

Walmart

México y Centroamérica

WALMEX DAY 2024 – WIN IN DISCOUNT & LEAD IN OMNICHANNEL

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Win in Discount & Lead in Omnichannel

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Walmart
México y Centroamérica

IGNACIO CARIDE

Good morning everyone, it is great to see you here today. Thank you for your interest in Walmex.

I am Ignacio Caride, Omnichannel COO of Walmart Mexico and today I will be joined by Dolores Fernández Lobbe, our CMO.

We are excited to talk about how our growth formula is propelling us forward. How our growth formula is allowing us to deliver our strategy, executing our three priorities:

- To win in discount
- To lead in omnichannel
- And to become the ecosystem of choice.

A lot has happened since we set these three priorities in 2020. Since then, we started to connect our stores and our eCommerce business in a more intentional way to become a true omni-organization.

An omnichannel player powered by our stores.

Powered by our technology.

Powered by our talent.

And above all, powered by our growth formula.

By our purpose to help people save money and live better.

Our growth formula is supported by our strategic priorities



Win in Discount



Lead in Omnichannel



Be the Ecosystem of Choice

Walmart
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So, what are the results that demonstrate that our growth formula is working?

The first result is that we are consistently **winning at our core**. Our stores are the heart of our ecosystem. Running great stores is a key differentiator as they will continue to be the main point of access to serve customers... and we keep getting closer and closer to them by accelerating store expansion.

In 2023, we reached a record of 148 new store openings in Mexico. This marks the highest number of openings in the last 10 years.



Another one of the results is that we are winning with **merchandise and value**. Those two elements have been in our formula for years, and they are the most fundamental elements for winning in retail.

Our strong relationship with suppliers allows us to curate the best items for our customers, with the best value. A great example of this, is the Barbie event we held last year. We jumped on the pink trend by offering 200 exclusive items across 9 categories: from Food to Apparel. Barbie fashion doll grew over 118%. Overall, our toys category share of market increased 210 bps, and what makes me the proudest is that it was a truly omni event. Barbie drove 870% growth in on-demand and allowed us to reach our sales plan for the event in half the time we expected.



Our stores and platforms are open to all, big and small suppliers. Including of course Our Brands suppliers.

Last year, we launched more than 800 Our Brands items, aiming to offer our customers high-quality products at a price they can afford. This led to a 125-bps market share penetration.

When you combine great items and great prices, customers notice it... In 2023, our price perception increased 120 bps vs. 2022.

But how are we building price perception? We have a formula for that too:

First, a wide and sustained price gap. We continue to invest to improve our price positioning.

Then we add Our Brands, besides driving loyalty, Our Brands offer products at a much lower price, while driving higher profitability that is later reinvested in prices.

Next, we streamline communication. We are making it clear and simple for customers to identify the lowest prices.

And now, we are adding another element to our price perception formula: Technology. We are enabling our merchants with tools and data to make more targeted and efficient investments thus further improving our price positioning, while maintaining profitability.



Another one of the results is our progress towards **becoming a truly omni company**. We have made many changes in this direction: from revamping our technology, to merging our teams. There is now one end-to-end view towards serving our customers omni needs, and they are noticing it.

In 2023, our digital business grew faster than the industry, delivering a +23% increase versus 2022. With such growth, digital penetration reached 6.8%. In Walmart formats, where digital adoption is higher, digital penetration reached 11%.

But our strategy demands even more, later on I will talk about the plans we have to accelerate digital growth.

Last year's growth was underpinned by a solid performance in our Marketplace. We doubled our



catalogue, enabling customers access to a wider range of products and services.

We improved our technology, making our marketplace even more competitive and attractive for customers and sellers. As a result, marketplace delivered a 40% growth vs 2022.

On-demand is the other pillar of our digital strategy and I need to accept I just love our on-demand model.... It is such a great one. We leverage our stores. We reach our customers fast thanks to our footprint. We can offer thousands of items in a matter of hours... and it is profitable!

Last year, we expanded on-demand operations to all three Bodega formats, covering now 650 Bodega stores. This includes our big Bodega Aurrera, the Mi Bodega Aurrera in rural areas and the proximity format: Bodega Aurrera Express.

Looking at on-demand across all our business... In 2023, we delivered more than 22 million orders across our 1,200 units. It's important to mention that we delivered 99% of those orders on the same day.

We continued to be the main destination for home grocery shopping in Mexico. In 2023, we increased the number of new customers more than 45%, along with a 2.5 times increase in customer retention.

I am very proud of what we achieved, and I want to thank our associates for their great effort.

I believe these results show that our growth formula is working...

We recognize that we have growth challenges in some areas of our business, particularly in Walmart and in our 1P operation. We have the focus, the strategy, and the talent to turn around those issues and move forward. I am very glad to see that some of our plans are starting to show results.



Now, I'll turn it over to Dolores. She will talk about the opportunity we see to continue to Win in Discount.

DOLORES FERNANDEZ LOBBE

Thank you, Ignacio. It is great to see you all here.

At our core, we are merchants...and winning in discount, winning in our stores, is the foundation for becoming the ecosystem of choice.

So, which are the Win in Discount initiatives that will help us accelerate the growth of our business in 2024?

One of the initiatives is our EDLP philosophy. Having low prices every day builds trust with our customers. Our goal for 2024 is to improve Price Perception twofold versus the increase reported this year. We will do so by further investing in pricing, enhancing Our Brands, adjusting our communication and strengthening the consistency of EDLP.

Our Morralla program at Bodega is a great example of this. It used to be a campaign that we ran twice a year, where you would find a wide variety of amazing products at the lowest price-points. Last year, we made the decision to make Morralla a permanent program increasing penetration in tickets by 30%. This shows our customers love it and improves price perception.

Another initiative is to further reinforce our **Fresh categories**. We will keep improving our quality and experience, while we move forward in the transformation of our operation. This involves centralizing our processes and integrating vertically with suppliers to better serve the customer.

So far, we have transformed our Fresh operations in 80% of our stores and in 2024, we will complete the transformation to all of them. In parallel, we will enhance our meat processing plants and Bakery Hub facilities.



Our goal is to improve quality, availability, and experience to drive more traffic to our stores. Our improvements are being well-received by customers. Fresh NPS increased 700 bps in 2023 and in 2024, we aim to increase it even more.

Another initiative is to expand and strengthen **Our Private Brands**. During 2024 we will continue to innovate faster and better, tapping into new categories, Powered by Walmart's global sourcing infrastructure. We **see the opportunity** to give more access to our customers, to great products at the lowest prices.

Let me share some facts:

- First, Our Brands today reach 88% of Mexican Households and 80% of Mexicans, consider Aurrera as the lowest price brand.
- Another example, last year, Great Value, in snacks grew more than 340 bps in market share and 4.5 times more than the rest of the market.
- And on higher value items, for example, our brand ATVIO, grew more than 400 basis points in share in the home appliances category, growing 1.5 times above the brand leader.

This datapoints show, that our customers trust Our Brands... and that it goes beyond food and consumables.

This is why we reinforce our commitment to double Our Brands penetration in the next years.

Another initiative is to keep leveraging the collaboration with our **Commercial Partners** to provide our customers the best assortment, innovation and value. We have many examples on how, based on our strategic relationships, we were able to develop great seasonal events, sustainability initiatives or be the platform for innovation. They have seen the value

of our ecosystem and they are developing their commercial plans leveraging different parts of it.

Our small and medium suppliers, which represent 85% of our supplier base, play a key role in the assortment we offer to our customers regionally and nationally. This is why we keep expanding our **“Adopta una Pyme”** program to help them grow.

The last initiative is Productivity. Technology allows us to drive more efficiencies. We are focused on implementing new tools in our core to simplify processes, you will see many examples of what we are doing at the store visits, so let me share a couple.

One example is "Promo Etiqueta", a project that simplified the execution of price changes, reducing the number of hours dedicated to the activity. It saved our associates from walking 133 thousand kilometers, and at the same time, reducing the usage of 230 tons of paper, equal to saving almost 4,000 trees.

Another example of a new tool you will see during store visits is RFID or radio frequency identification. This technology drives huge improvement in productivity while improving omnichannel inventory visibility and the flow in our supply chain. With this technology and collaboration with our suppliers, a task that used to take 70 hours, now takes only 3 ... a great example of leveraging technology to drive productivity.

I don't want to spoil all the examples; I am sure you will like what you see at our stores.



And last but not least, as Gui mentioned earlier, we are committed to generate a positive influence on the environment, society, and economy. That's why, another part of our formula, is being a regenerative company. We have many initiatives that I am very proud of, let me share two of them with you today.

The first one is that by 2025, all our private brands packaging will be 100% sustainable.

And the second one, is our Small Farmers Program. In the last 10 years, we have supported the growth of more than 30,000 farmers creating the conditions for their growth and increasing their income by over 40%. In the next two years we will add more than 5,000 new small farmers to the program.

Now Ignacio, please tell us what we are doing to continue leading as an Omnichannel retailer.

IGNACIO CARIDE

Thank you, Dolores.

We see great potential ahead. We are on the right path, and we are confident that we have the growth formula to lead in omnichannel.

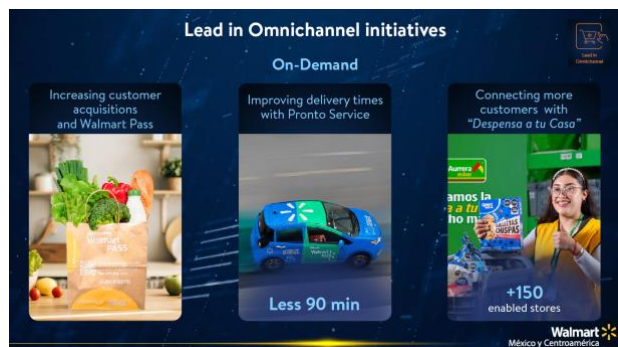
So, what are the initiatives that will help us accelerate growth in the omni space?

Starting with On Demand...

One of the initiatives is to **increase customer acquisition**. Today, we are the main destination for grocery home shopping and in 2024 we plan to continue investing to further improve our value proposition and our customers' experience. Our stores are key to propel on-demand forward and we plan to keep expanding the service nationwide.

The second initiative is to **accelerate Walmart Pass**. In 2024, we will focus on increasing memberships, traffic and expanding the complementary services for greater adoption of the ecosystem.

Another initiative looking to reach more customers faster, is our **express delivery service "Pronto"**. We are investing to increase our capabilities to deliver more orders in less time. We are expanding the service, so orders can reach customers in less than 90 minutes.



Another initiative is the **expansion of Bodega's Despensa a tu Casa**. In 2024, we will get closer to more customers, by enabling the service in around 150 additional Bodega stores.

Now, regarding Extended Assortment...

One of the key initiatives for 2024 is the **revamping of our value proposition in General Merchandise**. We know that, in an acceleration context of digital channels, these categories are the ones that need to transform the most. We are working on catalog differentiation and our omnichannel experience as main drivers.

Another initiative is to continue to **accelerate our Marketplace**, while taking care of the experience through Walmart Fulfillment Services. Currently, 70% of the orders are delivered in less than 48 hours. We will continue leveraging our omni-logistic capabilities for Marketplace sellers to deliver even faster.

In addition, to provide a broad offer of extended assortment, we will leverage the Cross Border model to double the volume by adding around 10 million SKUs to our catalogue this year.



Lastly on Omnichannel Experience...

A key initiative is to leverage on Walmart US technology. We are implementing a platform that will allow us to integrate sellers and SKUs from USA, Canada and China. This will expand our catalogue to millions of SKUs and **hundred** thousand of sellers.

With the power of technology, we have improved our checkout experience with better navigation, integrating more product information, reviews, ratings, among others. In 2024, we will make a significant leap towards

a personalized, friendly, and seamless digital experience for our customers.

This year, Cashi will gain more relevance as a payment solution and giving access to unbanked customers to our digital business, Mache will explain more details later on the presentation.

Additionally, Walmart Connect, our omni-retail media business, will allow us to connect customers to suppliers by communicating details about products and improving the omnichannel experience, while monetizing our assets. Beatriz will talk about Connect later today.

Powered by technology and leveraging our core business, Omni Returns initiative will be implemented in 2024 to create a seamless returning online purchase.

Customers will be able to carry out the return process at any of our stores, in a simplified way, and in less than two minutes.

Now, I turn it over again to Dolores who will share more details on our Omnichannel assortment strategy...



DOLORES FERNANDEZ LOBBE

Last year we talked about our Omni assortment strategy, where through a data driven model, we identified categories that have the highest potential in brick, click or in an omnichannel way to optimize the assortment. As a result, during 2023 we added 9 million SKUs to our Extended Assortment. This boosted our online sales share and in some categories like home and Technology, we achieved record online sales.

In 2024 we will go further.

In 2024 we will strengthen the connection between the stores and the digital world, among others, increasing the number of showrooms that we have in our Walmart Stores, highlighting our extended assortment catalog online.

In 2024 we will further invest to- elevate our best-in-class omni merchandising talent. Last week we launched our 1st ever “Omni Merchant Academy”, where our merchants, will learn to leverage new technology tools to connect everything we know from our customers, our stores, and our full ecosystem. We are helping our merchants work smarter and faster to make the best decisions, on behalf of our customers.

In 2024 we will implement new tools and leverage customer knowledge data, to empower our omnichannel business.

I am very proud to share with you, that this year we will launch **Luminate**. Luminate is a suite of products that provide deeper-than-ever insights into Walmart stores and shoppers. Luminate is about shared insights, stronger decisions... together with our suppliers. This will allow us to improve customers' experience even more.

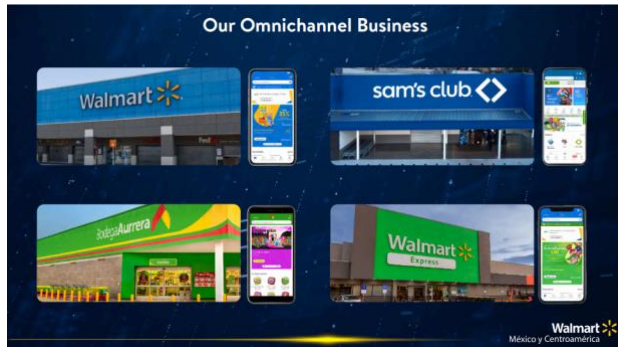
When Walmart suppliers and merchants have access to the same robust omni-data, great things happen.

Lastly, another of our goals in 2024 is to leverage our strong relation with our commercial partners to develop the best omni assortment and solutions for our customers.

We want to grow with them developing a global assortment.

We want to grow with them leveraging our supply chain.

We want to grow with them to develop our strong omnichannel business.



Thanks, Dolores.

I am excited about the opportunity ahead of us.

About how by winning in discount and leading in omnichannel we will accelerate growth.

About how our growth formula is propelling us forward.

Our formula has proven to be successful over the years.

Some customers want to shop digital.

Some customers want to shop at stores.

Some customers want both.

We serve them all.

Now, we leave you with Beatriz Nuñez who will explain our third strategic priority "Become the Ecosystem of Choice."

Thank you.