

Walmart

México y Centroamérica

Webcast Results for the Second Quarter 2021

Mexico City, July 22, 2021

(FREE TRANSLATION, NOT TO THE LETTER)

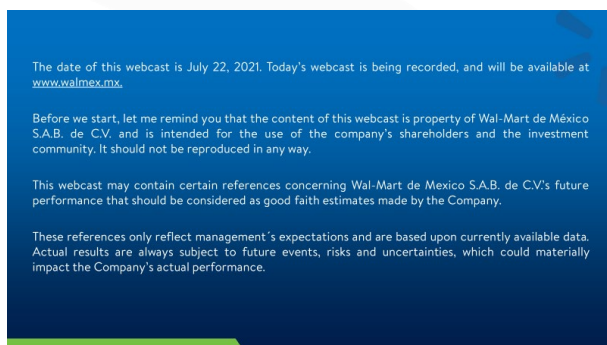


PILAR DE LA GARZA:

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 second quarter 2021.

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



The date of this webcast is July 22, 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 second quarter of 2021.

As these unprecedented times continue, we have seen our associates adapting to changing customer needs, learning new skills and tackling new challenges, while driving our strategy. We appreciate their hard work and we are very proud of how they are helping customers save money and live better.

As I've shared with you on previous quarters, we defined five priorities to guide our decision making during these times:

- Supporting our associates
- Serving our customers
- Helping each other
- Managing the short term, operationally and financially
- And implementing our strategy

The situation driven by the COVID-19 pandemic improved during the last quarter, but now we are seeing an increase in the number of cases, so we can't let our guard down.

Support measures for associates, such as a discount for purchases at stores or online, weekly payment or the medical support line, as well as the safety and hygiene measures at our stores, DC and offices, continue to be in place.

Additionally, we continue to find ways to help each other.

Together with World Vision Honduras, we are providing support across the five countries: Honduras, Nicaragua, El Salvador, Costa Rica and Guatemala, to help purchase biosecurity equipment and distribute it to local health facilities and hospitals. We are also providing food and basic hygiene kits for vulnerable families.

We donated cleaning products, fruits and vegetables for hospitals and health centers in Honduras; and fresh produce for vulnerable communities through the Honduran Armed forces.

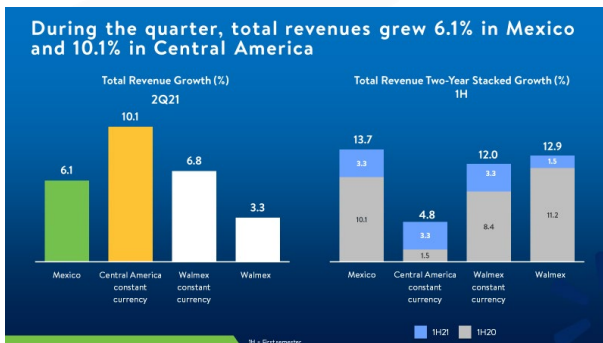
In Guatemala, we donated disinfectants, paper products and food for people in need and temporary hospitals.

We have a commitment to continue to support our local communities as they respond to COVID-19.



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

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



During the quarter, total revenues grew 6.1% in Mexico and 10.1% in Central America.

On a consolidated basis, revenues grew 3.3%, as exchange rate impacted negatively Central America's growth. On a constant currency basis, Walmex revenues would have grown 6.8%.

Despite an atypical comp base, we see a healthy underlying trend in our topline. For the first half of the year, the two-year stacked revenues growth was 13.7% in Mexico and 4.8% in Central America, resulting in a 12.9% two-year stack for Walmex.

Let's look at Mexico's results...

Same-store sales grew 4.7% during the quarter, reaching a double-digit two-year stack of 11.3%.

We hosted another edition of the Hot Days event. By leveraging our stores, eCommerce platforms and distribution network, we were able to delight customers with exciting merchandise at unbeatable prices.

What I am most proud about this year's event, is that we improved significantly our service levels vs. previous years: NPS improved almost 2,000 bps in Walmart and it increased by 1.7 times in Sam's, where 35% of the members who participated were new to eCommerce.

The evolution of our way of working is what drives these results: we look at processes end-to-end, data drives our decision making and we infuse customer centricity in everything we do, and that allows us to deliver value to our customers fast and often.

Looking at performance by format....

Sam's had another great quarter. The merchants' deep knowledge of our members is crucial to offer great items and drive the club business. Member's Mark brand continues to perform well, and the membership value proposition is strong.

We rolled-out Scan & Go to all our clubs, which will further improve our members' shopping experience and help them save time.

We're also pleased with the progress we are making in Bodega. Our goal is to win in discount, and we are deepening the execution of our value proposition to achieve this goal.

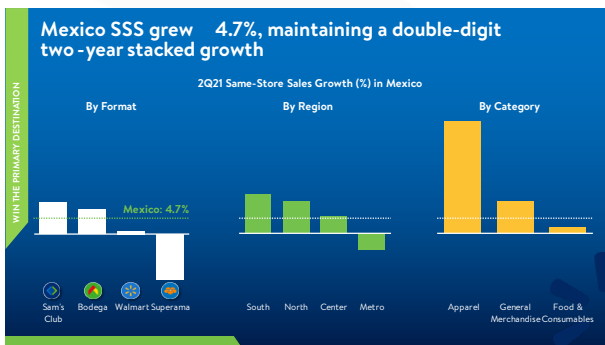
We continue to increase the price gap and to consider new competitors in the sample. We are adjusting the catalogue to make sure we have an efficient assortment that includes a relevant share of our private brands, and we are redesigning our customers' experience around Fresh categories to continue to drive traffic to our stores.

Walmart and Superama faced the highest comp base, as in the 2Q20 in-home consumption and pantry loading was higher among customers of these two formats.

In 2020, Superama was the format that benefited the most from the fast shift to eCommerce. As vaccination progresses and operating restrictions ease, customers are going back to the stores more confidently and we are there to serve them. Being an omnichannel company allows us to adapt and serve customers, regardless of how they decide to shop.

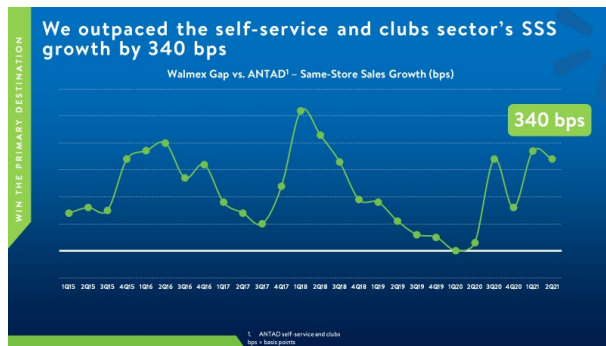
Additionally, we are progressing at a fast pace with Superama's conversions to Walmart Express. Typically, remodels have a temporary impact on sales that is later compensated by a better shopping experience for our customers. As we progress with the conversions, we expect this effect to continue.

Looking at the performance by region, the South posted the highest growth, followed by the North and Center regions. Sales growth in the Metro area has been softer, as the COVID-related restrictions have been stricter, and the macroeconomic conditions have been weaker in the area when compared to the rest of the country.



Apparel and General Merchandise sales performance improved vs. the 2Q last year, when Food and Consumables sales were much stronger as customers spent more time at home.

Our efforts in Extended Assortment and the Hot Days event supported General Merchandise and Apparel growth.



In the first half of the year, we surpassed ANTAD's self-service and clubs same-store sales growth by 350 bps, 370 bps in the first quarter and 340 bps in the second quarter.

It's been challenging to adapt so quickly to the changes in the way customers shop, and it is encouraging to see how our customers are responding to our omnichannel offering and how they are rewarding us with their loyalty. We will continue to find ways to serve them better.



Moving to Central America...

Same-store sales grew 8.6% on the back of a strong growth in Honduras, followed by Nicaragua, Guatemala and Costa Rica.

We are further reinforcing our Every Day Low Price value proposition through price point campaigns such as "Super Bombazos", with special focus on everyday needs at the Discount and Bodega formats. In parallel, we are transforming the way we operate by simplifying processes and generating less friction, which will allow us to reinvest in the value proposition.

Regarding omnichannel, we re-launched our eCommerce platform and increased the number of stores offering same-day delivery to 117. eCommerce penetration reached 1.1% during the quarter.

We believe the macroeconomic outlook in the region will continue to be challenging, yet I'm confident that our associates will keep adapting to the changing needs of our customers and managing expenses with discipline.



Now, let's talk about our progress in omnichannel.

I'll start with on-demand... which is our online service from stores. Our customers can order from the thousands of Grocery, Fresh and General Merchandise items available at our stores, and get their orders delivered to their homes or pick them up at a store.

We have the on-demand service enabled in 737 stores in 118 cities, and we expanded the crowdsourcing model to 100 Walmart stores. This model complements our existing one and gives us flexibility to serve the variable demand in an efficient way. Our footprint is a key strength for this business, as we can deliver a full basket in less than two hours.

Despensa a tu Casa is now available in 209 Bodegas, and our customer's response has been quite positive. Pickup continues to be the preferred delivery method, NPS is higher than the average for on-demand and ticket is almost 5x larger than the average ticket at the stores.

Last quarter we reached a very important milestone: we launched Walmart Pass, our subscription program that allows customers to make unlimited orders of \$499 pesos and up, with no delivery cost for a monthly or annual fee.

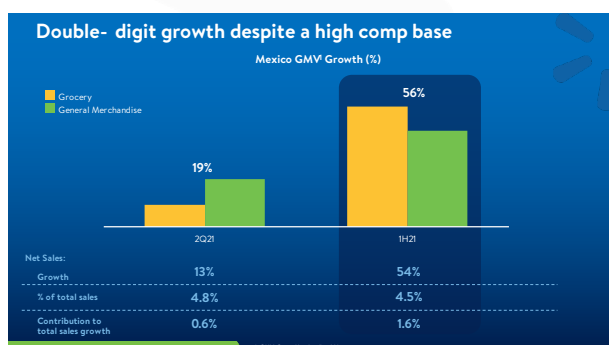
Currently, Walmart Pass is enabled for a limited number of users, but towards the end of July it will be available to all users.

The initial results have been positive: we are seeing a 15% increase in ticket and good feedback from customers.

This initiative is the beginning of several benefits that we will be adding in favor of our customers. I want to congratulate the team for this achievement.

We are also accelerating extended assortment. In order to lead in omni, it's crucial to continue to expand our online offering, specially through the marketplace.

During the quarter we enhanced user experience around search, tracking and returns. We also increased the number of SKUs by 30% vs. last quarter through virtual stores and sellers that are helping us to reach new customers with products and brands they search for and we currently don't have at our physical stores.



Despite a 207% GMV growth in the 2Q20 base, we managed to maintain a double-digit growth, driven by General Merchandise.

During the quarter, GMV grew 19% and net sales grew by 13%, representing 4.8% of Mexico sales, 30 bps more than in 2Q20. eCommerce contribution to total Mexico sales growth was 0.6%.

For the first half of the year, GMV growth was 56%. Net sales grew 54%, reaching a 4.5% penetration and contributing 1.6% to total growth.

Our omnichannel strategy continues to resonate with customers. Going forward, they will continue shopping at stores, but more and more, there will be occasions where they prefer to pick up an order or have it delivered directly to their homes, and we will be there to serve them seamlessly.

Now, let's talk about our new businesses...

We're developing and launching new products and services and connecting them to work together, in order to create deeper relationships with our customers.

Cashi is an example of the new solutions we are creating.

During the quarter, we enabled the digital payment of over 40 services, such as utility bills, cable and mobile services, entertainment and transportation.

We also enabled card on file, which means customers can now top-up their balance by linking their cards to their Cashi account, without the need of being physically at a store. This will save our customers time and will also enable a contactless experience.

The next step is to enable Cashi as an online payment method on our eCommerce websites. We know customers will appreciate this new feature and it will help us to drive omnichannel sales.



Regarding Bait, on the second quarter we almost doubled the number of users, reaching 730,000. With this user base, we became one of the top MVNO players in the country. It is encouraging to see how we can take our low-price value proposition beyond retail to help customers save money and live better.

Walmart Connect is our biggest monetization bet. Our goal is to become a leading media platform in Mexico, helping brands connect with our customers more often and more meaningfully. Knowing what customers buy and our physical and digital assets allows us to serve clients better than other players in this space.

The number of advertisers and campaigns continue to grow at a fast pace, and for the full year we are expecting a mid-double-digit revenues growth.



Now let's talk about new stores...

Following authorities' guidelines for construction and making sure conditions were safe, we opened 25 stores during the quarter, 23 in Mexico and 2 in Central America. This compares to 12 openings on the same period last year.

For the quarter, new stores contribution to total sales growth was 1.3%, which is within the guidance we shared with you earlier this year.

As I mentioned earlier, we are making progress with Walmart Express conversions. So far, we have turned 25 Superamas into Walmart Express, which is 26% of the store base. Customers' response has been positive, they are appreciating the lower prices in basic products and an enhanced Fresh offering.

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



Our strategy translates into shared value for all our stakeholders.

We value and respect our associates, and I'm pleased to see that our efforts to improve our Associates' Value Proposition and to make Walmart "That Place" where they can learn, grow and be themselves, are being recognized. We were included in the Top 5 of LinkedIn's Best Companies in Mexico ranking and in the Top 10 of Super Empresas ranking by Expansión.

Another great achievement was that we were included in the Mexican Stock Exchange's Sustainable Index for the second consecutive year.

We also received the *Empresa Socialmente Responsable* (ESR) distinction. We are the only self-service retailer in Mexico who has received this distinction for 21 years in a row.

I'm also proud to share with you that in May we removed plastic bags from 100% of our stores in Nicaragua and we launched our "Sin bolsa por favor" campaign in the 5 countries where we operate in Central America, showing our commitment with sustainability.

I want to thank our associates for their incredible work, they are implementing our omnichannel strategy and creating value for all stakeholders.

To finalize, on our press release you saw the designation of Paulo Garcia as Wamex's new CFO.

Paulo has vast experience in finance, built in global consumer and retail companies. He has held several functions in areas such as Finance, Strategy and Mergers and Acquisitions, and I am sure that his leadership, experience and dynamism will add value to the vision of Walmart de México y Centroamérica.

I want to thank Milton for his support on the past 15 months, during which he acted as interim CFO of Walmex.

He made an extraordinary job amid the unprecedented situation our company went through. His ample finance experience and leadership were instrumental to balance the long-term and short-term focus, while keeping our associates safe and delivering for our customers and shareholders. I wish him success as CFO of Walmart Central America: his support will be key to accompany Flavio and the team in the execution of our strategy.

Thank you for your interest in our company. Now, I will turn it over to Milton who, will cover the financial results of the quarter.

2Q21 Financial Results

Milton Brandt

Interim CFO

July 22, 2021

MILTON BRANDT:

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

I'll start with Mexico; please consider that I will refer to figures excluding last years' one-time effect to make them comparable.

During the quarter, total revenues increased 6.1%.

Gross profit margin increased 50 bps. General Merchandise sales this year were stronger compared to 2Q20, and categories such as Seasonal and Entertainment, Apparel and Home, support this gross profit margin dynamics. We also continue to work with our suppliers to provide the lowest prices for our customers.

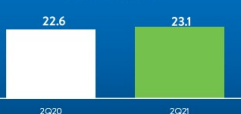
We are driving operating efficiency improvements around the company and we are using those savings to self-fund our strategic investments. During the quarter, expenses grew 10.8%, as we continue to invest in our Associates' Value Proposition, technology, eCommerce and our logistics network redesign.

These investments are part of the long-term strategy we shared with you earlier this year and will allow us to position our company to continue to win in the future.

Part of the investments in our Associates Value Proposition reflect the implementation of certain changes we made to adopt the reforms to the Federal Labor Law and other labor, tax and social security laws. In the following quarters, we will continue

Mexico's Performance

Gross Margin (%)



EBITDA Margin (%)



¹ Excluding the payment to the Tax Administration Services (SAT) in 2Q20

2Q21 Highlights

- Total revenues grew 6.1%
 - SSS grew 4.7%, two-year stack 11.3%
 - eCommerce contributed 0.6% to total revenues growth
- Gross margin expanded by 50 bps, reaching 23.1%
- SG&A grew 10.8%, driven by investments in technology, eCommerce and Associates' Value Proposition
- Operating income grew 6.5%
- EBITDA margin decreased 10 bps to 10.7%

to implement these changes and to invest to improve our associates' quality of life.

We reiterate that the implementation of such reforms does not change our financial expectations for the year or our ability to deliver our strategic plans.

Despite these investments, the resilient nature of our business allowed us to increase operating income 40 bps ahead of total revenues growth and to reach a 10.7% EBITDA margin.

In Mexico, total revenues grew 6.1% and EBITDA margin reached 10.7%

Mexico 2Q results

(SMN Millions)	2Q21		2Q20		Var.
	\$	%	\$	%	%
Total revenues	144,957	100.0	136,648	100.0	6.1
Gross margin	33,525	23.1	30,897	22.6	8.5
General expenses	21,626	14.9	21,326	15.6	1.4
Earnings before other income, net	11,899	8.2	9,571	7.0	24.3
Other income, net	210	0.1	(18)	(0.0)	12.5x
Operating income	12,109	8.4	9,553	7.0	26.8
EBITDA	15,564	10.7	12,913	9.4	20.5

X = Times

Excluding the one-time effect registered in 2Q20, operating income increased 6.5%

Mexico 2Q results excluding payment to the SAT

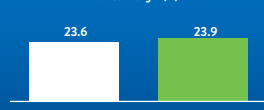
(SMN Millions)	2Q21		2Q20		Var.
	\$	%	\$	%	%
Total revenues	144,957	100.0	136,648	100.0	6.1
Gross margin	33,525	23.1	30,897	22.6	8.5
General expenses	21,626	14.9	19,513	14.3	10.8
Earnings before other income, net	11,899	8.2	11,384	8.3	4.5
Other income, net	210	0.1	(18)	(0.0)	12.5x
Operating income	12,109	8.4	11,366	8.3	6.5
EBITDA	15,564	10.7	14,726	10.8	5.7

X = Times

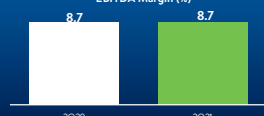
SAT = Tax Administration Services

Central America's Performance

Gross Margin (%)



EBITDA Margin (%)



2Q21 Highlights

- Total revenues increased **10.1%**
 - SSS grew **8.6%**
- Gross margin expanded by **30 bps** to **23.9%** of sales
- SG&A increased **10.4%**
- Operating income increased **16.0%**
- EBITDA margin remained at **8.7%**

Figures in constant currency basis
bps = basis points

Now, I'll talk about results in Central America. I'll refer to figures on a constant currency basis.

As Gui mentioned, topline growth reached double-digits, driven by same-store sales growth.

We worked together with our suppliers to offer the lowest prices for our customers and improved inventory management, which lead to a gross margin expansion of 30 bps.

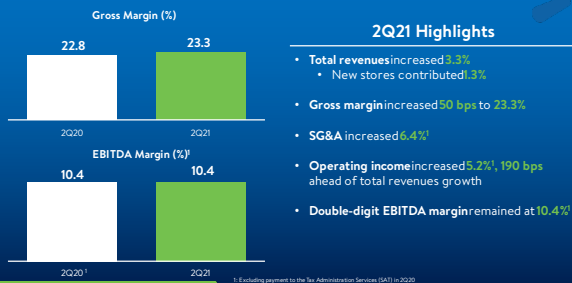
SG&A increased 10.4%, as we continue to invest in our Associates' Value Proposition, and operating income grew 16.0%, almost 600 bps ahead of total revenues growth.

Central America's sales and profitability showed a positive trend

Central America 2Q results

(SMN Millions)	2Q21		2Q20		Var. (%)	
	\$	%	\$	%	Peso terms	Constant currency basis
Total revenues	29,717	100.0	32,378	100.0	(8.2)	10.1
Gross margin	7,104	23.9	7,637	23.6	(7.0)	11.6
General expenses	5,543	18.7	6,025	18.6	(8.0)	10.4
Earnings before other income, net	1,561	5.3	1,612	5.0	(3.1)	16.3
Other income, net	(18)	(0.1)	(16)	(0.0)	17.6	40.8
Operating income	1,543	5.2	1,596	4.9	(3.3)	16.0
EBITDA	2,573	8.7	2,821	8.7	(8.8)	9.5

Walmex Consolidated Performance



Looking at Walmex's consolidated figures...

Total revenues increased 3.3%.

Gross profit margin was strong in both regions and increased 50 bps in total, reaching 23.3%.

Operating income was up 5.2%, 190 bps ahead of revenues and EBITDA margin remained at 10.4%.

Net income represented 5.6% of sales.

Walmex's 2Q21 revenues grew 3.3% and net income margin reached 5.6%

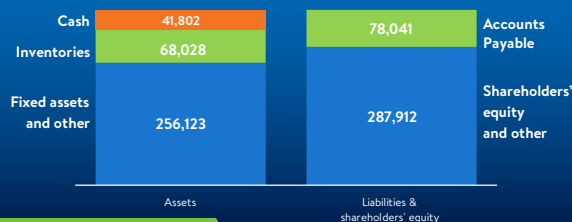
Walmex Consolidated 2Q results

(\$MXN Millions)	2Q21		2Q20		Var.
	\$	%	\$	%	
Total revenues	174,674	100.0	169,026	100.0	3.3
Gross margin	40,629	23.3	38,534	22.8	5.4
General expenses	27,169	15.6	27,351	16.2	(0.7)
Earnings before other income, net	13,460	7.7	11,183	6.6	20.4
Other income, net	192	0.1	(34)	(0.0)	6.7x
Operating income	13,652	7.8	11,149	6.6	22.4
EBITDA	18,137	10.4	15,734	9.3	15.3
Net income	9,764	5.6	1,662	1.0	4.9x

Financial Strength

Balance sheet statement
(June 30, 2021 - \$MXN Millions)

TOTAL: \$365,953



Now moving to the balance sheet...

Our cash position increased 35.7%, reaching \$41.8 billion pesos.

Inventories increased 5.2% to \$68.0 billion pesos and accounts payable increased 1.9%.

Investing and generating returns

Sources and uses of cash - \$MXN Millions



We continue to invest in the business, balancing the long and short term while generating returns for our shareholders.

In the past 12 months, cash generation reached \$67.2 billion pesos. In Central America, cash generation was negatively impacted by exchange rate fluctuations.

After investing \$17.9 billion pesos in strategic projects, we returned \$26.3 billion pesos to our shareholders in the form of dividends.



In closing, we are very proud of the team and we appreciate their hard work. It's really exciting to see the progress in the business as we execute our plan to win.

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

