

Walmart

México y Centroamérica

WALMEX DAY 2022 – VALUE CREATION

Mexico City, March 15, 2022

(FREE TRANSLATION, NOT TO THE LETTER)



PAULO GARCÍA

Thanks, Gui and good morning everyone. Thank you very much for joining us today and for your interest in our company.

So far, you've heard about our strategy and plans to accelerate growth.

You've heard our plans to solve customers' pain points in retail and beyond.

You've heard our plans to serve customers how, when and where they want to be served.

Now, we will talk about how, by putting customers at the center of our decisions and leveraging our reach and ecosystem, we are uniquely positioned to accelerate growth and to create value.



Our customers shopping habits are changing and we are evolving to serve them in different and innovative ways.

As you heard along the presentations, we are working to provide access to our customers in the form of best prices, larger assortment, proximity, connectivity, financial solutions, and more.

We can accomplish it by leveraging our scale and core business to create the products and services our customers want and need.

We can help customers save money and live better while accelerating growth in a sustainable way.

Walmex is a strong company. There are not many companies in Mexico or even in Latin America with our financial strength. For some companies it is a trade-off to protect the core or to grow a new business. Our financial strength gives us the flexibility to do both. It gives us the ability to win now and to win in the future.



What are the results we have achieved that indicate we are winning now and accelerating growth and value creation?

Gui and the rest of the team already shared with you some of our results but let me highlight the main ones:

One of the results we achieved, was Bodega's solid performance. Last year:

- We reached an historic price gap. We invested heavily in prices to further reinforce our leadership.
- We opened 110 new Bodegas, taking our low-price value proposition to more Mexican families.

Another one of the results, was great progress on our priority to **lead in omnichannel**. We want to serve customers how, when

and where they want to be served, and we are investing strategically to achieve this goal. Last year:

- GMV grew 40% on top of a 164% growth in 2020.
- eCommerce penetration reached almost 5%.
- We increased our market share by 190 bps, according to Euromonitor.

Another one of the results, was an accelerated growth of the main verticals of our **ecosystem**. Last year:

- Bait reached 2.3 million users
- Cashi reached 1.7 million users
- Walmart Connect worked with more than 300 advertisers and implemented more than 4,200 campaigns

Another one of the results, was **growth ahead of the market**. Our customers are appreciating what we are doing and rewarding us with their loyalty. Last year we were able to grow 200 bps ahead of ANTAD self-service and clubs' segment.

Another one of the results, was a **strong financial performance**. Despite going through challenging times and through a heavy-investment phase, we drove strong topline growth and we kept our double-digit EBITDA margins.

All in all, we delivered **strong returns** for our shareholders. Walmex's stock price grew 36%, which is 1.7 times the IPC's index's growth. We distributed \$28.2 billion pesos in dividends, implying almost a 3% dividend yield.

These results confirm we are accelerating growth and further creating value.



Now, let's talk about the future. Let's talk about our plan to continue the strong momentum. Our plan to become the leading omni-driven ecosystem and to accelerate growth and value creation.

Our flywheel starts with a strong core business. It is the foundation of our ecosystem.

As the flywheel turns, it creates incremental growth opportunities, such as extended General Merchandise assortment or financial solutions.

As the flywheel turns, it unlocks monetization opportunities that we have not tapped into before. You just heard Beatriz talk about Walmart Connect and Cristian and Gastón talk about Supply Chain as a service. EDLC, productivity and monetization are crucial to maintain the lowest costs going forward.

As the flywheel turns further, it allows us to reinvest and to bring more value for customers and associates.

What makes us think we are better positioned than any other player to build the leading omni-driven ecosystem and to accelerate growth and value creation?

You have heard about this before from Gui, Cristian and Gaston but let me reiterate a few points as these competitive advantages are critical to accelerate growth and value creation.

One of the reasons why we believe we are better positioned than anyone, is our **reach and proximity to our customers**.

- We've been operating in Mexico for over 60 years.
- We have more than 2,750 stores and clubs that are 10 min away of 88% of the population in top cities.
- We have 20 distribution centers.
- We have 5 million customers shopping at our stores every day, and we have almost 200,000 associates to serve them.

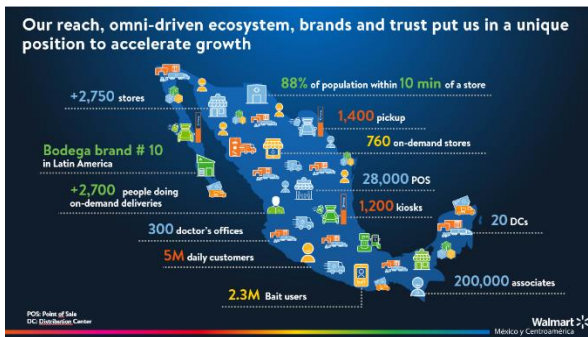
Another reason why we believe we are better positioned than anyone, is our **omnichannel business**. I dare to say, we have a truly omnichannel operation.

- We have 760 stores offering same-day delivery, on-demand, in 120 cities
- We have 4 omni distribution centers and 3 dedicated fulfillment centers
- We can fulfill over 95% of on-demand orders in less than a day
- We have +1,200 kiosks
- We have +1,400 pickup and returns locations.

Another one of the reasons why we believe we are better positioned than anyone, is because the **verticals of our ecosystem** are progressing strong, rooted on our omni operation.

You've heard from Beatriz that in just 2 years of operation, Bait reached 2.3M users. To give you an idea of the strength of our scale, it took the number one MVNO player in the country 5 years to reach one million users.

Lastly, another reason why we believe we are better positioned than anybody to build the leading omni-driven ecosystem and to accelerate growth and value creation, is the **trust** our customers have on us. In **our brands**.



Within our financial strategy, we are focusing on four areas to accelerate growth and value creation.

The first area of focus is operational excellence.

The second one is to invest to have the best talent.

The third one is to accelerate strategic investments.

The fourth one is to invest behind customer-centric propositions.



I'll start with the first area of focus, operational excellence.

You've heard from Cristian and Sravana specific examples of how we are increasing productivity.

Our ability to generate savings and productivity gives us the flexibility to invest.

There are some actions we are taking to drive savings that I'd like to highlight.

The first action is the Smart Spending project: It is all about reinforcing our Every Day Low-Cost culture, now using technology and data analytics to move quicker and to be more effective. In Mexico we identified about \$3.7 B pesos in savings, of which we executed \$1.0 B pesos in 2021. Between 2022 and 2023 we will execute the remaining savings.

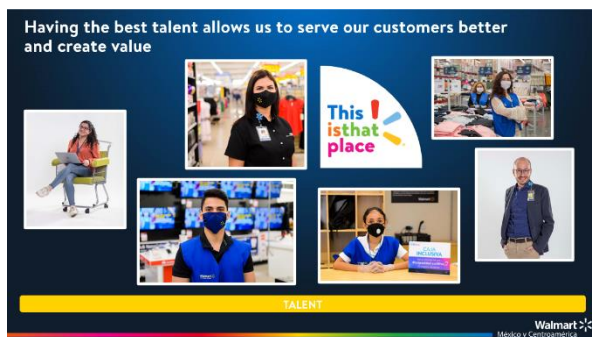
Another action is to continue to reinforce our Goods Not For Resale program. We are purchasing in a centralized way around 80% of the controllable spend, this is twice the amount we were centralizing five years ago.

As we expanded our digital mindset to other parts of the business, last year we ran electronic biddings for about \$1B USD worth of goods and services, from construction material to logistics services or paper. We achieved double-digits savings vs. historic prices through the biddings program.

Going forward, we will reinforce and expand the electronic biddings program and we will automate and digitize the end-to-end procurement process with the implementation of Ariba. In order to simplify it, to have better visibility, to reduce manual work and to have better alignment and planning with our suppliers.

Another action is to continue to use technology to simplify everything we do and to use advanced data and analytics solutions to support our decision making.

EDLC mindset and productivity have been core to our business since its foundation and will continue to be so in the future. They are critical to save both cost and time for our customers.



Our second area of focus is to invest behind best talent,

As you heard from Eduardo, we are investing in our AVP to be able to attract and retain the best talent.

By focusing on our associates and keeping them at the center of our decisions we are also improving our customer service levels and experience hence accelerating growth and value creation.

We will continue to invest in our biggest asset, our people. Providing an attractive AVP, constant training and wellbeing programs.

Now let's talk about the third area of focus, to accelerate strategic investments.

We are going through a heavy investment phase, and our investments are paying off. They are allowing us to accelerate growth.

This year we will invest \$27.6B pesos in Mexico and Central America, which represents a ~35% increase vs. 2021. While this is higher than the past few years, it is far below the Capex peak of 4% to 5% of revenues during 2002-2012, the period of fast new store growth.



- 40% of Capex will be allocated to the remodeling and maintenance of our existing stores and clubs. We will enhance them with omnichannel capabilities, such as dedicated on-demand back rooms in Supercenters or the HUBS for on-demand that Cristian and Gastón described, and with technology that will allow us to become more efficient and sustainable.
- 28% of the Capex will be destined to new stores and clubs growth. We are accelerating our expansion plans through new growth vehicles like Mi Bodega Urbana and Walmart Express. In 2022, we expect new stores contribution to consolidated sales growth will be between 1.2% and 1.4%.
- 17% of the Capex will be allocated to Logistics. As referenced by Cristian and Gastón, we will continue with our logistic network redesign and increase growth capacity. We are building the Villahermosa DC for perishables that will start operations this year. We are building the Bajío and Tlaxcala DCs that will serve both stores and eCommerce. We are increasing the number of Delivery Stations and XPTs. We also have automation and modernization projects on the roadmap, as you heard from Cristian and Gastón.
- Finally, 15% of Capex will be destined to Technology and eCommerce projects that Sravana and Ignacio presented. Remember that, in addition to investing directly in these concepts, we are also leveraging technology developed in other countries where Walmart operates. Some examples are the marketplace technology for Walmart and Bodega, a new routing system or the advertising tools for Walmart Connect. This undoubtedly positions us as one of the companies in the sector that is investing the most in technology.

As you heard from Gui, our plan is ambitious, it requires investment, and discipline; and our financial strength serves as a competitive advantage as we implement our plan to win.

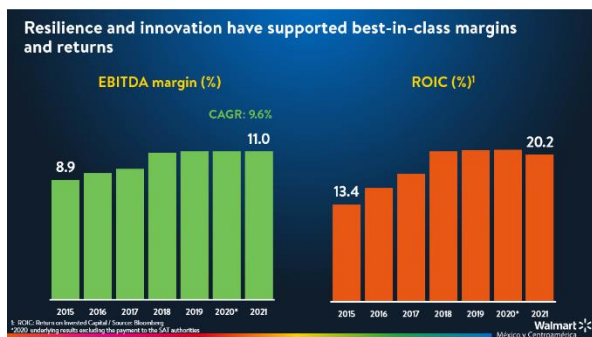
We are committed to accelerate the payback of the investments we are doing, to accelerate growth and to maintain best-in-class returns during this transition.



The fourth area of focus is to invest behind customer-centric propositions.

You've heard from Beatriz how our new businesses are growing at a fast pace. They are generating stickiness and keeping customers in our ecosystem.

As these verticals continue to grow and gain relevance the results of our strategy become more tangible. The halo effect of the ecosystem becomes stronger, which will allow us to accelerate growth and to create value.



Now, let's talk about value creation.

Our discipline and operational excellence set us apart from competitors.

So far, we've leveraged operating expenses, we've self-funded strategic investments and we've kept best-in-class margins.

An example of this, is that we have built a \$29.4B pesos sales eCommerce business, without changing the shape of our P&L.

By investing in a disciplined way we have been able to maintain high ROIC levels.

Our investments are preparing our company for growth. We are becoming more efficient in how we invest and execute, which will allow us to keep generating value and maintain best-in-class returns.



This financial strength translates into strong returns for our shareholders.

The Walmex Board of Directors agreed to recommend a \$1.71 pesos per share dividend proposal to shareholders. This proposal is composed of an ordinary dividend of \$1.00 pesos per share and an extraordinary dividend of \$0.71 pesos per share.

The proposed schedule for dividend payment is as follows:

Ordinary dividends will be paid in two installments, each one of \$0.50 pesos per share in November and December 2022.

Extraordinary dividends will be paid on two installments: the first one of \$0.35 pesos per share in November 2022, and the second one of \$0.36 pesos per share in December 2022.

We expect the Annual Ordinary Shareholders Meeting to be held on April 7, 2022 to vote on the proposal.

As indicated above, this dividend proposal represents a yield of approximately 3% and an increase of almost 5% compared to the previous year.



Going forward, our omni-driven ecosystem will accelerate value creation.

How will we achieve this?

The first reason why we believe we will accelerate value creation, is our omnichannel **customers**.

An omnichannel customer buys more than a brick customer. In Sam's for example, we've seen that an omnichannel customer buys at least 6 times more than a brick-only customer. We see a very similar case in Bodega: The Despensa a tu casa ticket is +4 times higher than the grocery brick ticket.

This gets even more interesting when we analyze General Merchandise. As most of you know, only about one third of our sales are General Merchandise, the rest is Grocery, Food and Consumables, so basically, everything we do on the Extended Assortment space is incremental... it is accretive for our business. A Bodega's kiosk ticket is +12 times higher than the average brick ticket.

Another reason why we believe we will accelerate value creation, is our **verticals**, which are the new businesses we are creating.

We have a strong brick and mortar business, perhaps the strongest in Latin America. We have a strong omnichannel business, we are leaders in on-demand and a top player on extended assortment. I am sure all of you consider these on your valuations.

Now, every time an investor buys Walmex's shares, they are not only getting Mexico's largest and most profitable retailer.

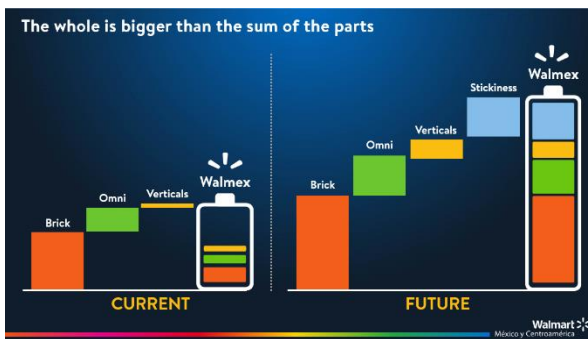
Every time an investor buys a Walmex stock, they are buying one of Mexico's largest advertising businesses, which delivers a high double-digit operating income margin.

Every time an investor buys a Walmex stock, they are buying Mexico's top MVNO, that is reaching customers and populations current competitors were not able to reach, for a third of the price.

Every time an investor buys a Walmex stock, they buy a financial solution platform with 28,000 POS that serve as outlets and a 5 million customer base opportunity.

But the main reason why we believe we will accelerate growth and value creation, is the **combination** of all the above. The whole is bigger than the sum of the parts.

An ecosystem of mutually reinforcing assets with the customer at the center is our path to win the future of retail.



The shape of our P&L is changing with new sources of income. We will continue to invest behind growth in the short-term, but we will maintain our best-in-class ROI returns and the value of our company will increase driven by the accelerated growth and integrated omni-driven ecosystem.



In closing, I'd like to mention the key messages of our financial strategy:

- We're turning into a set of mutually reinforcing businesses that create a stronger flywheel.
- We will continue to focus on productivity and to use our EDLC mindset to keep finding new ways to save money to reinvest behind growth.
- We are implementing our strategy to create an integrated omni-driven ecosystem that will accelerate value creation, where the whole is bigger than the sum of the parts.



Thank you very much. We will have a 10-minute break and will come back for the Q&A session.