you may have.