

Walmart

México y Centroamérica

Webcast Results for the Third Quarter 2023

Mexico City, October 25, 2023

(FREE TRANSLATION, NOT TO THE LETTER)

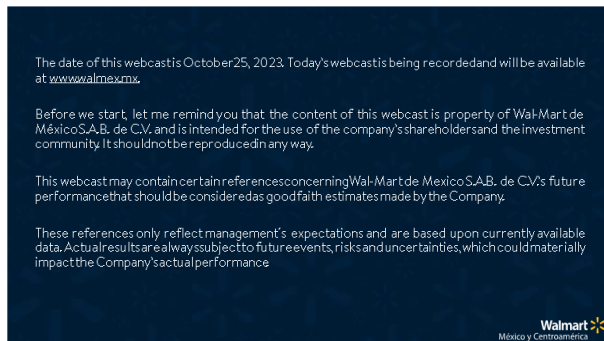


SALVADOR VILLASEÑOR:

Good afternoon, I am Salvador Villaseñor, in charge of Investor Relations at Walmex.

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

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



The date of this webcast is October 25, 2023. Today's webcast is being recorded and will be available at www.walmex.mx.

Before we start, let me remind you that the content of this webcast is property of Wal-Mart de México S.A.B. de C.V. and is intended for the use of the company's shareholders and the investment community.

This webcast may contain certain references concerning Wal-Mart de México S.A.B. de C.V.'s future performance that should be considered as good faith estimates made by the Company. These references only reflect management's expectations and are based upon currently available data. Actual results are always subject to future events, risks, and uncertainties, which could materially impact the Company's actual performance.

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



GUILHERME LOUREIRO:

Thanks, Salvador.

Hello everyone and welcome to our third quarter earnings webcast. We're glad to share with you the results of a strong third quarter, where we achieved a high single-digit revenue growth, with operating income increasing 110 basis points above sales growth. Additionally, we outpaced ANTAD Self-Service in Mexico by 150 bps, representing the broadest gap in 8 quarters. While we are happy about this increase, please note that we are contemplating using not only this but also additional measures which would allow us to better reflect market participation. Also, we would contemplate using a broader definition of market participation, which takes into consideration other competitors which are not included in the ANTAD classification and which we believe represent our true market and competition.

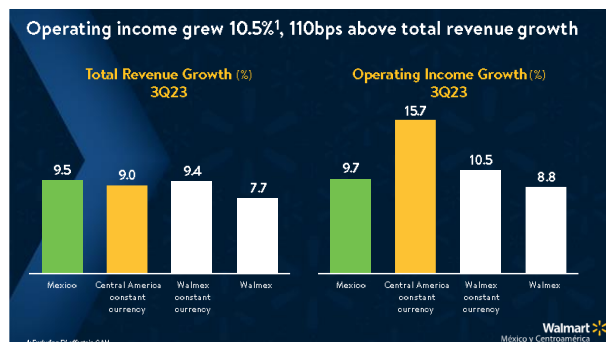
We know our customers prioritize value, access and affordability, which we are able to provide through our EDLP philosophy. They are shopping with us across all channels, and appreciating the benefits we are giving them through our whole ecosystem.



I would like to briefly remind you about our three key strategic priorities:

Win in Discount, Lead in Omnichannel and Be the Ecosystem of Choice.

We will be referring to all of them throughout this webcast, but first, let's begin by looking at our top line performance this quarter.



During the third quarter 2023, Mexico and Central America delivered a 9.5% and 9.0% sales growth, respectively. Excluding FX effects in Central America, Walmex reported a 9.4% sales growth during the quarter.

Walmex reported an 8.8% Operating Income growth. Excluding FX effects in Central America, Walmex reported a double-digit growth of 10.5%, well ahead of sales, with Mexico and Central America growth of 9.7% and 15.7% respectively.

Now, let's go through our sales performance in Mexico...

During the quarter, same-store sales grew 8.0%, out of which approximately 2.8% came from increase in Ticket and 5.2% from Traffic.

Our efforts in our strategic priority, "Win in Discount", are being well received by our customers. Price Perception for Bodega improved 90 bps compared to last year.

In Bodega, it is interesting to point out that 6 out of every 10 tickets have at least one item from our Morralla campaign, which aims to offer our clients even more affordable products, ranging from 5 to 35 pesos.

Regarding Sam's Club, our members are finding value in upgrading to a Plus membership. Around 100 thousand members upgrade their membership each quarter reaching almost 60% share of Plus members in this third quarter who also increase frequency compared to Non-Plus members. For our customers without a membership, we hosted another edition of the *Open House Event*, where they can shop at our clubs, discover the benefits and try first-hand the merchandise that we offer. This edition reported a 23.4% sales increase compared to last year's event and helped capture almost +50 thousand new members, and almost 130 thousand renewals for Sams.



At some of our Supercenter and Walmart Express stores, mainly the ones located at A&B locations, we have been focusing on 3 main key initiatives to regain momentum: first, provide an upgraded fresh offering, which allowed us to recover market share; second, an enhanced assortment with high quality products and finally, elevate our customer experience by improving the look and feel at stores with better signaling, illumination and revamped display for our fresh category. This has already reflected in higher traffic and an increase in NPS (net promoter score) of 720bps compared to last year in our Walmart Express stores.

Our *Back-to-School* main seasonal event during the quarter, grew 8.6% compared to last year event, underpinned by our best prices offering to

our customers. We observed a shift on this campaign from August to September, mainly due to the school supply lists not being released until the end of August.

Regarding merchandise divisions, Food and Consumables, continue to be the main sales growth driver. General Merchandise, representing approximately 30% of total sales, reported a mid-single digit year over year growth. We have observed a cautious consumer environment that waits for the right moment to buy higher ticket products at relevant sales events, and that is why we expect to see a similar effect at the *Fin Irresistible* compared to what happened during *Hot Sale in 2Q23*, where we reported a significant GM sales increase. And finally, Apparel, which represents a low-single-digit of our total sales, has recovered its growth path after several quarters. We are also working to widen the brand assortment in our marketplace.

Now, I would like to highlight the importance of our Private Brand strategy by giving you some interesting data points.

In the third quarter of 2023, Our Brands same store sales grew 11%, compared to the previous year, increasing +300 basis points above the commercial brands growth. We already have near 7,000 products of Our brands and we have launched and relaunched almost 700 products in the first 9 months of the year.

Our Brands penetration grew 80 bps above last year levels, reaching 15% share.

It is important to point out that during the quarter, 45% of our customers purchased at least one product from Our Brands during their visit to our stores.

The Brands with the highest participation during the third quarter, were *Great Value* and *Aurrerá*, representing almost 80% share, while the categories with the highest participation during this 3Q23 were Home and Groceries.

Member's Mark continues with a higher than 20% penetration of Sams total sales.

Finally, in Central America, Our Brands continue increasing penetration, reaching approximately 20% in the quarter. Our Brands continue being a key element for our strategy, increasing the number of products launched during the quarter related to seasonal events.



Following on another of our strategic priorities, Lead in Omnichannel. During the third quarter, eCommerce GMV grew 19% underpinned by On-demand and marketplace.

Mexico's eCommerce Net Sales grew 15%, representing 5.1% of total sales and contributing 0.7% to total sales growth.

We continue rolling out our On Demand initiatives in our stores. Our 1-hour delivery offer is already implemented in more than 250 stores. Also, in "*Despensa a tu Casa*", in the first nine months of the year, we grew 2.2 times more orders than what we had during the same period of last year.

Walmart Pass continues to be seen as a valuable solution for home deliveries by our customers. Our customers that hold this membership spend 50% more than non-members, and their frequency increases from 2 to 3.5 times.

Regarding Extended Assortment, Marketplace continues to be the main driver of growth, reporting a 40% increase year over year in marketplace GMV. During the quarter, we increased the number of



sellers more than 50% and more than tripled our number of SKUs compared to the same period of last year.

We continue improving our Omnichannel-logistics network to offer a better delivery experience to our customers. This quarter we converted 2 new Distribution Centers, Culiacan and Chihuahua, implementing full Omnichannel capabilities. Now we have 4 Omnichannel DCs from where we can send merchandise indistinctively to stores or final customers directly.

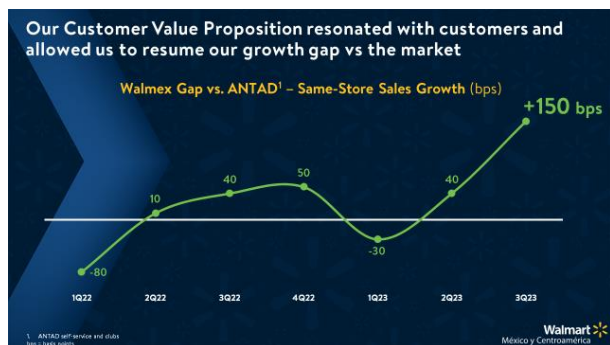
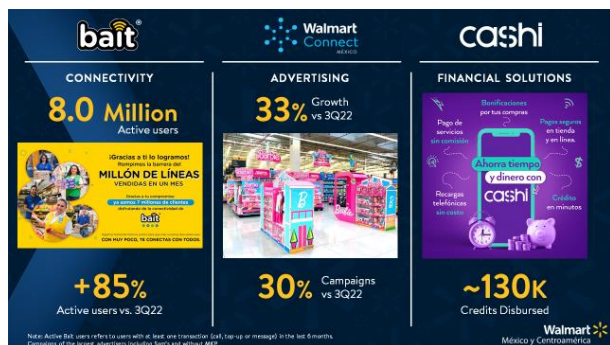
Regarding our 3rd strategic priority to become the ecosystem of choice I would like to briefly comment on each of our verticals:

Bait, our Mobile Virtual Network Operator, reached at the end of the quarter 8 million active users, an increase of over 85% year over year. This is helping our customers have very low-cost access to the digital economy, increasing engagement and frequency in our ecosystem. We believe that our growth could even be larger, but an unexplainable scarcity of mobile phones is artificially limiting demand. We are working with suppliers and the Mexican authorities to solve this issue.

Walmart Connect posted yet another strong performance this quarter, reporting a 33% growth year-over year compared to 3Q22, mainly driven by having launched 30% more campaigns than last year.

Regarding Cash, we continue moving forward with the Trafalgar systems integration in order to allow our customers access to an open loop system. We are currently in the internal testing process and we are looking forward to communicating exciting news in the coming quarters, since this is a key priority for us. We know this has taken more time than expected but we are confident that it will be a successful roll out.

Turning to our health initiative, a couple of weeks ago we opened our first Medical Service Center in our Supercenter Plaza Oriente, at which we have already served close to 1,500 patients within the first 18 days of operation. This Center is key to our strategy to offer best-in-class medical services at low prices to our customers complemented through our pharmacies, doctor's offices and Health Memberships.



Now, concerning our performance compared to the market.

During the quarter, we grew ahead of the self-service and clubs market measured by ANTAD by 150 bps. This has been the broadest gap compared to ANTAD since 2Q21. During the first nine months of the year, we have also outgrown ANTAD by 50 bps. Our business is on track to end the year on a high note. I had mentioned to you in previous quarters that despite progress on volume share I was not happy with the time it was taking to translate into value share, once again customers are responding positively to our low prices policy.

We are constantly working on our Customer's Value Proposition, commercial offering and price perception to maintain our growth gap and will continue to do so.



Moving towards our Central America operation...

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

Same store sales grew 7.9% during the quarter, compared to the same period of 2022, mainly driven by an important increase in traffic even though inflation had a huge decrease.

We continue to see strong profitable growth across all countries in the region.

Total sales excluding FX effects reported a 9.0% growth in the quarter, which translated into a gain in value and volume share of the market so far this year.

Focused on meeting the different needs of our customers, during the third quarter of the year we launched our eCommerce services in Guatemala for the Bodegas format and implemented delivery services within 120 minutes for Supermarkets and Hypermarkets in Costa Rica and Guatemala. eCommerce is currently available in 112 stores, closing the quarter with a 51% growth in sales and gaining +70bps share over Supermarkets and Hypermarkets total sales.

We continue implementing new automation & simplification processes and stepping up monetization initiatives (leveraging Mexico) to invest behind growth and our ecosystem. During the quarter we launched Walmart Connect in Central America with good initial results.

All of these initiatives have contributed to an improvement in our EBITDA versus last year.



Regarding new stores growth, during the quarter, we opened 27 new stores, out of which 24 were in Mexico, 2 in Honduras and 1 in Costa Rica. Our Bodega formats led in terms of openings. We have also restarted our store growth efforts in Guatemala.

New stores contribution to consolidated sales growth was 1.6% for the quarter.

So far in the year we have opened 61 stores expanding our reach and bringing our value proposition to more customers.



Now, let me tell you about some news on ESG matters.

For the eight consecutive year, Walmex was included in the "FTSE 4Good" Emerging Index of the Financial Times Stock Exchange Russell, due to our solid Environmental, Social and Corporate Governance practices within emerging markets, while complying with the ESG inclusion standards recognized worldwide.

Also, I would like to address the recent notification received from COFECE's Investigative Authority, on which many of you have expressed your concerns. Walmex is confident that it has always complied with applicable law and that, in any case, its actions have benefited clients, club members, the communities in which operates and the country in general, by providing the best prices, assortment and quality, as well as to formalize commerce in all the communities where it operates. This is the first opportunity for Walmex to defend itself against the allegation of the Investigative Authority, and we will exercise all rights and remedies available to us under applicable law. During the last 3 years that this investigation lasted, we have complied with all information requests from the Investigative Authority, and now is the time to present our case.

To finalize, we are now heading into the most critical and exciting time of the year for our business, and I am very confident that each one of

our associates will do the best to deliver a great holiday season for our customers.

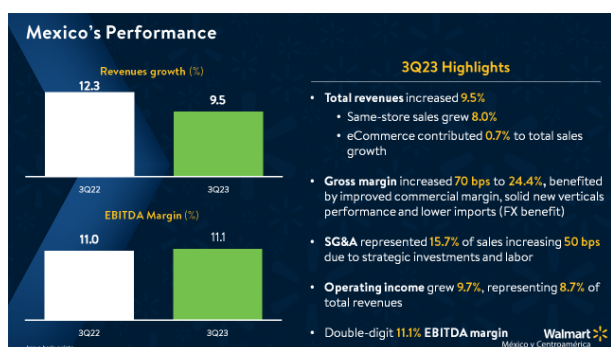
With that, I'd like to wish you and your loved ones a happy holiday season. Thanks for your interest in our company and I turn it to Paulo to cover the financial results for the quarter.



PAULO GARCIA:

Thanks, Gui and good afternoon, everyone. Thank you for joining us today to review the results for the 3Q23.

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



Let's look at Mexico's results first.

As Gui previously mentioned, total revenue grew 9.5%, driven by same-store sales growth of 8.0% and eCommerce which contributed 0.7% to total sales growth.

Gross margin expanded by 70 bps, helped by the solid contribution of the new verticals, improved commercial margins and lower import costs driven by an FX benefit.

SG&A grew 12.6%, representing 15.7% of revenues. I will go through the SG&A breakdown in a moment.

Operating income grew 9.7%, while EBITDA margin expanded 10 bps to 11.1% in the quarter.

In Mexico revenues grew 9.5% whilst EBITDA grew 10.1%

Mexico 3Q results

(\$MXN Millions)	3Q23		3Q22		Var.
	\$	%	\$	%	
Total revenues	179,018	100.0	163,548	100.0	9.5
Gross margin	43,599	24.4	38,700	23.7	12.7
General expenses	28,038	15.7	24,909	15.2	12.6
Earnings before other income, net	15,561	8.7	13,791	8.4	12.8
Other income, net	(57)	0.0	339	0.2	(116.8)
Operating income	15,504	8.7	14,130	8.6	9.7
EBITDA	19,808	11.1	17,995	11.0	10.1

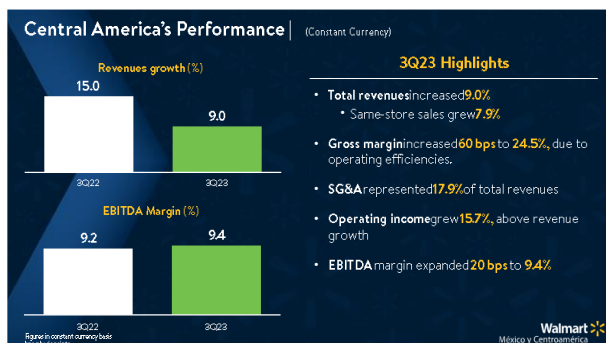


Now let's review our SG&A which represented 15.7% of revenues.

During the quarter, we were able to offset a labor cost increase of ~30 bps through operational efficiencies to leverage our "Run", that remained stable.

We continue to invest behind our associate value proposition, strengthen our omnichannel core business with new stores, and enhance our eCommerce and new verticals. During the quarter strategic growth investments impacted expenses by 50 bps.

We will continue to see expense leverage volatility quarter on quarter, as we drive more productivity in the organization to offset higher labor costs and growth investments.



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

Total revenues grew 9.0%, driven by a 7.9% same-store sales growth. As Gui mentioned, Nicaragua and Guatemala were the biggest contributors to same-store sales growth in the region.

This quarter gross margin expanded 60 bps to 24.5% due to operating efficiencies that offset price investments to enhance our customer value proposition.

SG&A represented 17.9% of revenues.

With the above-mentioned results, operating income grew 15.7%, and EBITDA margin expanded 20 bps to 9.4%. We are happy to see continued profitable growth across all countries in Central America.

In Central America Operating Income expanded 30 bps to 6.6% of revenues

Central America 3Q results

(SMXN Millions)	3Q23		3Q22		Var. (%)	
	\$	%	\$	%	Peso terms	Constant currency basis
Total revenues	34,047	100.0	34,337	100.0	(0.8)	9.0
Gross margin	8,361	24.6	8,203	23.9	1.9	12.0
General expenses	6,148	18.1	6,107	17.8	0.7	9.6
Earnings before other income, net	2,213	6.5	2,096	6.1	5.6	18.9
Other income, net	29	0.1	77	0.2	(63.3)	(71.4)
Operating income	2,242	6.6	2,173	6.3	3.1	15.7
EBITDA	3,159	9.3	3,168	9.2	(0.3)	11.2

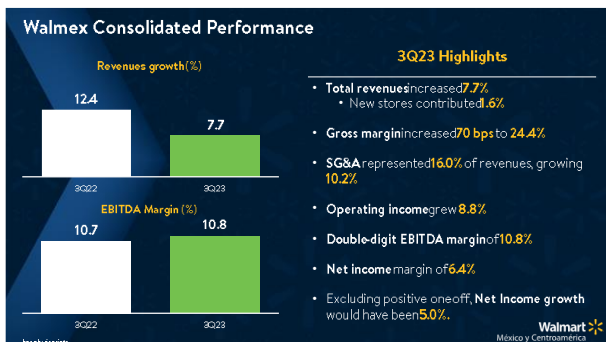
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At a consolidated level, total revenue increased 7.7% negatively impacted by the Mexican peso appreciation. With new stores contributing 1.6% to total growth accelerating from previous quarters and ahead of the guidance provided in our Walmex Day.

Gross profit increased 10.8% compared to 3Q22, representing 24.4% of sales, while SG&A grew 10.2%.

As a result, EBITDA margin was 10.8%, still best in class and growing faster than revenues, with +10 bps improvement compared to last year.

The last two preceding quarters we announced that we booked provisions regarding tax matters in a country in Central America. As a result of the continued negotiations with the fiscal authorities of such country, during the first weeks of September we reached an agreement to cover all past tax liabilities and we got written confirmations of the taxes that will apply going forward. Therefore, a substantial release of the original provision was booked in Q3 results for US\$60 million dollars, positively impacting our consolidated net income, which reported a 12.2% year over year growth. While we believe we had strong legal grounds to uphold our positions, we concluded that the substantial reduction on the amounts claimed and the certainty for the future were the best decision for Walmex.



EBITDA and Operating Income grew above revenues growth

Walmex Consolidated 3Q results

	3Q23		3Q22		Var.
(\$MXN Millions)	\$	%	\$	%	%
Total revenues	213,065	100.0	197,885	100.0	7.7
Gross margin	51,960	24.4	46,903	23.7	10.8
General expenses	34,186	16.0	31,016	15.7	10.2
Earnings before other income, net	17,774	8.3	15,887	8.0	11.9
Other income, net	(28)	0.0	416	0.2	(106.9)
Operating income	17,746	8.3	16,303	8.2	8.8
EBITDA	22,967	10.8	21,163	10.7	8.5
Net income	13,632	6.4	12,153	6.1	12.2

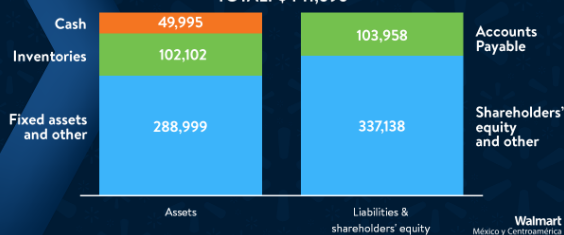
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We continue to build upon our financial strength

Balance sheet statement

(September 30, 2023 - \$MXN Millions)

TOTAL: \$441,096



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And now moving to the balance sheet...

Cash decreased 5.4% compared to 3Q22, mainly due to the first installment of the dividend paid in April.

Inventories grew 2.6%, well below sales, driven by the improvement in groceries and fresh categories, and a good performance in General Merchandise from our "Open house" event in Sam's Club.

And finally, accounts payable grew 8.6%, roughly in line with sales.

Financial discipline resulted in strong cash flow generation

Sources and uses of cash - \$MXN Millions



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In the last twelve months, we generated \$82.8 billion pesos in cash and \$6.8 billion pesos through working capital, the latter helping us to improve capital efficiency.

We returned \$42.5 billion pesos to our shareholders as dividends, 50% more compared to the same period of last year, due to the special one-off dividend paid in April. We also invested \$25.9 billion pesos in high return projects.

We paid almost \$20 billion pesos in taxes and our growth plan fund required over \$4 billion pesos.

All in, our cash position finished the third quarter at almost \$50 billion pesos.

Finally, I would like to comment that we continue with great confidence in our successful business model and growth potential. Today, our Board of Directors, after considering all relevant factors and hearing expert third-party opinions, approved the relaunch of our \$5 billion pesos share buy-back program, approved by our shareholders at our last annual meeting. We intend to repurchase our shares from time to time, up to the maximum amount authorized; the amount of actual share repurchases will be determined by overall capital allocation priorities, including the relative value of our stock at the time. We will be informing of shares that we buy back in accordance with applicable regulations.



To sum up, I'd like to leave you with three key messages of the quarter:

1. Topline momentum continuing, allowing us to broaden the gap compared to the market in Mexico.
2. Our business verticals are maturing, positively impacting our results and our ecosystem.
3. Operating income and EBITDA outpacing sales growth



Thanks again for your interest in our company and rest assured that we will continue working to meet our long-term ambition as an omnichannel retailer dedicated to helping people save money and live better, whilst also focusing on delivering our short-term goals.

As always, we will make ourselves available to answer the questions you may have.