

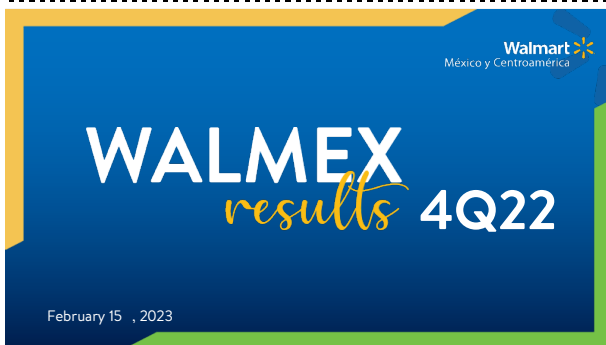
# Walmart

## México y Centroamérica

### Webcast Results for the Fourth Quarter 2022

Mexico City, February 15, 2023

(FREE TRANSLATION, NOT TO THE LETTER)

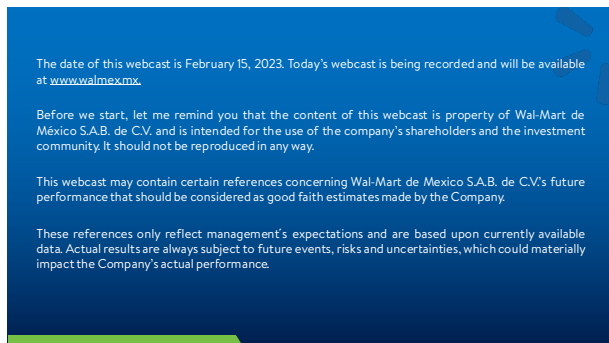


#### PILAR DE LA GARZA:

Good afternoon, this is Pilar de la Garza, head of Investor Relations for Walmex.

Thank you for joining us today to review the results for the fourth quarter 2022.

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



The date of this webcast is February 15, 2023. Today's webcast is being recorded and will be available at [www.walmex.mx](http://www.walmex.mx).

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Now, it is my pleasure to turn the call over to our CEO, Gui Loureiro.

#### GUILHERME LOUREIRO:

Thanks, Pilar and good afternoon, everyone. Thank you for joining us to hear about our fourth quarter and full year 2022 results.

We rounded up another year demonstrating our resilience and ability to innovate. Short term challenges, such as the high and persistent inflation, required a lot of focus, but that didn't distract us from implementing our long-term strategy, and I am very proud of what we achieved.

We turned challenges into opportunities to be even closer to our customers and to help them navigate through this atypical environment by being true to our purpose of saving people money and help them live better. Let me share some highlights of the year:

- Same-store sales grew double digit in Mexico and in Central America.
- We kept our winning streak in Mexico by growing same-store sales 10 bps ahead of the market measured by ANTAD. Marking 9 consecutive years surpassing the formal market's growth measured by ANTAD.

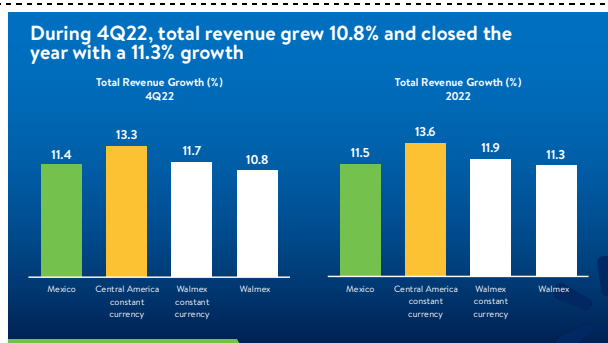


- We helped our customer afford a full basket by accelerating our Private Brands growth. We launched more than 400 new products and Private Brands sales penetration grew 80 bps reaching a 15.1% penetration in Self-Service. We saw Private Brands sales in departments such as Home, growing 4.5x faster than the branded products of their departments.
- Bodega reached a historical price gap and its strong performance led us to grow ahead of the market on every month.
- We progressed on our goal to lead in omnichannel by delivering double-digit GMV growth, despite the deceleration that the market experienced as customers adapted their shopping habits post-pandemic.
- We accelerated the construction of our ecosystem reaching 13 million total users with Bait and Cashi combined.

Our team overcame a number of challenges to deliver these results, and I want to thank them for their hard work. Our associates really made the difference.

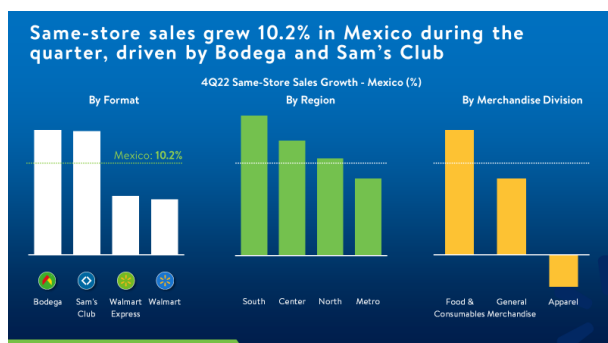
Now, let's review our performance during the fourth quarter of 2022.

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



During the quarter, consolidated total revenue grew 10.8%, driven by an 11.4% growth in Mexico and 13.3% in Central America. Both ticket and traffic continued to grow: ticket grew 8.0% and traffic 2.4% vs. last year.

For the full year 2022, consolidated revenue grew 11.3%: 11.5% in Mexico and 13.6% in Central America.



Looking at performance in Mexico...

Bodega continued to deliver the highest same-store sales growth. During the quarter, we innovated to offer even lower prices and help our customers afford everything they need, by launching a pilot program to sell our Private Brand products in bulk. With this program, we lowered our already low prices by 5% and built upon our goal to become a regenerative company.

Bodega's omni evolution is resonating with customers. *Despensa a tu Casa* reached 443 stores, where we are offering more than 64,000 items for same-day delivery in half of the Bodega households that we serve, solving a relevant pain-point for our Bodega customers, which is transportation.

A strong Customer Value Proposition is propelling sustainable membership and sales growth at Sam's Club.

We hosted another edition of the Plus Fest, where we offered unique items and great value for our Plus members. Plus memberships reached a record penetration of 60%, which is great for our business as these members buy 40% more frequently than a benefits member.

We continued to reinforce our Member's Mark offering to increase member's loyalty and to help them save even more. We launched our Member's Mark milk during October with a ~15% value. By the year's end, we've sold more than half a million boxes and the item reached a double-digit sales penetration in the category. We also launched Member's Mark Food Trucks in 18 clubs to generate a differentiated experience for our members and to promote our brand.

At Walmart Supercenter the team delivered a great execution of the holiday season, in a truly omnichannel way.

During the season, we sold almost 17 million toys in Juguetilandia, leading to a 10% sales growth vs. last year. Our Private Brands had a great performance among the Toys category. We sold over 4 million toys, reaching a 24% sales penetration in the department.

Other categories, like Gaming Consoles, also had a great performance during Christmas, delivering a 160% growth vs the average of the last 4 years.

During the quarter, we implemented an event focused on our Private Brand "Extra Special" at Walmart Express to show customers the great quality and value we are offering through Our Brands. During the event, sales grew 40% vs. last year.

We concluded the conversions from Superama to Walmart Express. Now we have 101 stores operating under the new brand. We will continue fine-tuning our value proposition to offer our customers a seamless shopping experience and to accelerate growth going forward.

Now, I'd like to talk about one of our biggest seasonal events...El Fin Irresistible.

After two years of doing a mostly virtual event, during November we hosted the 4<sup>th</sup> edition of El Fin Irresistible, and we are pleased to see how customers responded. Sales increased 15% vs. last year and traffic increased 10%.

With the investments we've made in technology and logistics, we reached an historic NPS level during the event, which is very challenging due to the high volumes we manage on those days.

We reinforced our float capacity for extended assortment and on-demand to reach our customers faster by adding 600 vehicles. This led to a NPS increase of 1,180 bps vs 2021. Particularly 1P logistics performance significantly improved vs. last year as 45% of orders were delivered in the same or next day.

The Fin Irresistible event is another example of Bodega's omnichannel evolution. During the event, *Despensa a tu Casa* sales grew 111%. Fueled by the World Cup, we sold more than 200 thousand screens delivering a triple-digit growth in that category.

We leveraged the scale and reach of El Fin Irresistible event to offer our customers full solutions through our new businesses.

At Walmart Supercenter, Cashi reached almost 10% sales penetration during the event, as we offered appealing payment options for our customers who typically can't access promotions that are only available for credit card holders.

Through our partners, we granted over 28,000 credits with reasonable financial conditions during the event, to help our customers afford the merchandise they love.



It was also a great event for Bait. 180,000 new users joined Bait and we sold 40,000 mobile phones + Bait bundles at unbeatable prices.

It was also the biggest sales event of the year for Walmart Connect. We integrated promotional campaigns through Cashi and we hosted two virtual concerts for our Walmart and Bodega customers.

Bodega's "Los Angeles Azules" concert reached 4.6 million views. It is great to see how customers are now engaging with the brand in a digital way.

Now let's look at eCommerce performance.

During the quarter, we continued to expand the on-demand service reaching 1,000 stores. Additionally, now 80% of Walmart Supercenter and Express stores are enabled with our fast, 60-min delivery option, powered by the crowdsourcing model.

Regarding Extended Assortment... we increased the number of SKUs by 70% and doubled the number of sellers vs. 4Q21.

Walmart Fulfillment Services (WFS) keeps evolving and it is becoming a key model to provide the level of service our customers expect. We fulfilled 33% of the marketplace's volume through this model during the quarter, and orders handled by WFS took half the time to reach customers' houses when compared vs. orders delivered by carriers.

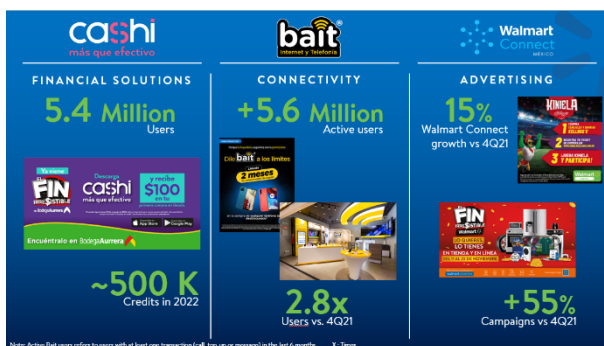
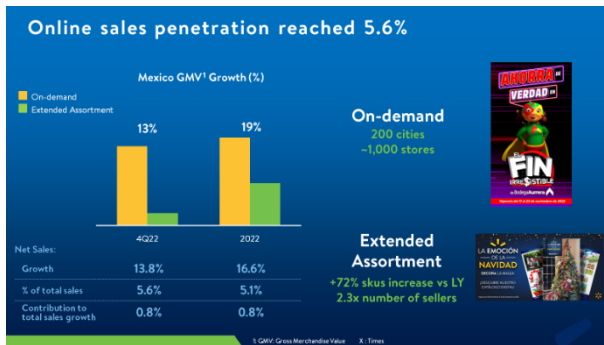
On the 4Q22, online sales grew 13.8% and GMV 13.0%, reaching an all-time high penetration of 5.6%. These results were backed by a 420 bps increase in NPS.

Throughout 2022, we saw customers adapting to new shopping habits again and I am proud about how the team responded to this challenge. We delivered more than 13 million orders during 2022 and NPS increased 470 bps.

Online sales grew 16.6% during the year and GMV grew 19.0%, which translates into a 67% growth on a two-year stacked basis and a 340% growth on a three-year stacked basis.

The evolution of our supply chain is backing up these results, our omnichannel distribution efforts were awarded with the Premio Nacional de Logística Galardon Tameme. I want to congratulate the team for this achievement.

Our goal is to deliver what customers want, how and when they need it, in a seamless experience, and our omnichannel proposition and investments are helping us to move fast in this direction.



Now, let's talk about our new businesses, I'll start with Financial Services.

We know financial inclusion is low among our customers, especially among the most price-sensitive ones, and we are crafting credit solutions that meet their need so they can afford the merchandise they need.

We enabled a new lender on the digital credit marketplace in Cashi for 100 Bodega stores, and we started an MVP to originate credit digitally through CrediBodega.

Cashi was a very important sales driver through the seasonal period. By year end, we reached 5.4 million users, growing 218% vs. last year.

### Moving to Bait...

I am excited to share with you that during the quarter we opened the first 4 Bait stores in Mexico City and Queretaro. It is a great milestone for us. In these stores, Bait users will access a more convenient and seamless experience, and they will allow us to expand our reach even further, to more customers.

The number of Bait users almost tripled vs. 4Q21. We closed the quarter with 7.8 million total users, of which 5.6 million are active. With this figure, we surpassed the users' goal we set for 2022.

### Now, let's talk about Walmart Connect...

During the quarter, the business grew 15%, backed by a 55% increase in the number of campaigns.

We implemented several campaigns with the World Cup theme for companies like Danone, P&G and Nestle, where we created great excitement through 360° campaigns before and during the event.

### Now, let's look at our performance compared to the market.

When we started to see inflation go up at the beginning of 2022, we decided our priority should be to protect our customers from inflation, by investing aggressively in prices and adapting our commercial offering, among other actions.

During the quarter, we were able to expand our self-service price gap 50 bps vs. last year, resulting in a 100 bps increase for the full year.

Our strategy was well received by customers, and they rewarded us with their loyalty. Our same-store sales growth gap vs. the self-service and clubs market measured by ANTAD increased sequentially quarter on quarter, reaching 50 bps on the 4Q22.

With the 10.3% same-store sales growth we achieved in 2022, we've been able to grow ahead of the formal market measured by ANTAD for 9 years in a row, demonstrating the consistency and discipline of our execution.

I want to thank all our associates for this great achievement. By listening to our customers and working with an end-to-end vision, we were able to deliver for our customers through a challenging and atypical period.

### Moving to Central America...

In Central America, same-store sales grew 12.7% during the quarter. Nicaragua, Costa Rica and Guatemala posted the highest growth.

We continued with the implementation of our strategy: to win in Bodega and Discount and to simplify our business.

We progressed with the roll out of an enhanced CVP in the Bodega and Discount formats, reaching 309 stores and covering the main competitive traits in Costa Rica and Guatemala.

Commercial campaigns, such as the World Cup, Black November and Christmas, were well received by our customers and we achieved double-digit growth during the seasonal events.

We continued to invest in price and to reinforce our Private Brands offering to help our customers save money and drive loyalty. During the quarter, we launched 245 new products in the Toys, Pets, Home, and Snacks categories. Private Brands sales penetration

### Customers rewarded us with their loyalty during these challenging, high-inflation times



### In Central America, same-store sales grew 12.7%



increased 90 bps, reaching 20%. For the full year 2022, Private Brand penetration increased 170 bps.

Moving to new stores growth...

During the quarter, we opened 69 new stores: 60 in Mexico and 9 in Central America.

We opened our first regenerative Bodega store, in Temixco, Morelos, the first regenerative Sam's Club in Huinalá, Nuevo León and the first regenerative Walmart Express in Querétaro, Querétaro. These stores are equipped with energy efficiency initiatives and access features for people with disability and materialize our goal to become a 100% regenerative company by 2040.

During the full year 2022, we opened 126 new stores, bringing our low-price value proposition and granting access to low-cost solutions to new customers in 17 cities.

New stores contribution to consolidated sales growth was 1.2% for the year, in line with the guidance we shared with you at the beginning of 2022.



To finalize, let me tell you about our main efforts on Environmental, Social and Governance matters.

In October, we celebrated the second Regenerative Summit, with focus on the Opportunity and Community pillars. More than ~3,100 participants joined the event virtually, and over 200 in-person.

For the 4th consecutive year, we received the Distintivo Éntrale as a recognition to our efforts to grant job opportunities for people with disabilities. We also received the HRC Equidad MX certificate for the 6th occasion, which certifies us as an inclusive company for the LGBT+ community.

We ranked 2nd place in the Top Companies ranking in Central America, moving up two places from our position in 2021.

For the third consecutive year, we were included in the Dow Jones Sustainability MILA Pacific Alliance Index.

130 stores were certified in Costa Rica with ISO 50001 -Energy Management Systems. In the certified stores we are implementing certain initiatives to be more efficient and reduce energy consumption, such as solar panels and efficient refrigerating systems.

In closing, I am pleased about all we accomplished in 2022 and I want to thank our associates for their work and dedication. They were able to deliver for our customers through a challenging period while implementing our long-term strategy and building the company of the future.

I am excited about what's to come. Our core brick business is solid, our omni business keeps evolving and adapting to customer habits, and our new business are starting to scale at a fast pace. We believe we are on the right track to become a leading omni-driven ecosystem and we have the right talent to achieve so.

As we enter 2023, we know that we will continue to face headwinds, given the persistent high inflation and overall, the increase in the cost of doing business. But we will continue executing our long-term strategy with discipline and agility, and we will continue listening to our customers and associates, keeping them at the center of all our decisions.



We will share our detailed plans for the year with you on our Walmex Day 2023, which will take place on March 7th, in Mexico City. We hope you can join us.

Thanks again for joining us today and I leave you with Paulo who will cover the financial results of the quarter.

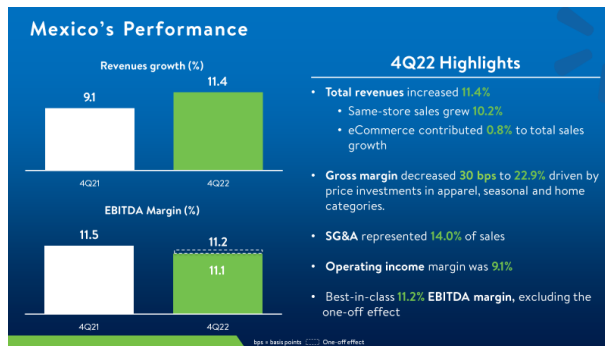


## PAULO GARCIA:

Thanks, Gui and good afternoon, everyone. Thank you for joining us today to review the results for the fourth quarter 2022.

I'll start by covering Mexico's results and then I'll cover Central America.

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



As Gui mentioned before, revenue grew 11.4% driven by a strong same-store sales growth of 10.2% and a 0.8% eCommerce contribution to total sales growth.

Gross margin contracted 30 bps to 22.9% mainly due to aggressive price investments we made during our seasonal events in categories such as Fresh, Apparel, Seasonal and Home, and to a softer contribution from other revenue streams vs. previous quarters. Considering the full year, gross profit expanded 10 bps, in line with our ambition to continue to invest in prices and to drive other revenue streams to support gross margin dynamics

SG&A grew 12.6% and represented 14.0% of revenues. We recorded a one-time effect of 10 bps related to the *Vacaciones Dignas* reform, under which associates vacation days increased. I will go through the rest of the expense details in just a moment.

Operating income grew 7.2% and EBITDA grew 7.4%, reaching an 11.1% margin. Excluding the one-time effect, operating income would've grown 8.8% and EBITDA 8.7%, reaching a best-in class 11.2% margin.

**In Mexico, revenues grew 11.4% and EBITDA margin was 11.1%**

Mexico 4Q results

(\$MXN Millions)	4Q22		4Q21		Var.
	\$	%	\$	%	
Total revenues	197,856	100.0	177,636	100.0	11.4
Gross margin	45,352	22.9	41,129	23.2	10.3
General expenses	27,737	14.0	24,624	13.9	12.6
Earnings before other income, net	17,615	8.9	16,505	9.3	6.7
Other income, net	314	0.2	219	0.1	43.9
Operating income	17,929	9.1	16,724	9.4	7.2
EBITDA	21,874	11.1	20,374	11.5	7.4



Now let's review SG&A.

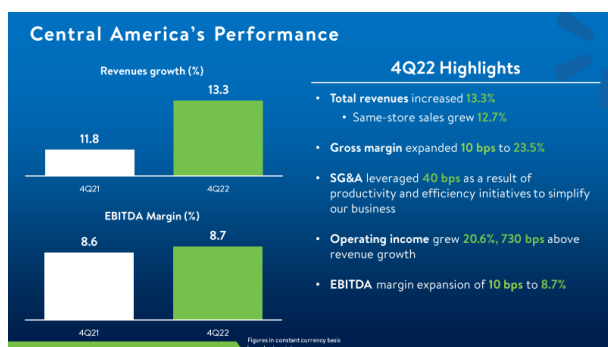
During the 4Q22, our Smart Spending program drove \$450 million pesos in savings through initiatives such as backhaul trips and the increase of usage of our dedicated fleet to reduce spot rate trips. Smart Spending together with operational efficiencies led to an expense leverage of 60 bps.

Such savings were invested behind strategic enablers, such as Technology, Associate Value Proposition and in new stores, since we opened 60 stores in Mexico vs 51 in 4Q21.

Lastly, as I mentioned in the last chart the vacations' reform impacted 10 bps.

As a result, SG&A represented 14.0% of revenues.

We will continue to be disciplined in our investments and efficient with our expenses to deliver best-in-class margins whilst investing for growth.



Now, let's review Central America's results.

The region continues to deliver a solid performance, growing total revenue by 13.3%, driven by a double-digit same-store sales growth.

Gross margin expanded 10 bps to 23.5%.

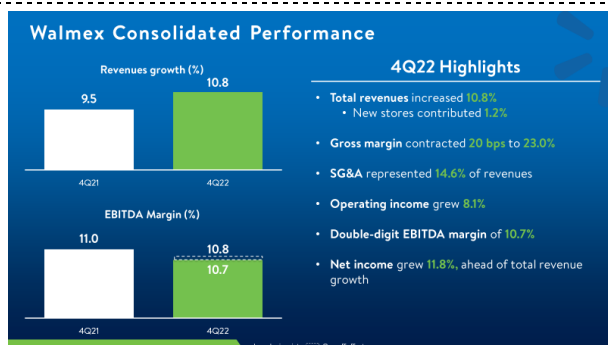
We were able to leverage expenses by 40 bps as a result of our focus on simplifying the business, mainly driven by initiatives related to labor cost.

As a result, operating income grew 20.6%, 730 bps above revenue growth and EBITDA margin expanded 10 bps to 8.7%.

**In Central America, total revenues grew 13.3% and EBITDA margin reached 8.7%**

Central America 4Q results

(\$MXN Millions)	4Q22		4Q21		Var. (%)	
	\$	%	\$	%	Peso terms	Constant currency basis
Total revenues	39,965	100.0	36,935	100.0	8.2	13.3
Gross margin	9,384	23.5	8,660	23.4	8.4	13.3
General expenses	6,957	17.4	6,569	17.8	5.9	10.6
Earnings before other income, net	2,427	6.1	2,091	5.7	16.1	22.1
Other income, net	30	0.1	41	0.1	(29.5)	(53.2)
Operating income	2,457	6.1	2,132	5.8	15.2	20.6
EBITDA	3,465	8.7	3,190	8.6	8.7	13.7



At a consolidated level, revenue grew 10.8%. New stores contributed 1.2% to total sales growth.

Gross margin contracted 20 bps explained by Mexico's seasonal price investments and, SG&A represented 14.6% of revenues on the back of productivity efforts in both regions.

Operating income grew 8.1% and we achieved a double-digit EBITDA margin of 10.7%.

All in, net income grew 11.8%, 100 bps ahead of total revenue growth.

**At a consolidated level, revenues grew 10.8% and net income 11.8%**

Walmex Consolidated 4Q results

(SMXN Millions)	4Q22		4Q21		Var.
	\$	%	\$	%	
Total revenues	237,821	100.0	214,571	100.0	10.8
Gross margin	54,736	23.0	49,789	23.2	9.9
General expenses	34,694	14.6	31,193	14.5	11.2
Earnings before other income, net	20,042	8.4	18,596	8.7	7.8
Other income, net	344	0.1	260	0.1	32.2
Operating income	20,386	8.6	18,856	8.8	8.1
EBITDA	25,339	10.7	23,564	11.0	7.5
Net income	14,821	6.2	13,254	6.2	11.8

Capital Expenditure for the full year 2022 stood at \$21.3 billion pesos, representing 2.6% of total revenue.

Actual CapEx was 23% below the guidance we provided for the year. The main reason behind this variation was the global supply chain disruption that we experienced at the beginning of 2022, which caused delays in technology supplies, store equipment and construction materials. This required us to defer the implementation program we've planned for some projects.

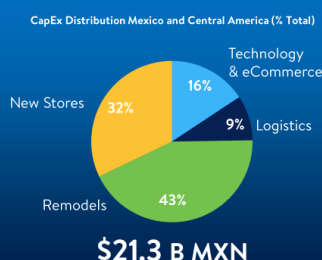
Another one of the reasons behind actual CapEx execution, was the strategic decision to increase the automation's scope of the Tlaxcala and Bajío distribution centers. The increase of fixed costs in Mexico is one of the main drivers behind this decision, making it more feasible for us to accelerate the automation strategy by implementing technologies already proven in other markets.

Besides increasing productivity, this investment will allow us to offer our associates a safer and healthier environment and to continue to reduce the risk of accidents, to ease process for our stores with simpler pallets, and to improve availability for our customers.

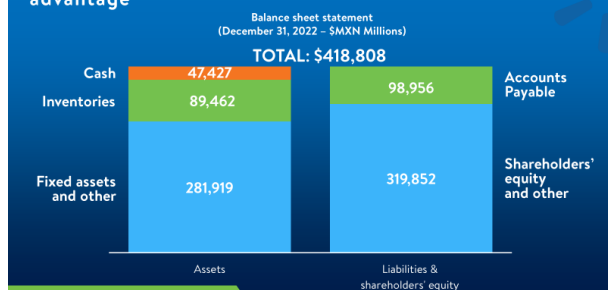
We recognize CapEx execution was significantly below our guidance. We plan to catch up with some of these projects in 2023, but you can expect us to continue to invest in a very disciplined way.

As we've shared with you previously, CapEx as percentage of sales might look slightly ahead of the historic average during the next years as we implement our long-term strategy. We will provide the specific CapEx guidance and distribution during our Walmex Day.

**We invested \$21.3 B pesos in high return projects**



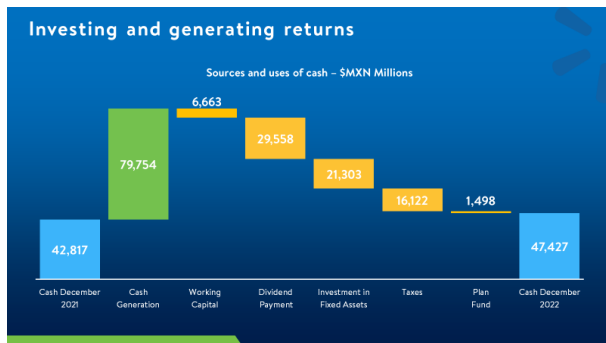
**Financial strength continues to serve as a competitive advantage**



Now moving to the balance sheet...

Our cash position remained strong and grew 10.8% vs 4Q21, in line with consolidated revenues.

In 3Q22 our inventories were above 2021 levels since we decided to bring seasonal merchandise ahead of time to make sure we had everything our customers needed for the holidays on time. Now that the season is over, our inventories stabilized, growing 11.4% vs 4Q21, and days on hand are roughly in line with last year levels.

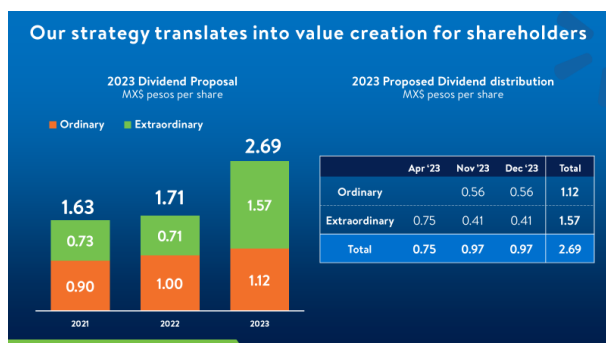


During 2022, cash generation grew 9.6% and reached \$79.8 billion pesos.

As I just shared with you, inventories grew in line with revenues and working capital required \$6.7 billion pesos.

We returned \$29.6 billion pesos in dividends after investing \$21.3 billion pesos in projects aligned to our long-term strategy.

We paid \$16.1 billion pesos in taxes and ended the quarter with a cash position of \$47.4 billion pesos, 10.8% more vs. 2021.



Our strategy translates into value creation for shareholders.

We will propose in the next Shareholder Meeting a dividend per share of \$2.69 pesos for 2023. \$1.12 pesos per share as ordinary dividends and \$1.57 pesos per share as extraordinary dividends.

Our guidance with respect to dividend payments has been, and remains, that we would seek to propose to our shareholders to distribute any excess cash. Therefore, the proposal for dividend payments for 2023 implies a higher payout than previous years' average, and it includes an extraordinary dividend to be distributed in April, driven by higher cash generation and lower Capex deployment, because of the factors explained above.

Ordinary dividends will be paid in 2 installments of \$0.56 pesos per share each, one in November and the other one in December.

Extraordinary dividends will be paid in 3 installments, \$0.75 pesos per share in April, and two installments of \$0.41 pesos per share each, one in November and the other one in December.

The proposal will be put to vote at our Annual Ordinary Shareholders Meeting, which will be held on March 30, 2023.



In closing, I'd like to emphasize the key messages of the quarter:

1. Broad based double-digit topline growth in both regions allow us to deliver results in a challenging year.
2. Financial discipline driving sustainable growth and cash generation, allowing us to maintain best-in-class margins and to deliver value to our shareholders.
3. We are leveraging our core business to solve our customers' main pain points, earning their loyalty and keeping our flywheel spinning.

We know 2023 will continue to bring challenges such as inflation and higher costs of doing business, especially in the first quarter. We have plans in place to continue to prove our resilience and ability to innovate. We will continue investing behind our strategy and listening to our customers to keep winning their preference.

Finally, I would like to invite you to our Walmex Day 2023 event that will be held on March 7. We are very excited to see you all in-person and we hope you can join us. To register for the event please contact the Investor Relations team.

Thanks again for your interest in our company. As always, we will make ourselves available to answer the questions you may have.