

# Walmart

## México y Centroamérica

Webcast Results for the First Quarter 2023

Mexico City, April 26, 2023

(FREE TRANSLATION, NOT TO THE LETTER)

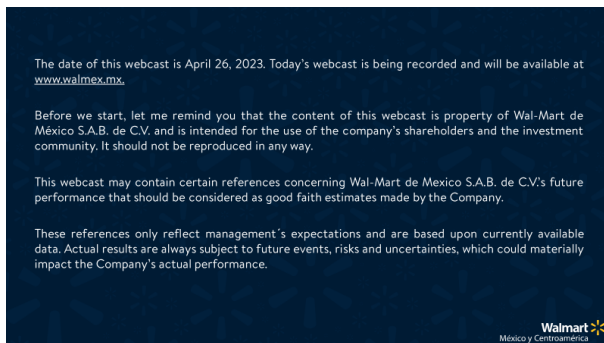


### SALVADOR VILLASEÑOR:

Good afternoon, this is Salvador Villaseñor, Investor Relations Director for Walmex.

Thank you for joining us today to review the results for the first quarter 2023.

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 April 26, 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, Salvador and good afternoon, everyone. Thank you for joining us to hear about our first quarter 2023 results.

I want to briefly introduce Salvador, who many of you already know from his previous job. Salvador joined Walmex a couple of weeks ago and now will be head of Investor Relations. I want to thank Pilar de la Garza for the 7 years in which she successfully headed the role, she will now have a different position in Walmex.

We started 2023 delivering double-digit total revenue despite a still atypical consumer environment. We saw inflation trending down towards the end of the quarter, yet food inflation remained high. So, customers continued to adapt their shopping habits to afford a full basket.

Our core business is resilient and is allowing us to deliver low prices to help customers afford what they need, while we accelerate our new businesses to provide full solutions, diversifying our sources of income and getting closer to our customers. During the last couple of years, we have been working to expand our price gap, last year we shared with you that we have reached an historic high level of price gap, now we will focus on price perception, which we increased by 110 bps during the first quarter. We know price

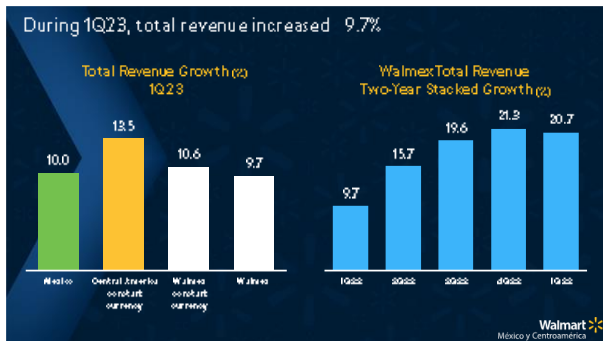
perception is a much more volatile metric, however, as a customer centric company this metric is a priority for us.

We are helping customers save money and live better, beyond our stores. During the first quarter of the year, private brands' sales penetration grew by 50 bps vs. last year. Active Bait users more than doubled vs. 1Q22 and remittances' transactions grew 16%.

Yet, we were not able to grow ahead of the self-service and clubs' market measured by ANTAD on the 1Q23 and we are not happy with this result, I'll provide more details later on the presentation. We will continue to enhance our value proposition, to win our customers' loyalty and resume our growth gap vs the market.

Now, let's review our performance during the first quarter of 2023.

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 9.7%. Mexico delivered a 10.0% growth and Central America a 13.5% growth.

On a two-year stacked basis, consolidated total revenue growth continued at high levels, reaching 20.7% in the first quarter of 2023.

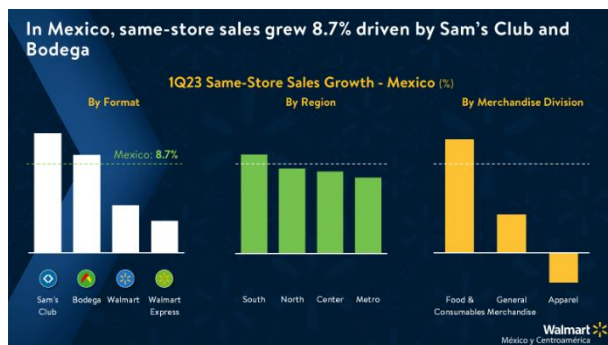
Now let's review sales performance in Mexico...

Same-store sales grew 8.7% in Mexico, Sam's Club delivered the highest growth. Our team is working on enhancing the value of the membership in an omnichannel way. Plus members have free deliveries in orders above 1,000 pesos, and 2% cashback whether they are buying at our clubs or online. During the quarter, both online orders and members grew more than 20% vs last year, omni members have a higher ticket and frequency vs brick members, 2.8x in sales, 2.3x in frequency and they have a renewal rate above 90%.

Additionally, Plus member's sales reached a penetration in March of 65%.

Member's Mark is key to Sam's Club success, it plays an important role in creating member loyalty while offering low prices, so we launched the "Member's Mark Fans" program, where 5,000 members give us their direct feedback through focus groups for new product developments through monthly surveys. During the 1Q23, Members' Mark penetration grew 320 bps vs 1Q22, reaching an all-time high of 21.6%.

Bodega continues to deliver above average sales growth. On top of delivering the best prices to our customers we are working to drive price perception, during the quarter, we implemented our new in-store communication strategy which led to a 50 bps price perception increase and it allowed us to grow the savings satisfaction of our customers measured through our NPS vs. the average of stores that have not implemented the new strategy. Our efforts are being appreciated, during the quarter PROFECO recognized us for having the lowest price of the basic basket nationwide and in January, Bodega was recognized as the 3<sup>rd</sup> most valuable brand in



Mexico according to Kantar BrandZ. The trust our customers have for our brands is a great advantage to continue to build our ecosystem. We appreciate their trust and work hard every day to further reinforce that trust.

Walmart and Walmart Express formats delivered softer growth, given that General Merchandise categories, which have a bigger weight on sales in Walmart Supercenter vs. the rest of the formats, slowed down, as customers are favoring basic needs amid the high inflation environment.

During the quarter, we implemented seasonal campaigns, such as Valentine's Day event, where sales had a 50% growth at Walmart and Walmart Express. Our customers enjoy the assortment we are bringing for the seasonal campaigns, going forward they will continue to be a focus for Walmart and Walmart Express.

Our Walmart Pass users increased 20% vs last year, which are very relevant for us since they have a frequency 60% higher than non-users, we will continue to develop solutions that delight our customers and make their lives easier.

Now let's look at eCommerce performance.

During the first quarter, eCommerce GMV grew 19% and sales grew 17%, representing 4.9% of total sales in Mexico and contributed 0.8% to total sales growth.

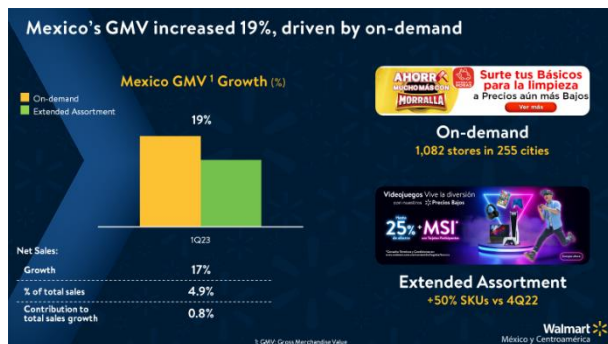
On-demand was the main growth driver. Through on-demand, we enhanced all seasonal events offering more than 80,000 skus and, 60 minutes delivery from more than 330 stores in Walmart and Walmart Express. Walmart Pass continues to gain relevance reaching a 35% sales penetration in both formats.

In Bodega, *Despensa a tu Casa* also had strong performance, posting a triple-digit growth vs 1Q22. We are now offering more than 60,000 skus from 527 stores in 245 cities, adding more than 80 stores and 50 cities in the quarter, now we can reach 55% of the homes we serve in Bodega with on-demand. We also began the proof of concept of our 60 minutes delivery in 5 Bodega Aurrera Express to offer fast and convenient deliveries to our customers.

Regarding Extended Assortment, we continue to leverage technology and initiatives implemented in other Walmart markets, during the quarter we launched initiatives to improve our sellers' experience, such as International Carrier Automatization. With this implementation the international packages' tracking will be updated automatically, allowing us to provide a more accurate delivery time and hence improving our customers' experience.

Another example of technology leveraged from Walmart is the implementation of Goods to Person, an automated process in which a robot brings the items needed for the order to the picker. This technology was implemented in the fulfillment center of Mexico City, we now have 11 robots and 190 shelves, which will allow us to improve our productivity by ~30% for small items.

We continue accelerating in our marketplace, during the quarter the number of SKUs increased more than 50% vs December 2022 and grew 30% in sales vs 1Q22.



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

On March 7, we announced the authorization from the CNBV to acquire the Mexican Fintech (Institución de Fondos de Pago Electrónico, IFPE) called Trafalgar, and a couple of weeks ago we announced the closing of the acquisition.

We are very excited about this milestone as it will allow us to take Cashi to the next level.

Besides making digital payments at Bodega Aurrerá, Sam's Club, Walmart Express, Walmart Supercenter and its eCommerce sites, bill payments and mobile phones top ups and applying for credit, very soon our customers will be able to:

- Send and receive money through the SPEI payment network.
- Make withdrawals both at the cashiers from company stores and clubs, and at ATMs.
- Make payments everywhere.
- And, in the near future, it will allow sending and receiving remittances, among other services.

These functionalities will make Cashi more attractive and, more importantly, will provide our customers a safe, friendly, convenient and seamless solution to handle their finances.

Through this acquisition, we are unlocking Cashi's potential. Now we can fully deploy the robust financial solutions platform we wanted to create as part of our ecosystem. As always, we'll keep you posted on our progress.



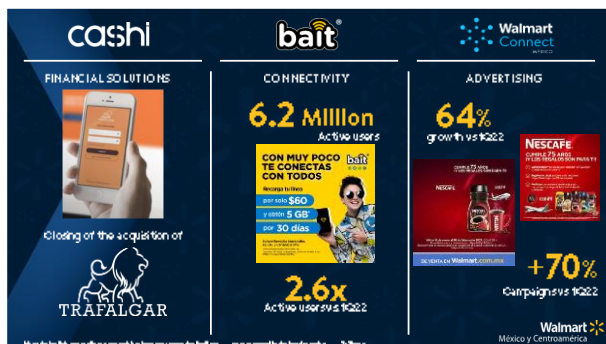
Continuing with our new businesses....

Bait reached 6.2 million active users, 2.6x the number of active users we had on 1Q22.

We are accelerating user acquisition through third party channels, we work with more than 30 distributors in order to reach more new users. During 1Q23, new users coming from 3P channels grew 9x vs last year. This allows Bait not only to offer compelling prices, but also a seamless experience for our users.

Walmart Connect delivered strong performance during the quarter, posting a 64% growth and implementing 70% more campaigns vs 1Q22.

We are helping advertisers to connect meaningfully with customers, by leveraging omnichannel data. Nescafé's 75<sup>th</sup> anniversary campaign is a great example. We implemented an extensive campaign in ~100 stores, with more than 300 modules, totems and corridor arches at both Walmart Supercenter and Bodega Aurrera. This campaign impulse sales in the participating items.







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

During the quarter, the self-service and clubs market measured by ANTAD grew 30 bps ahead of us. We are listening to our customers and working hard to enhance our Customer Value Proposition, fine tuning our commercial offering to resume our growth gap vs the market.

We know inflation impacts our customers' budgets and we will continue to offer the best prices to help our customers afford a full basket. This may have a short-term impact in sales growth vs the market, however when we see growth in terms of volume our growth is in-line with the extended market measured by Nielsen in the first two months of the year.

As I mention before, inflation has impacted the growth of discretionary categories like general merchandise, this impacts our growth vs the market since we have a larger penetration of these categories. As inflation normalizes, the consumption will also normalize allowing us to accelerate growth.

As I mentioned before, we will continue working towards expanding our growth gap vs the market both in sales and volume.



Moving to Central America...

Same-store sales grew ahead of the market, the momentum continued with a 12.4% increase during the first quarter. Guatemala and Nicaragua delivered the highest growth rates, followed by Honduras, Costa Rica and El Salvador.

The Bodega and Descuento formats are our focus in the region. We implemented price point campaigns such as "Tu Menudo Campeón" and "Precio Pali Verano" with good response from our customers, leading to a 22% and 17% growth respectively.

Our Brands are a key element of our strategy. We had 385 new product launches for the summer, back to school, organization & cleaning and health & beauty campaigns. Our Brands grew more than 20% in the quarter and increased their penetration by 170 bps.



Now, let's talk about new stores growth...

During the quarter, we opened 12 new stores: 9 in Mexico and 3 in Central America. New stores contribution to consolidated sales growth was 1.4% for the quarter.

We celebrated the opening of Bodega Aurrerá number 2,300 in Santa Anita Cadereyta, reinforcing our commitment to bring low prices to more customers in Mexico.



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

We want to be that place where our associates can be, grow and belong. To achieve it, we have been enhancing our Associate Value Proposition. It is great to see our efforts are paying off, for example during the quarter we celebrated that more than 170 associates obtained their High School certificates through the EduWalmart – CENEVAL program.

We were included in the Bloomberg Gender-Equality index for the sixth consecutive year and the State of Mexico awarded us with the Orange Distinction for Business Equality.

During the quarter, we installed 27 collection points so our customers could properly dispose their Christmas trees, this year we collected 4,000 Christmas trees that were composted.

And now talking about communities, we will continue to focus in providing access to the best prices in products and services, we have the lowest price for the basic basket, we provide the lowest cost for connectivity, and we will continue developing solutions to help people save money and live better.

In closure, I would like to thank our associates for their efforts and hard work, once again we managed to navigate through the short-term challenges with agility and innovation, while implementing our long-term strategy and building the Walmex of the future.

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

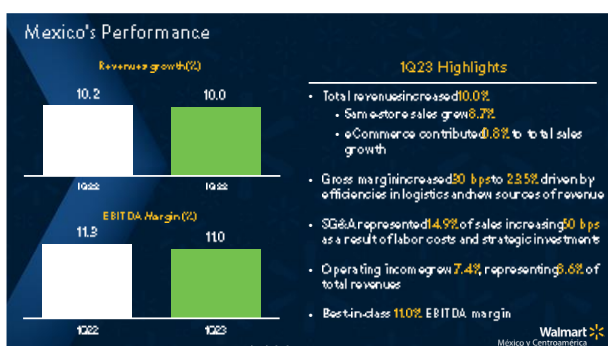


## PAULO GARCIA:

Thanks, Gui and good afternoon, everyone. Thank you for joining us today to review the results for the first quarter 2023.

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.



Let's look at Mexico's results first.

As we heard from Gui, total revenue grew 10.0%, driven by 8.7% same-store sales growth and eCommerce contribution to total growth of 0.8%.

Gross margin expanded by 30 bps driven by efficiencies in logistics, lower imports' costs and new sources of revenue.

SG&A grew 13.8% and represented 14.9% of revenues. We will review the SG&A breakdown in just a moment.

Considering these results, operating income grew 7.4%, and EBITDA margin contracted by 30 bps to 11.0% yet maintaining best-in class levels.

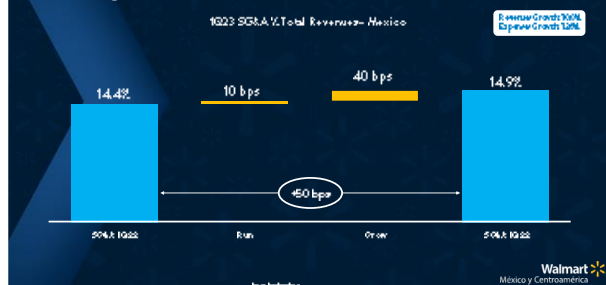
In Mexico, revenues grew 10.0% and EBITDA margin was 11.0%

*Mexico 1Q23 results*

	1Q23		1Q22		Var.
(MMXN/Unit/rev)	\$	%	\$	%	%
Total revenues	170,902	100.0	155,387	100.0	10.0
Gross margin	40,109	23.5	35,991	23.2	11.4
General expenses	25,505	14.9	22,408	14.4	13.8
Earnings before other income, net	14,604	8.5	13,583	8.7	7.5
Other income, net	165	0.1	174	0.1	(4.7)
Operating income	14,769	8.6	13,757	8.9	7.4
EBITDA	18,767	11.0	17,523	11.3	7.1

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Expense control mitigated labor cost increase and we continued to invest for growth



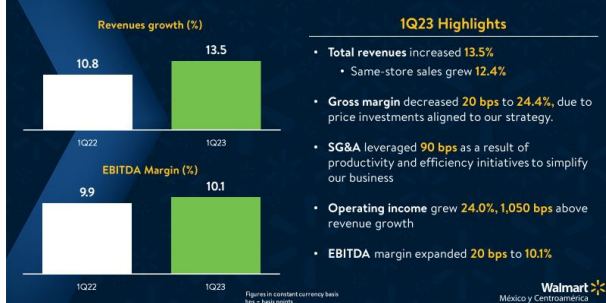
Now let's review SG&A.

Our strategy is a growth strategy, and we are going through an investment phase to further accelerate growth.

By managing expenses with discipline, improving our units per labor hour indicator and fostering an Every Day Low Costs mindset, we were able to partially offset the increase in labor costs resulting in a deleverage in our operating expenses of 10 bps. In parallel, we invested behind strategic priorities and enablers such as Talent, that impacted expenses by 40 bps.

During the quarter, we launched the *Superfuncionales* initiative in more than 400 stores of Bodega and Walmart Supercenter, where we reached +50% of multifunctionality and captured savings. We are implementing the initiative in Sam's clubs as well, in order to improve productivity at our clubs.

## Central America's Performance



Now let's review Central America's results... Please consider that, when I talk about Central America, I'll refer to figures on a constant currency basis.

Total revenues increased 13.5%, driven by a 12.4% same-store sales growth. It is encouraging to see all countries delivering strong same-store sales growth.

Aligned to our strategy, we are doing strong price investments to drive sales growth, which resulted in a 20 bps contraction of our gross margin.

We are also focused on simplifying our business and driving productivity. As a result, expenses only grew 7.2%, leading to 90 bps expense leverage. The expense leverage was driven by productivity initiatives at the stores that positively impacted labor cost and operational leverage of other fixed expenses.

With the above-mentioned results, operating income grew 24.0%, 1,050 bps ahead of revenues and EBITDA margin expanded 20 bps to 10.1%.

## In Central America EBITDA margin expanded 20 bps to 10.1%

### Central America 1Q results

(\$MXN Millions)	1Q23		1Q22		Var. (%)	
	\$	%	\$	%	Peso terms	Constant currency basis
Total revenues	35,173	100.0	32,457	100.0	8.4	13.5
Gross margin	8,566	24.4	7,998	24.6	7.1	12.0
General expenses	6,041	17.2	5,877	18.1	2.8	7.2
Earnings before other income, net	2,525	7.2	2,121	6.5	19.1	25.4
Other income, net	43	0.1	59	0.2	(28.4)	(26.4)
Operating income	2,568	7.3	2,180	6.7	17.8	24.0
EBITDA	3,549	10.1	3,200	9.9	10.9	15.8

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## Walmex Consolidated Performance

### Revenues growth (%)

10.0

9.7

10.0

9.7

### EBITDA Margin (%)

11.0

10.8

10.0

9.7

### 1Q23 Highlights

- Total revenues increased **9.7%**
- New stores contributed **1.4%**
- Gross margin expanded **20 bps to 23.6%**
- SG&A represented **15.3%** of revenues
- Operating income grew **8.8%**
- Double-digit EBITDA margin of **10.8%**
- Net income margin of **5.6%**

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At a consolidated level, total revenue increased 9.7%. With new stores contributing 1.4% to total growth.

Gross profit margin expanded by 20 bps to 23.6% and SG&A grew 11.5%.

Operating income grew 8.8% with 8.4% operating income margin.

EBITDA margin decreased 20 bps to 10.8%.

Consolidated net income grew 3.7% as during the quarter we recorded a provision of \$70 million dollars due to the changes in the taxable base of previous periods in one of the countries in Central America. This had an impact on our effective tax rate, which we expect to return to previous quarters levels going forward. Excluding this impact, net income would've grown 15.6%.

## Consolidated revenues grew 9.7% and net income margin was 5.6%

### Walmex Consolidated 1Q results

(\$MXN Millions)	1Q23		1Q22		Var.	
	\$	%	\$	%		%
Total revenues	206,075	100.0	187,844	100.0	9.7	
Gross margin	48,675	23.6	43,989	23.4	10.7	
General expenses	31,546	15.3	28,285	15.1	11.5	
Earnings before other income, net	17,129	8.3	15,704	8.4	9.1	
Other income, net	208	0.1	233	0.1	(10.7)	
Operating income	17,337	8.4	15,937	8.5	8.8	
EBITDA	22,316	10.8	20,723	11.0	7.7	
Net income	11,519	5.6	11,109	5.9	3.7	

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## We continue to build upon our financial strength

### Balance sheet statement

(March 31, 2023 - \$MXN Millions)

TOTAL: \$413,519

Cash	46,589	Accounts Payable	92,999
Inventories	90,580	Shareholders' equity and other	320,520
Fixed assets and other	276,350		
Assets		Liabilities & shareholders' equity	

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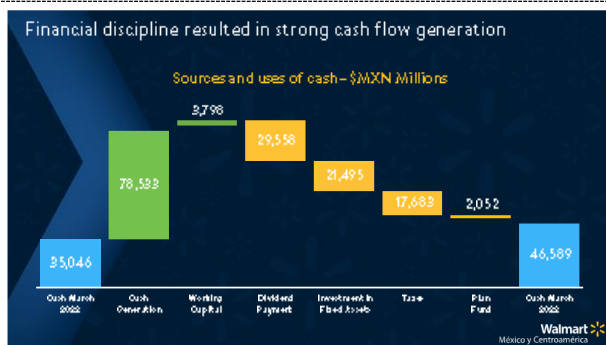
And now moving to the balance sheet...

Cash grew 32.9% vs 1Q22, as a result of cash generation and in preparation for the first installment of the dividend payment we have schedule for this year.

Inventories grew 12.4%, driven by better in-stock levels vs last year, specially in products of the basic basket, going forward we expect inventory levels to normalize vs. 2022.

And finally, accounts payable grew 8.5%.





In the last twelve months, we generated \$78.5 billion pesos in cash and \$3.8 billion pesos through working capital.

We returned \$29.6 billion pesos to our shareholders as dividends and invested \$21.5 billion pesos in high return projects.

We paid \$17.7 billion pesos in taxes and our plan fund required \$2.1 billion pesos.

All in, our cash position finished the first quarter at \$46.6 million pesos.



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

1. Double-digit topline growth in both markets in line with our accelerated growth strategy. We will continue to enhance our Customer Value Proposition to gain our customers loyalty and resume our growth gap vs the market in Mexico.
2. EDLC is in our DNA, we will continue with strict expense control in both markets whilst investing behind our growth strategy.
3. We remain committed to deliver best-in-class capital returns (ROIC).

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