



**Walmart**   
México y Centroamérica

# **14<sup>TH</sup> ANNUAL** **Analysts' Meeting**

**March 6th, 2018**



The date of this meeting is March 6th, 2018. Today's meeting is being recorded, and will remain available at [www.walmex.mx](http://www.walmex.mx).

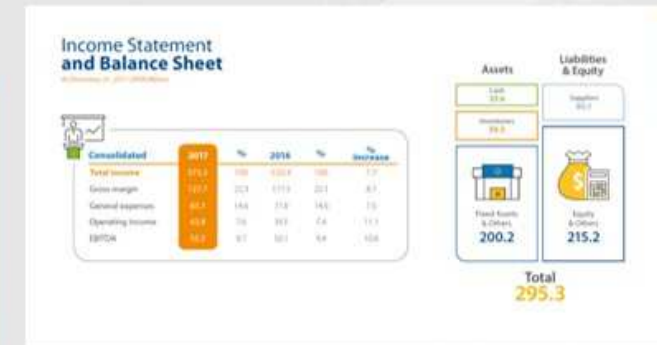
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# Our Financial and Corporate Responsibility Report

Available in: [www.walmex.mx](http://www.walmex.mx)







## Agenda

Walmex's strategy

Guilherme Loureiro

Organic growth

Gastón Wainstein

*Break*

Álvaro Arrigunaga

Omnichannel growth

Mariano Fiscella

Philip Behn

*Break*

Central America's strategy

Cristian Barrientos

Value creation

Olga González

**Q&A**

# Walmex Strategy

Guilherme Loureiro, CEO

March 6th, 2018





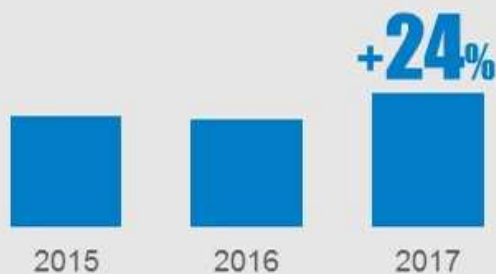
In the past 3 years we have successfully progressed with our strategy

**31%**

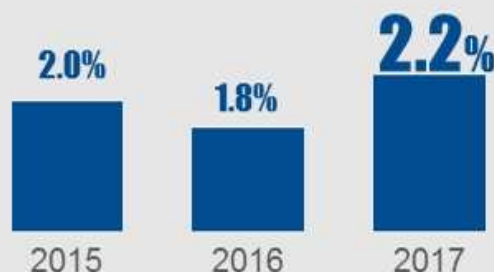
**CONSOLIDATED REVENUES  
GROWTH 3 YEAR STACK**

**+700bps**

**SSS GROWTH GAP  
VS. ANTAD<sup>1</sup>**



**SALES EFFICIENCY  
IMPROVEMENT**



**NEW STORES CONTRIBUTION  
TO GROWTH**

**+85%**

**OMNICHANNEL SALES  
GROWTH 3 YEAR STACK<sup>2</sup>**

**30bps**

**OMNICHANNEL  
CONTRIBUTION  
TO GROWTH 2017<sup>2</sup>**

1: ANTAD self-service and clubs excluding Walmex (3 year stack 2015 -2017) | 2. Mexico | bps = basis points



**We generated strong returns for our shareholders...**

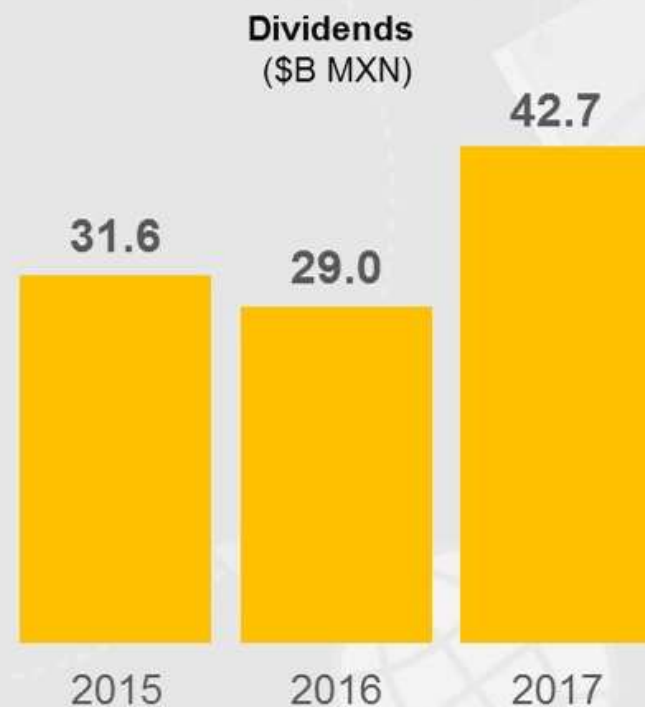
**34%**

**EPS<sup>1</sup> GROWTH 3 YEAR STACK**



**\$103B**

**IN DIVIDENDS**



1: Adjusted EPS, excludes divestitures





...and further improved our competitive position to  
continue winning in the future

**90<sub>bps</sub>**

PRICE GAP  
IMPROVEMENT<sup>1</sup>

**MARKETPLACE**

OFFERING THROUGH  
WALMART.COM.MX<sup>1</sup>

**+500**

PICKUP  
LOCATIONS<sup>1</sup>

**DIGITAL  
LABS**

TO SUPPORT  
OUR STRATEGY

**+2.3x**

PRIVATE BRANDS  
GROWTH VS. REST OF  
THE BUSINESS<sup>1</sup>

**+\$1.3B USD**

TO REINFORCE THE  
LOGISTICS NETWORK

**100%**

STORES OPERATING  
AS **CENTERS OF  
EXCELLENCE**

**WiFi**

IN OUR  
STORES<sup>1</sup>

**MEAT  
PROCESSING  
PLANTS**

IN MEXICO

**72**

RIPENING  
CHAMBERS

**+340**

ECOMMERCE  
KIOSKS<sup>1</sup>

**85%**

OF POPULATION  
WITHIN 10 MIN IN  
TOP 5 CITIES

<sup>1</sup>: Mexico





The market is changing and we are moving fast to keep winning our customers' preference



**CUSTOMER**  
HABITS SHIFTING



**RETAIL**  
CHANGING FAST



**COMPETITION**  
INTENSIFYING



Our vision:

Be **the most trusted**  
**retailer** in **Mexico,**  
saving money and  
**making life easier**  
for our **customers.**



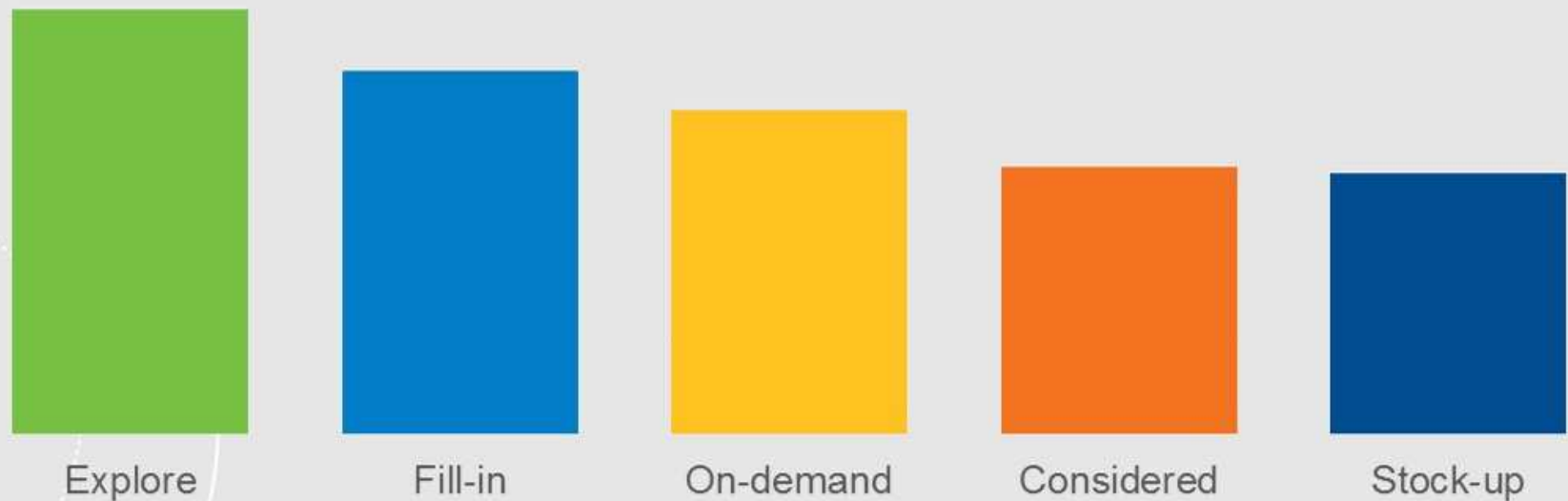
FOCUS ON THE **CUSTOMER**





## Shopper missions will grow with only moderate changes in mix

Expected CAGR 2016 - 2026 by shopper mission



Source: INEGI, BCG

## Customer-centric approach to serve specific characteristics and needs



# Success in the next years requires tailoring our approach



## SOPHISTICATED URBAN

- Save time
- Seamless on demand
- Fresh
- Wider assortment



## MID-SIZE MID-INCOME

- Save money
- Fresh
- Seamless experience
- Best value in GM



## BASE OF PYRAMID

- Fit my constrained budget
- Trust and safety
- Not too far / local access
- Financing

Price – Fresh - Private Brands





**MAKE EVERY DAY EASY  
FOR BUSY FAMILIES**



## Create a seamless shopping experience



Clear  
**value proposition**  
by format



Deploy  
**omnichannel**  
strategy

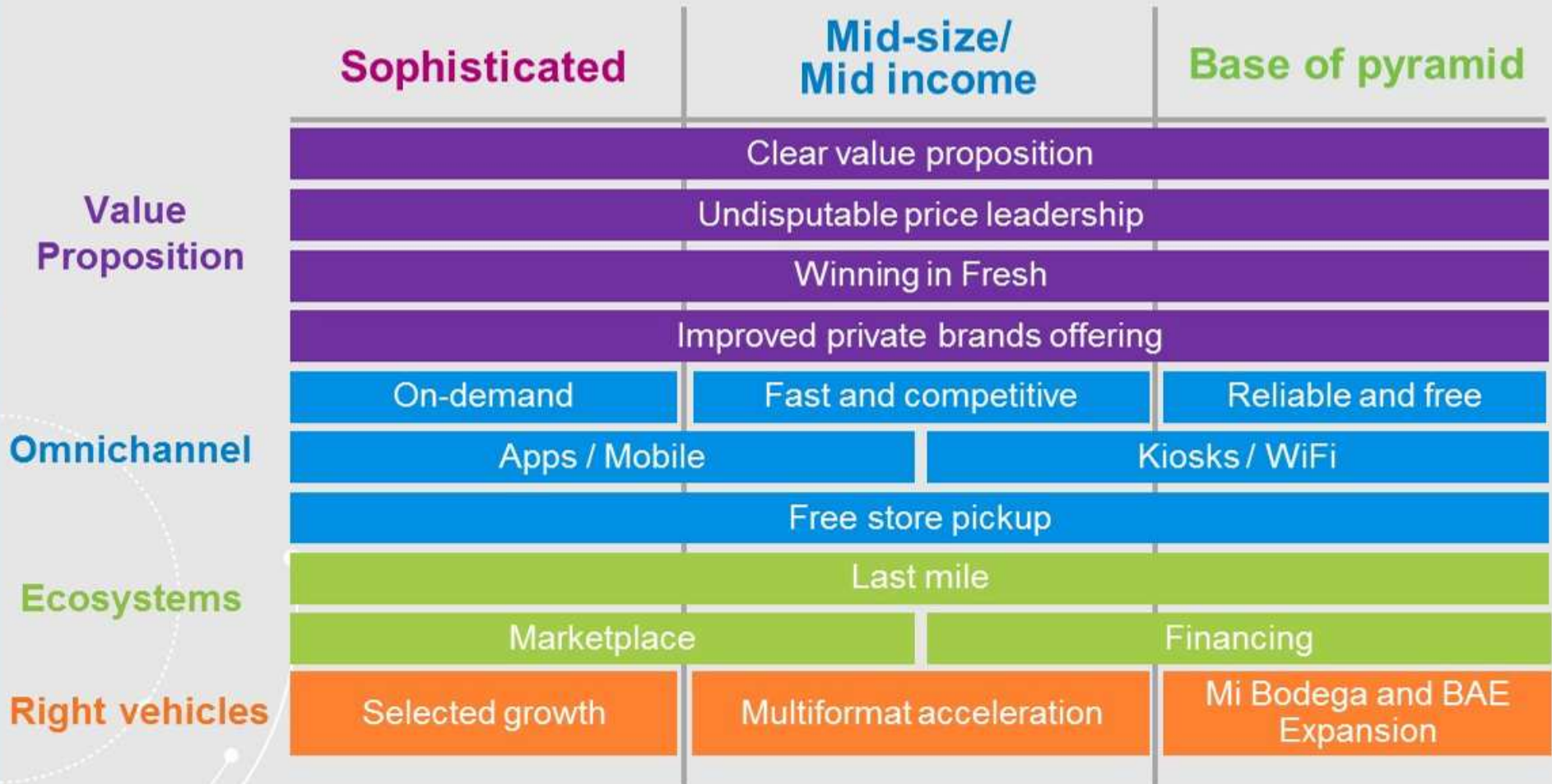


Expand capabilities  
through  
**ecosystems**



Become **twice the**  
**size** through the  
**right vehicles**

# Common and differentiated initiatives across battlegrounds







**EVOLVE OUR WAY OF WORKING  
TO BECOME DIGITALLY ENABLED**



Keep the greatness and  
enthusiasm of Walmart



Reinvent retail rules





**Digital for Walmex goes beyond technology,  
it is a mindset and a way of working**

Digital Labs  
& Solutions

Cultural  
Transformation

Agile  
Squads

Day-to-day  
Team Sessions  
and Meetings





**BECOME THE MOST  
TRUSTED RETAILER**



## Build trust for the way we engage with the community

**91%**

STORES POWERED BY  
RENEWABLE ENERGY

**35%**

FEMALE EXECUTIVE  
ASSOCIATES

**46%**

INDEPENDENT  
BOARD DIRECTORS

**73%**

WASTE  
RECYCLED

**100%**

STORES WITH  
ACCIDENT PREVENTION  
PROGRAMS

**28%**

WOMEN IN BOARD  
OF DIRECTORS



\*In process of verification by an independent third party



## Our people, our strength



**Guilherme Loureiro**

CEO  
5 years in Walmart



**Gaston Wainstein**

Real Estate  
16 years in Walmart



**Álvaro Arrigunaga**

Merchandising  
24 years in Walmart



**Carlos Arroyo**

Operations Mexico  
13 years in Walmart



**Cristian Barrientos**

Central America  
18 years in Walmart



**Philip Behn**

eCommerce  
7 years in Walmart



**TBD**

People Division



**Roque Velasco**

Internal Audit  
11 years in Walmart



**Olga González**

CFO  
8 years in Walmart



**Alberto  
Sepúlveda**

Legal & Corporate Affairs  
4 years in Walmart



**Adriana Velázquez**

Compliance  
5 years in Walmart





## 2018 priorities:



**DELIVER A  
SEAMLESS  
SHOPPING  
EXPERIENCE**



**DRIVE TRAFFIC  
TO OUR  
STORES**



**EVOLVE OUR  
WAY OF WORKING  
TO BECOME  
DIGITALLY ENABLED**



# Organic Growth

Gastón Wainstein

March 6th, 2018



## We delivered what we promised

New Store Sales Contribution to Growth - Consolidated



## We delivered what we promised



### New Vehicles

- Walmart Proto 70
- Superama Proto C
- Bodega Proto 58
- Bodega Proto 33



### Sales Efficiency

- **24%** sales efficiency improvement<sup>1</sup>



### Investment

- **6%** investment reduction per square meter<sup>2</sup>



### Pipeline Improvement

- **94%** of licenses for current sales year delivery
- New BAE Process, **68%** openings increase

1: Sales Y1 / Investment (Y1 Sales from 2017 openings was forecasted)

2: Based on selling area

## Growth enablers



Opportunity



Vehicles



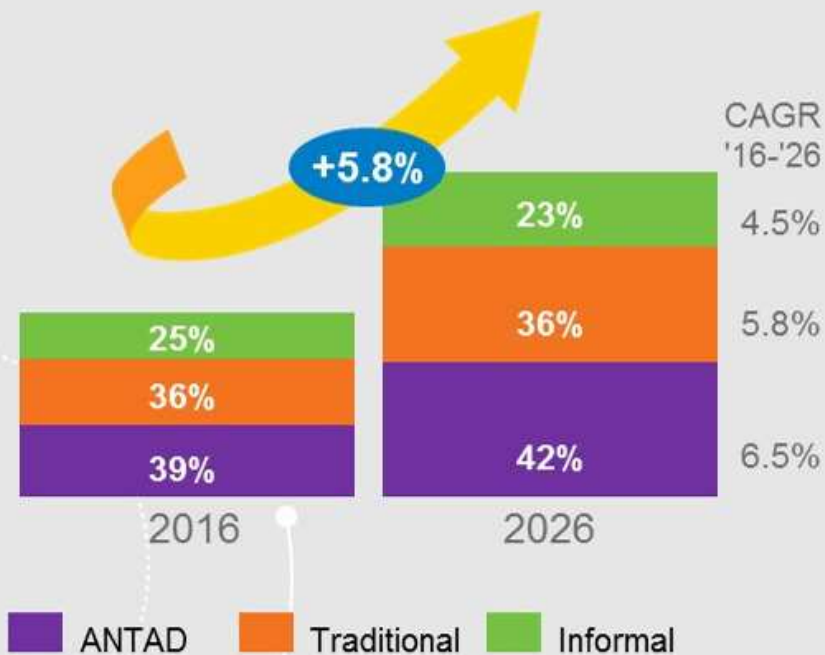
Execution

3 Battlegrounds - Real Estate Strategy



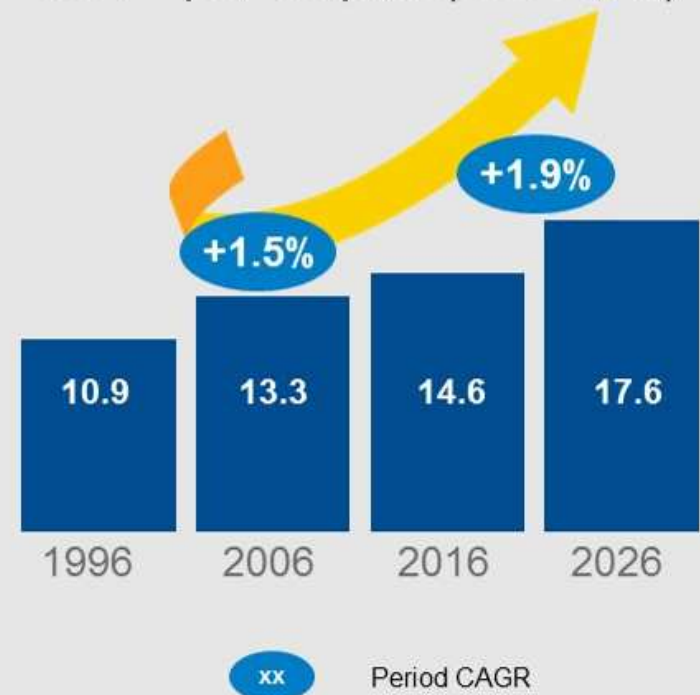
# Opportunity: Mexico offers great room to continue growing

## Evolution of Retail Market



Source: INEGI, ANTAD, OECD, Strategic Planning & BCG Analysis

## GDP<sup>1</sup> per Capita (USD \$ K)



1. At PPP 2010

Source: OECD, CONAPO, Strategic Planning & BCG Analysis

## Vehicles: A unique set of assets to boost growth

**4.8M**

CUSTOMERS

VISIT US **EVERY DAY**



**MULTIFORMAT  
STRATEGY**

WE COVER

**85%**

POPULATION WITHIN



**10 MIN** IN THE  
TOP 5 CITIES

**3,700**

DELIVERIES



**1.2 M**

BOXES SHIPPED  
TO THE STORES

**EVERY DAY**

**84** LOGISTICS  
OPERATIONS

# Vehicles: Real Estate Strategy aligned to 3 battlegrounds



Market Size

Starting Point

Strategy



**SOPHISTICATED  
URBAN**



Highest urban  
stores penetration

- Omnichannel acceleration
- Selective growth
  - Sam's
  - Walmart
  - Superama



**MID-SIZE  
MID-INCOME**



Multiformat

- Omnichannel initiation
- Multi format growth acceleration
  - Walmart
  - Superama



**BASE OF  
PYRAMID**



#1 Brand for low  
income customers

- Bodega, Mi Bodega and BAE acceleration



## Execution: Digitalization has allowed us to be more efficient and faster in decision making



### SALES FORECAST MODEL

Y1 sales forecast is more accurate  
+/- 13% (before +/- 21%)



### MARKET POTENTIAL

Identifies zones with the highest  
probability of SUCCESS for  
NEW STORES



### FAST FILTER TOOL

will reduce feasibility analysis  
to 5 minutes (before 10 days)

**Digital capabilities**



## Infrastructure



**Before**



**After**

### Capital Efficiency

- Prioritization model
- Right scope
- Omnichannel
- Cost and disruption

## Key takeaways



WE ARE CLEAR ON THE  
**OPPORTUNITY**, THE  
**VEHICLES** AND THE  
**EXECUTION**



OUR REAL ESTATE  
STRATEGY IS **FULLY**  
**ALIGNED** WITH THE 3  
BATTLEFIELDS



**CAPITAL EFFICIENCY**  
AND **DIGITAL** TO  
CONTINUE **DRIVING**  
**QUALITY GROWTH** AND  
INFRASTRUCTURE



**Walmart**   
México y Centroamérica

# BREAK



# Merchandising Self-Service and Sam's

Álvaro Arrigunaga, CMO

**March 6th, 2018**



# Merchandising priorities 2017



## MERCHANDISING EVOLUTION

- OMNICHANNEL experience
- MODULARS of excellence
- DIGITAL platform
- Fresh UPSTREAMING
- Sam's 2.0 and MRM



## ACCELERATE SALES

- Invest in PRICES
- Win in FRESH
- Develop OUR BRANDS
- Lead INNOVATION
- Win in SEASONS



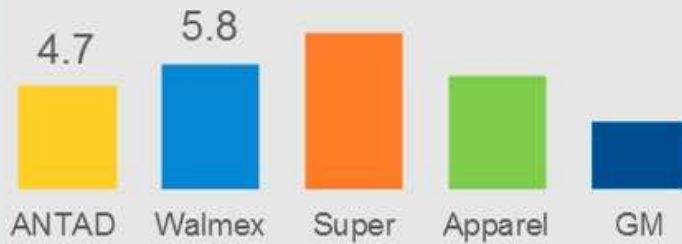
## LOWER COSTS

- Analyze CATEGORIES
- Optimize INVENTORIES
- Improve PACKAGE efficiency (RRP)

# Our merchandising team is winning

## Accelerate Sales

Walmex vs ANTAD  
(Self-service)

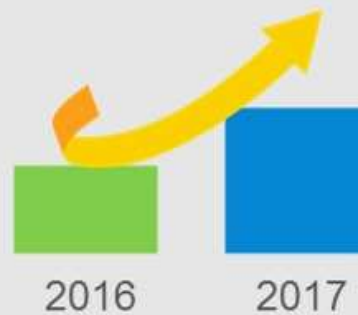


Private Brands  
Comp. 2.3x

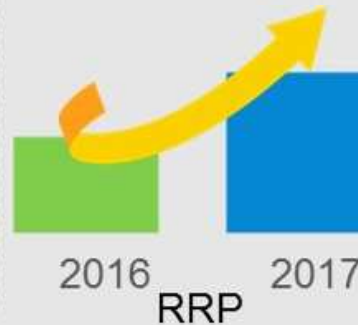


## Lower Costs

Price Gap  
+40 bps vs LY



Self-service  
+1900 Items



## Merchandising Evolution



**Agile Squad:  
Sports and Baby**



# Our merchandising team is winning

## Accelerate Sales

Sam's Club vs ANTAD  
(clubs)

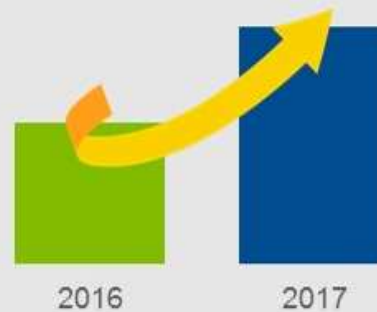


Private Brands  
Comp 2.3x



## Lower Costs

Price Gap  
+46 bps vs LY



## Merchandising Evolution



# 2.0

# We leveraged our strengths successfully

Events and Seasons



Campaigns



## We leveraged our strengths successfully





## Merchandising priorities 2018



### MERCHANDISING EVOLUTION

- Omnichannel experience
- Modulars of excellence
- Digitalization: Compass
- Fresh upstreaming
- Club pickup



### ACCELERATE SALES

- Prices
- Fresh
- Our Brands
- Seasons
- Innovation in assortment
- More memberships



### LOWER COSTS

- Category analysis
- Inventory optimization
- In-store productivity

Fresh



Upstreaming

Price investments

Exhibition space



**QUALITY + AVAILABILITY + PRICE**



## Differentiated value proposition: Fresh





## Differentiated value proposition: Our Brands



## In-store efficiency (RRP)



**+940K  
hours  
freed-up**







## Omnichannel: Sporting Goods

- JOINT VISION
- COMMON GOALS
- CUSTOMER CENTRIC
- AGILE TEAMS







# Omnichannel

Digitally enabled: Compass



## Strategy aligned to each battleground





# Operations

Mariano Fiscella, VP Central Operations

**March 6th, 2018**



# We delivered on our Commitments in **2017**



## CENTERS OF EXCELLENCE

**100%**

OF STORES CONVERTED INTO  
CENTERS OF EXCELLENCE



## IEC / IES

**8.5**

CUSTOMER / MEMBER  
SATISFACTION INDEX



Our priorities for **2018** are connected to the strategy...

**DOUBLE THE SIZE OF  
THE BUSSINES BY 2026**

**SOPHISTICATED**

**MID SIZE/ MID INCOME**

**BASE OF PYRAMID**

Clear and differentiated **OMNICHANNEL** value proposition

Driving **TRAFFIC** to our stores and online

Evolving the way we work to generate **PRODUCTIVITY**

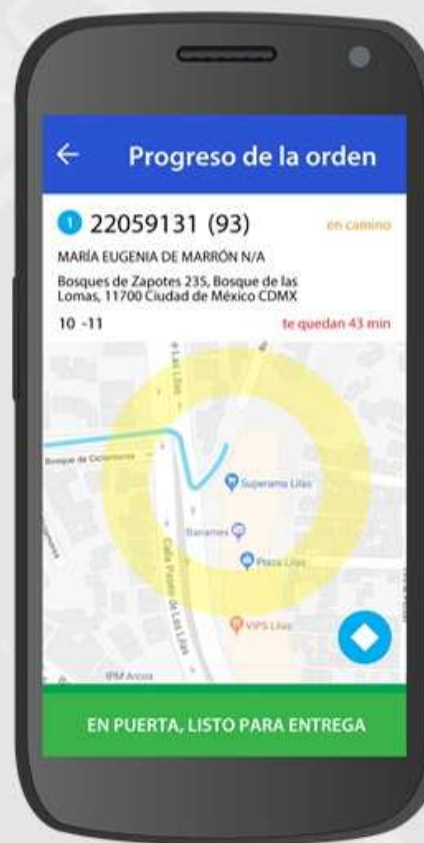
# OMNICHANNEL STORES

- Pickup drive-thru
- Pickup kiosk
- Extended catalogue
- Wi-Fi





GIF



TALARIA



MEDALLIA

# OMNICHANNEL EXPERIENCE



- GIF
- Talaria
- Medallia

# OMNICHANNEL GIF

- Digital catalogue
- Multi-picking
- In-store routing and location
- Real time monitoring

# OMNICHANNEL TALARIA

- Order geo-tracking
- Optimized routing
- Driver management
- Time monitoring



# OMNICHANNEL MEDALLIA

- Consumer insights
- Associates empowerment
- Take action
- Real time monitoring



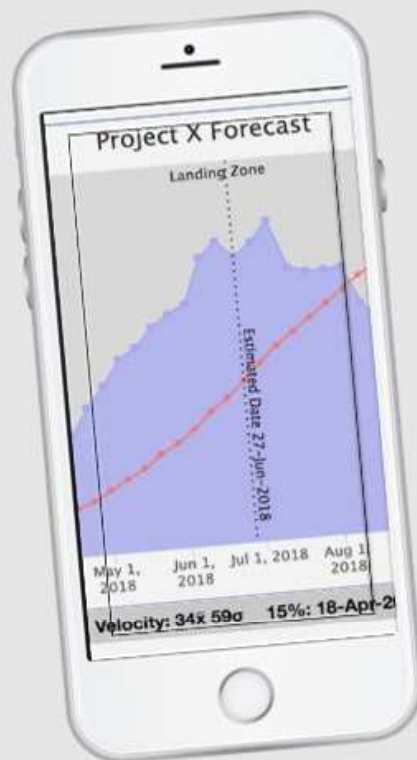
# TRAFFIC





# TRAFFIC BETTER LISTENING

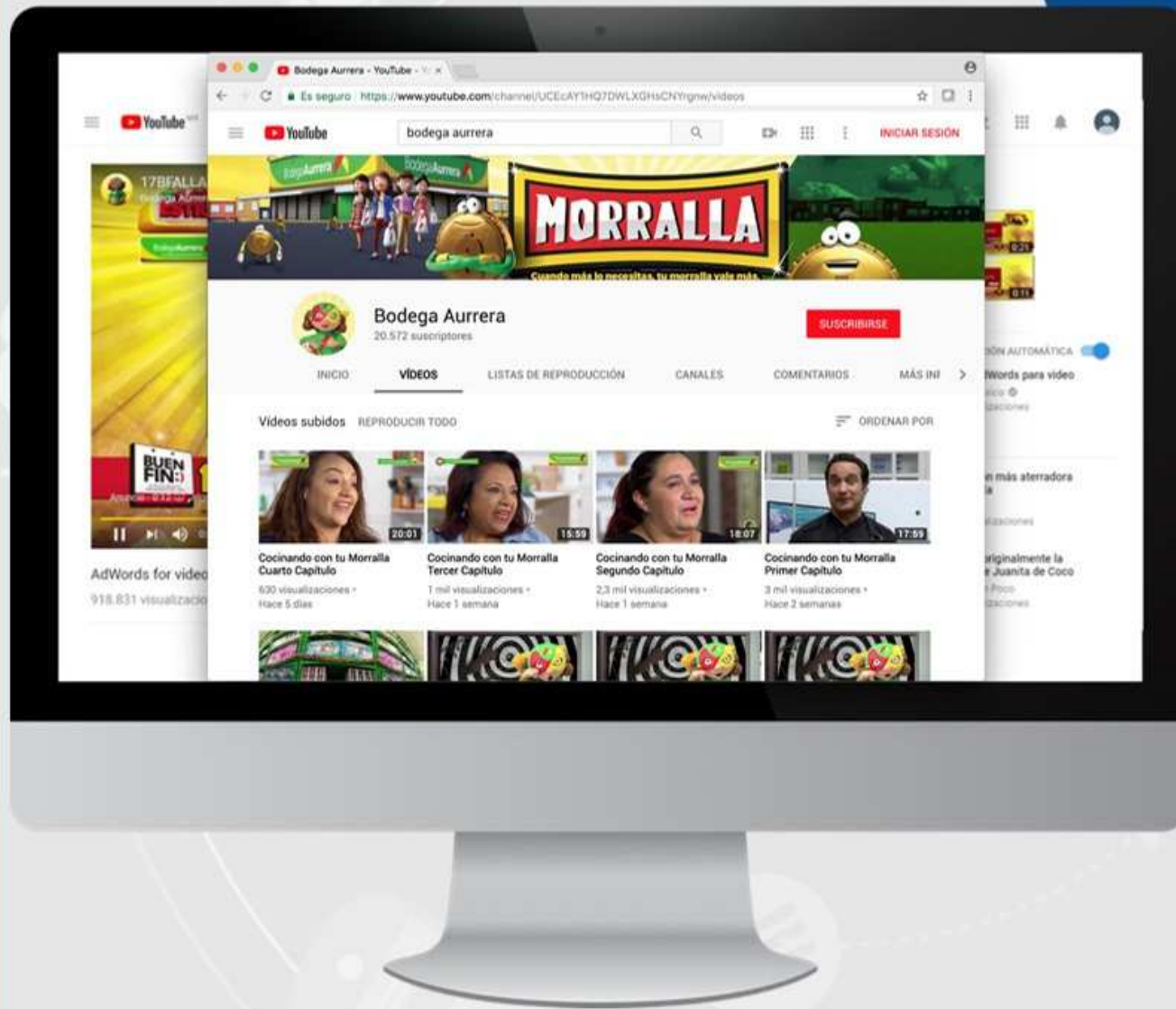
- IEC / IES evolution
- Insights platform
- Predictive traffic model





# TRAFFIC CAMPAIGNS

- One brand
- Impactful
- Creative



# TRAFFIC MEDIA +DIGITALIZED

- New digital media
- Social media
- New platforms
- VR experiences

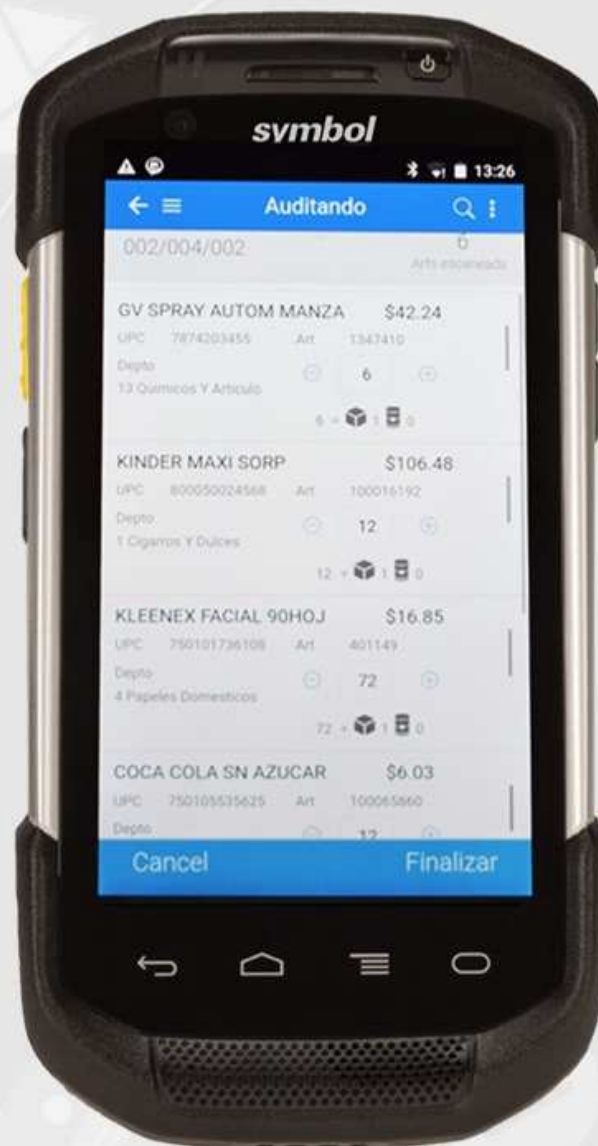


# TRAFFIC MEDIA +DIGITALIZED

- New digital media
- Social media
- New platforms
- VR experiences







# PRODUCTIVITY NINJA PROJECT



**Walmart**  
México y Centroamérica

# OPERATIONS PRODUCTIVITY



Arrange    Watch & React    Multiply



**NINJA PROJECT**

**Walmart**  
México y Centroamérica

# OPERATIONS PRODUCTIVITY

- Stores
- Apps



# OPERATIONS PRODUCTIVITY



# eCommerce

Philip Behn

March 6th, 2018





## What we promised, we delivered

### Creating a seamless shopping experience

- New and improved apps
- 50% reduction in delivery times
- New and improved store pickup

### Developing new sources of growth

- 340 omnichannel kiosks
- Sam's Club online memberships
- CrediBodega online

### Building a capital efficient model to pursue growth

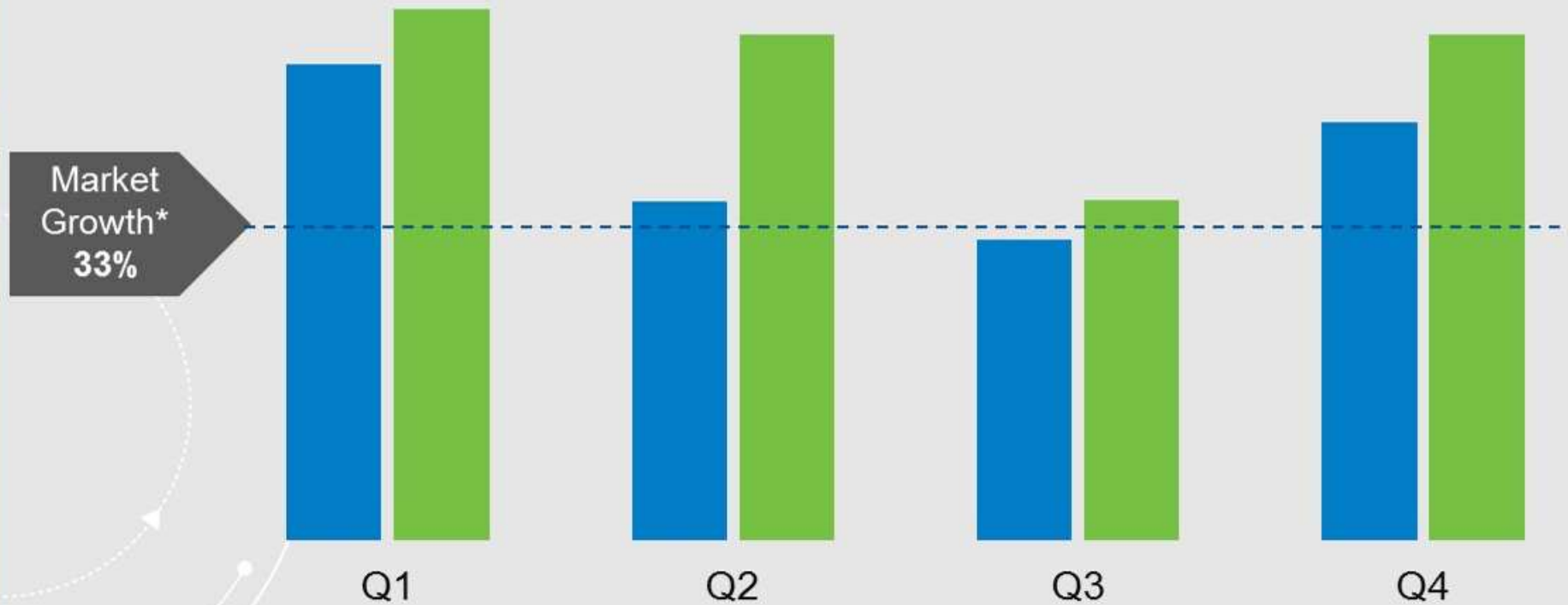
- Marketplace with 200+ sellers and 20,000+ live items
- GIF, Talaria & Medallia



## We have consistently accelerated our growth rate

Online-only growth by quarter  
(excludes call center operations)

■ 2016 ■ 2017



\* Source: Euromonitor

## Overall, we had a strong Buen Fin with Sam's Club exceeding our growth expectations



Walmart GM



Sam's Club

31%	261%	Sales growth
3.2%	2.5%	Peak conversion rate
440 bps	246 bps	Growth contribution*
16,300	3,350	Number of TVs sold
48%	NA	Orders delivered in 2 days

\* Considering Total Walmart Mexico GM sales (comparable categories)



In 2018, we will continue to deliver disciplined growth by focusing on our core strengths



On-Demand



Lowest  
price



Assortment



Seamless  
shopping  
experience



Monetization



## SOPHISTICATED URBAN



**Sam's**



**Superama**



**Walmart**



- 30-minute pickup,  
1-hour delivery



- Unique items
- Key lifetime moments



- Telesales
- Speedy checkout

## MID-SIZE MID-INCOME



- Free store pickup
- Easy lists and reorder



- Price leadership in 1P
- eWallet



- Key lifetime moments



## BASE OF PYRAMID



- eWallet
- Credit



- Kiosks
- Free store pickup

**Credi**  
Bodega**Aurrera**



# Omnichannel eCommerce is accretive to customers and shareholders

	Omni	1P	3P
Strategic role	 	 	 
Long-term profit potential	High	Medium	Medium
Incremental CAPEX	Medium	High	Low
ROIC	Accretive	Neutral	Accretive

## What to expect in 2018



**Omnichannel  
acceleration**



**Growth above  
market**



**Sound foundations**



**Walmart**   
México y Centroamérica

# BREAK



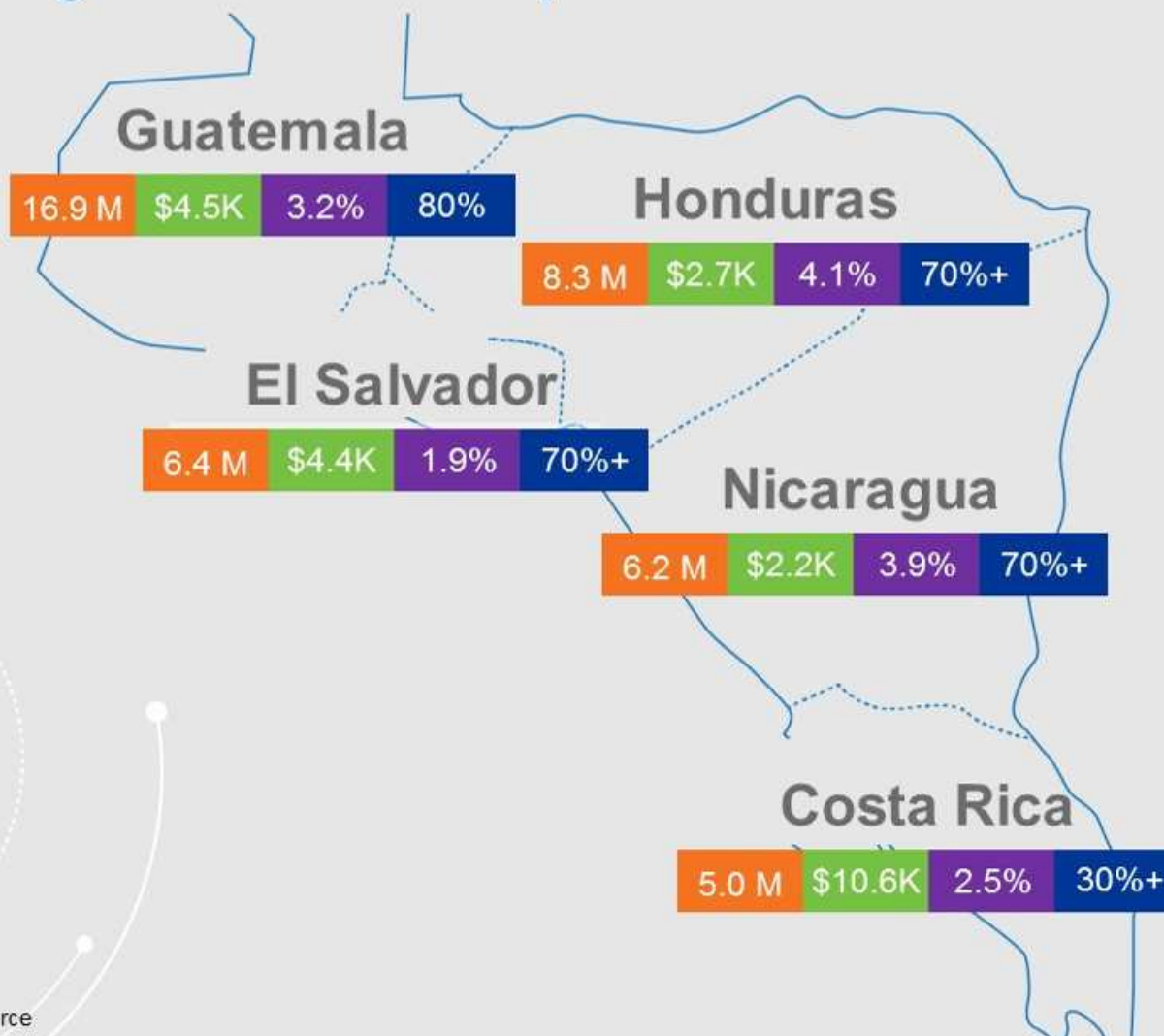
# Central America

Cristian Barrientos, CEO

March 6th, 2018



## The region where we operate



**43M**  
inhabitants

**US \$4.5k**  
GDP per capita

**3.0%**  
Inflation

**70%**  
Informal  
Market\*

\* Internal source



**DELIVER**  
on our  
**COMMITMENTS**  
 **2017**



# We grew with quality in all our formats and countries

SSS: +5% 2017

+9.9% 2-year stack

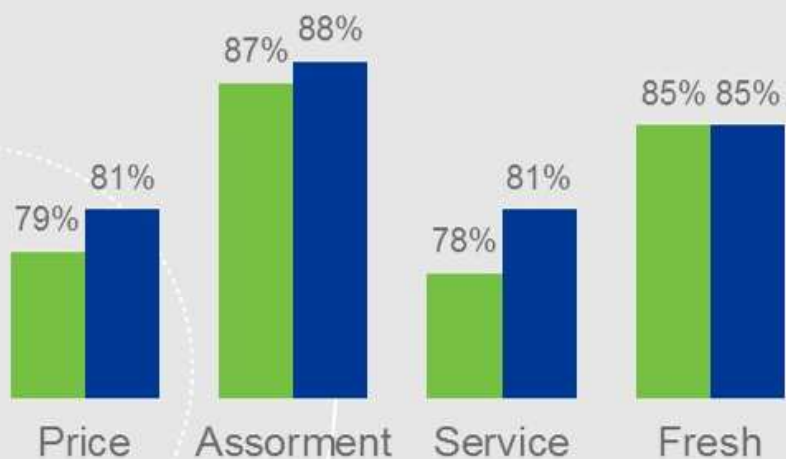
## Formats

## Countries

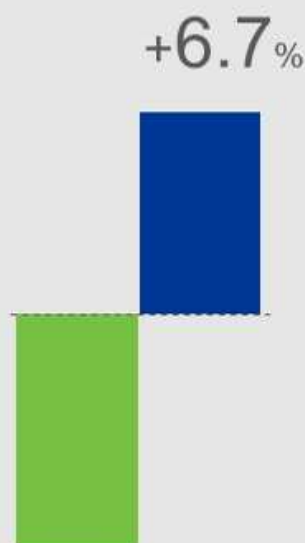


## We earned our customers' preference by increasing their satisfaction

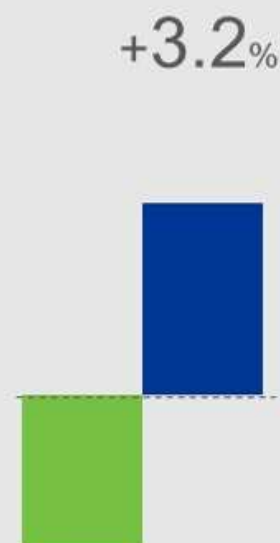
Satisfaction Survey



Comp. Traffic



Comp. Ticket



2016

2017



We accelerated expansion in a profitable way



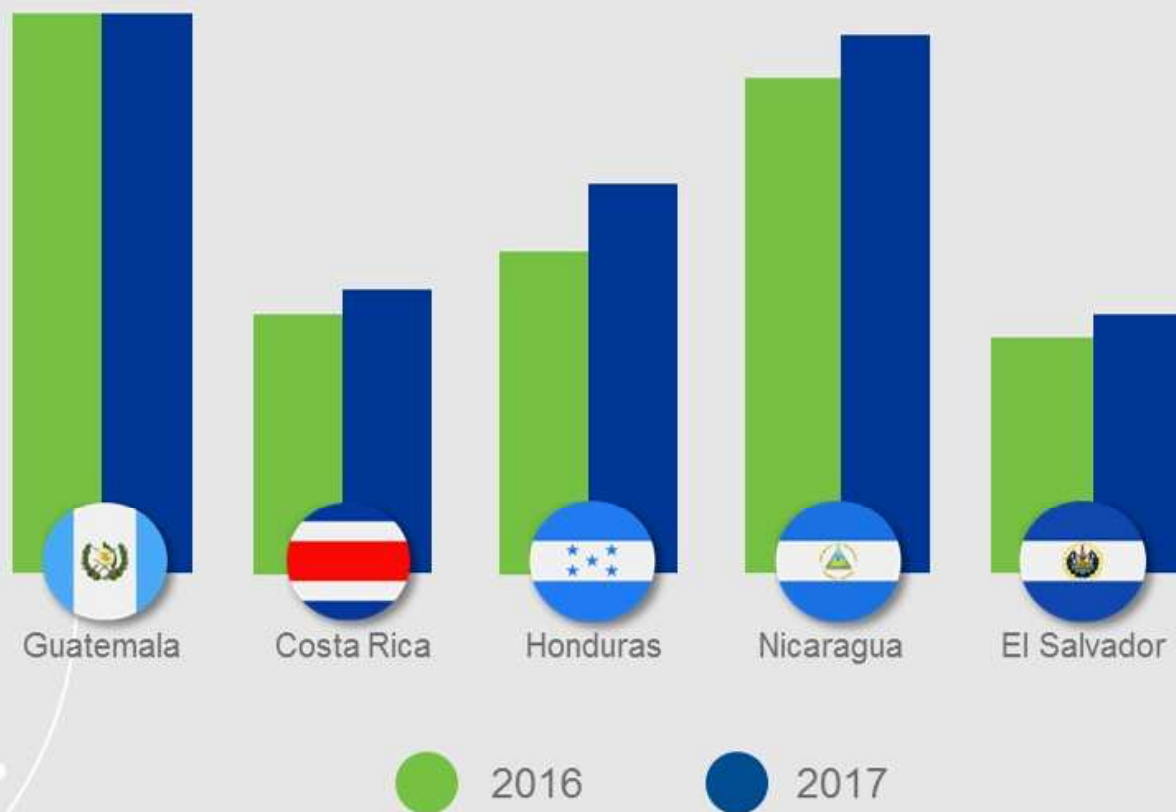
**47** New Stores

**63k** sqm expansion



## We increased our market share in every country

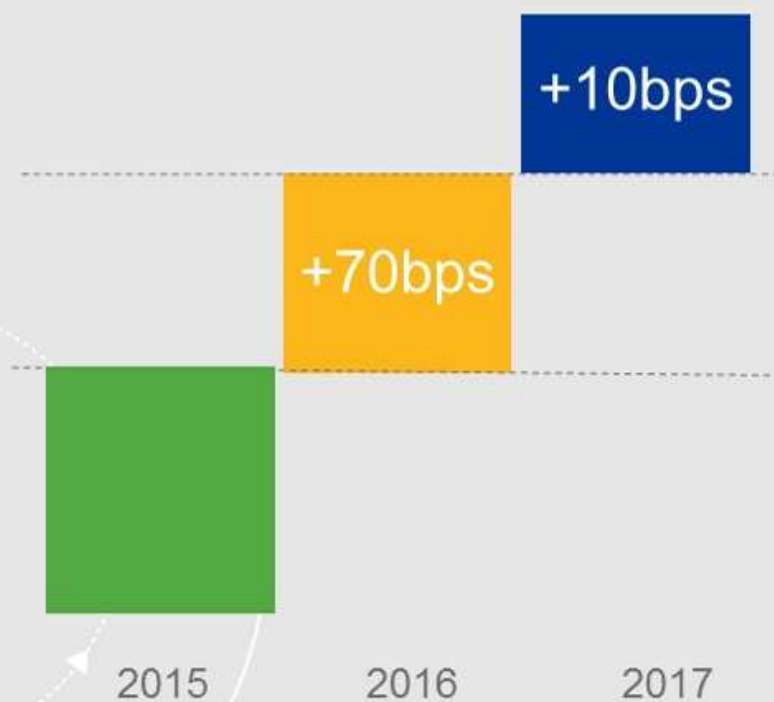
% Market Share Self-service



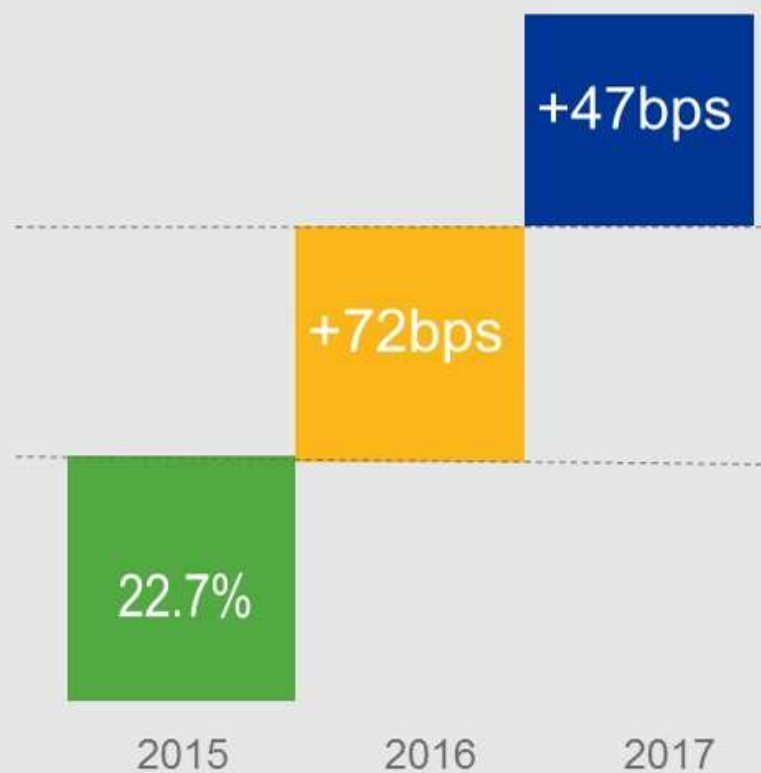
\*Source: Nielsen – Full Year 2017 Groceries and Consumables

## We improved our competitive position and margin

Price Gap



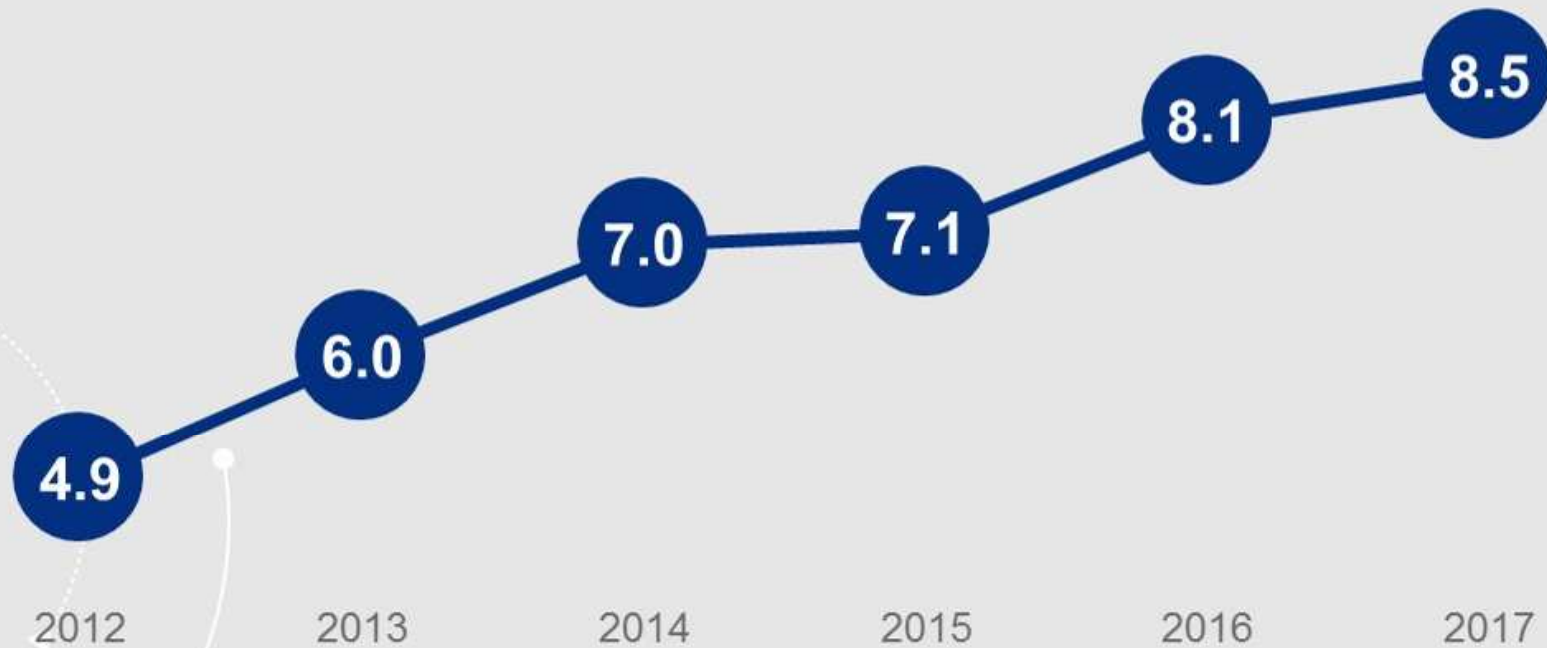
Margin





## We keep on improving our profitability

EBITDA margin (%)







## Our plan to win:



EXECUTE **VALUE PROPOSITION**

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ACCELERATE **GROWTH**

---



**LOW COST OPERATIONS**

---



EVOLVE OUR **WAY OF WORKING**

# Execute value proposition



# Growth acceleration



**CENTERS OF  
EXCELENCE**



**EVOLUTION OF  
EXISTING FORMATS**



**LOGISTICS NETWORK,  
DA & SYSTEMS**



## Low cost operations



### STORE PRODUCTIVITY

- Back office centralization
- Efficient in-store promotions
- Checkouts



### WORKING CAPITAL INVENTORY OPTIMIZATION

## Evolve our way of working



**TALENT  
ATTRACTION &  
DEVELOPMENT**

*Sin*   
**BARRERAS**

**CONTINUE  
STRENGTHENING  
DIVERSITY &  
INCLUSION**

  
**tierrafértil**  
*De nuestra tierra para su familia*



**BE THE  
PREFERRED  
RETAILER  
FOR SUPPLIERS**



## Key messages



**SUSTAINABLE  
AND HEALTHY  
SALES GROWTH**



**CONTINUE TO  
PRIORITIZE  
OUR STAKEHOLDERS**



**WORLD CLASS  
PROFITABILITY**



# Value Creation

Olga González, CFO

March 6th, 2018





## Financial strategy: focus on value creation



**QUALITY GROWTH  
ACROSS THE BUSINESS**

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**TRANSFORMATIONAL SG&A  
TO REINVEST IN THE BUSINESS**

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**STRATEGIC CAPITAL ALLOCATION  
AND WORKING CAPITAL MANAGEMENT**

---



**DELIVER SHAREHOLDER VALUE**



## **QUALITY GROWTH ACROSS THE BUSINESS**



# Growth has been broad-based...

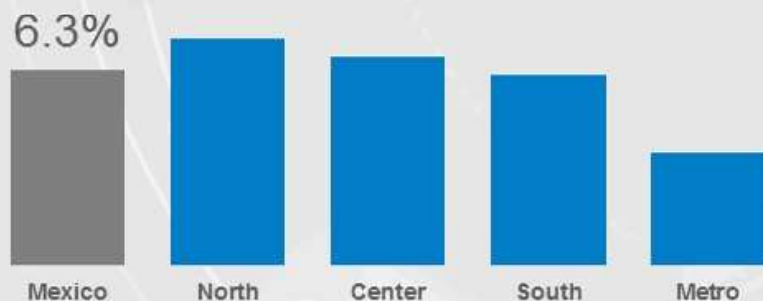
By Country



By Format in Mexico



By Region in Mexico



By Division in Mexico

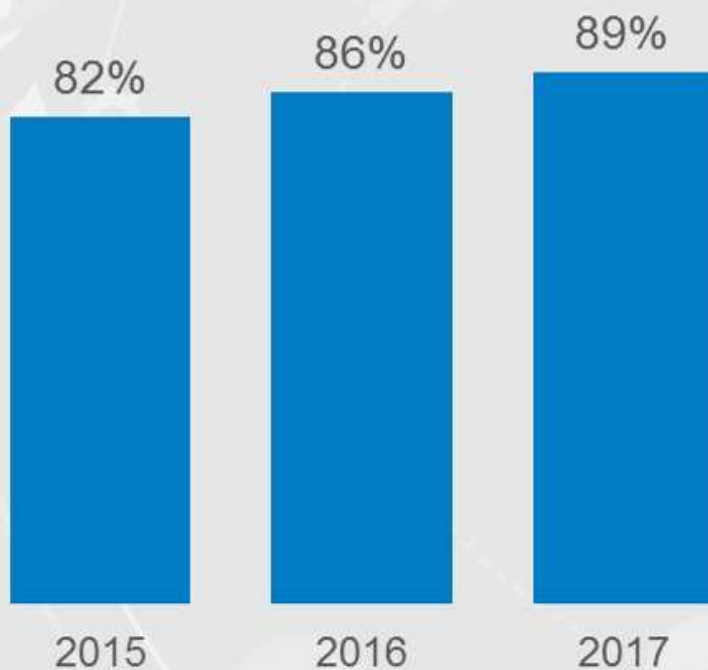


1: On a constant currency basis

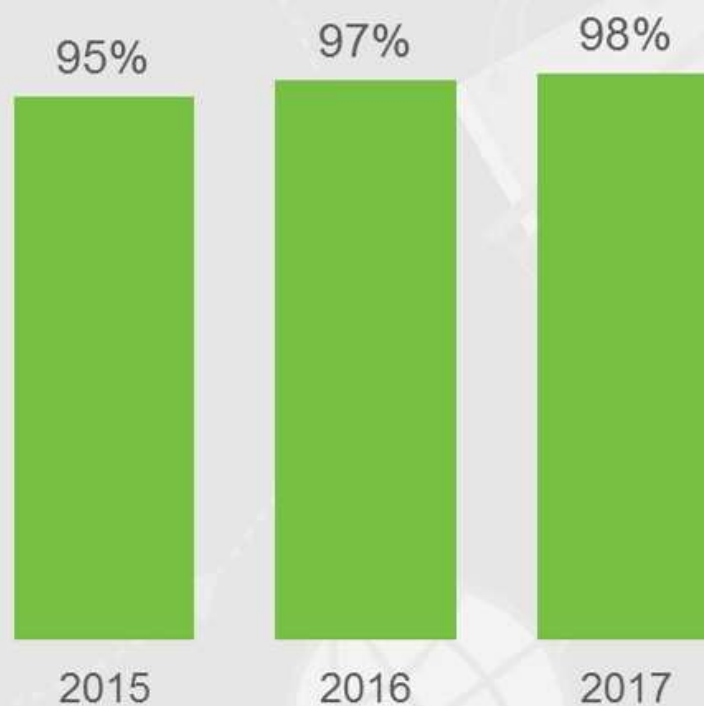
## ...profitable, and therefore sustainable



% Stores with Positive  
Operating Income



% Stores with Positive  
Cash Flow



# Accelerating growth through flexible, capital-efficient vehicles to double our size



Marketplace







## **TRANSFORMATIONAL SG&A TO REINVEST IN THE BUSINESS**

## Increasing profitability in both regions...



EBITDA Margin (%)

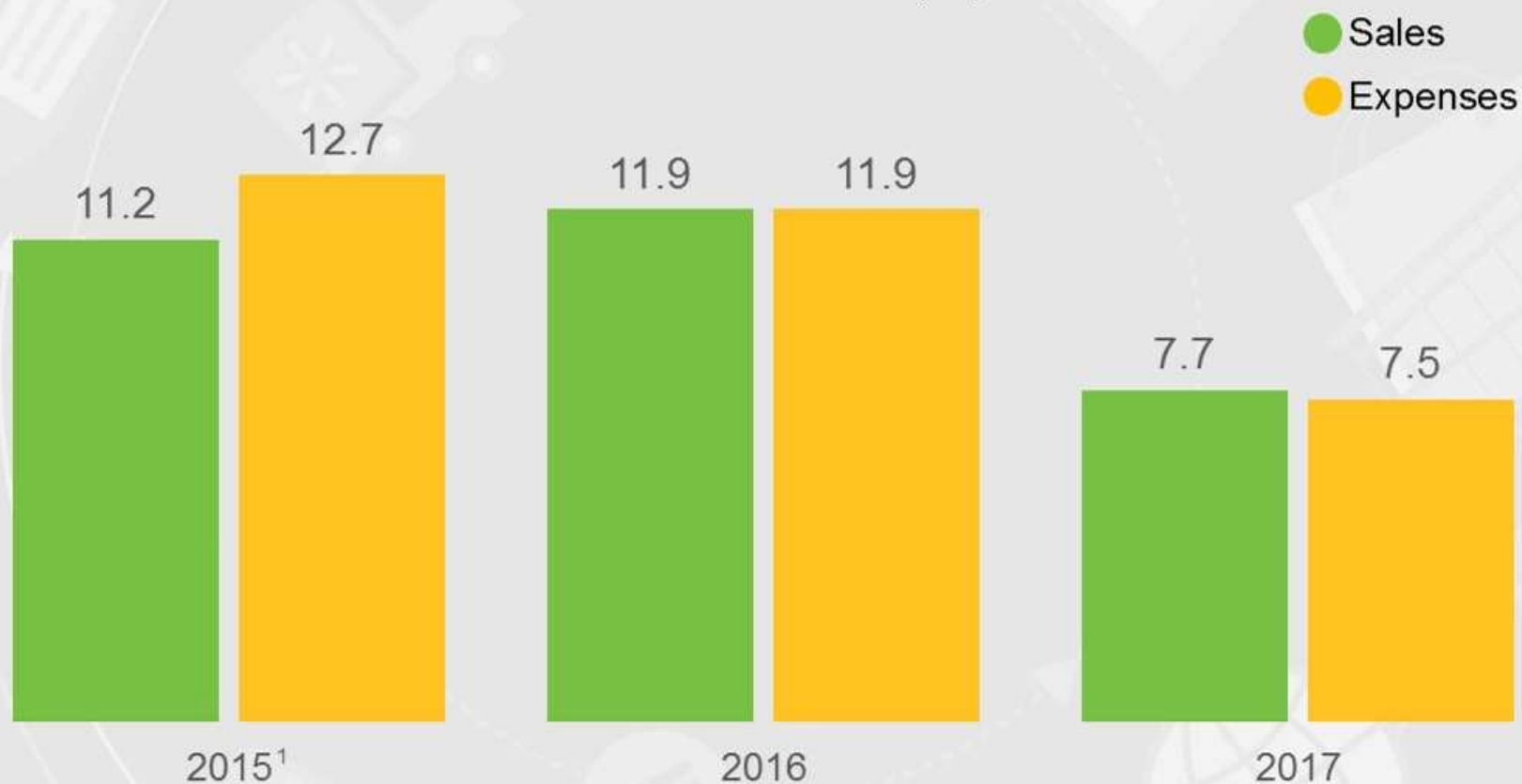


1: Excluding Suburbia

## ... by improving expense leverage



Consolidated Growth (%)



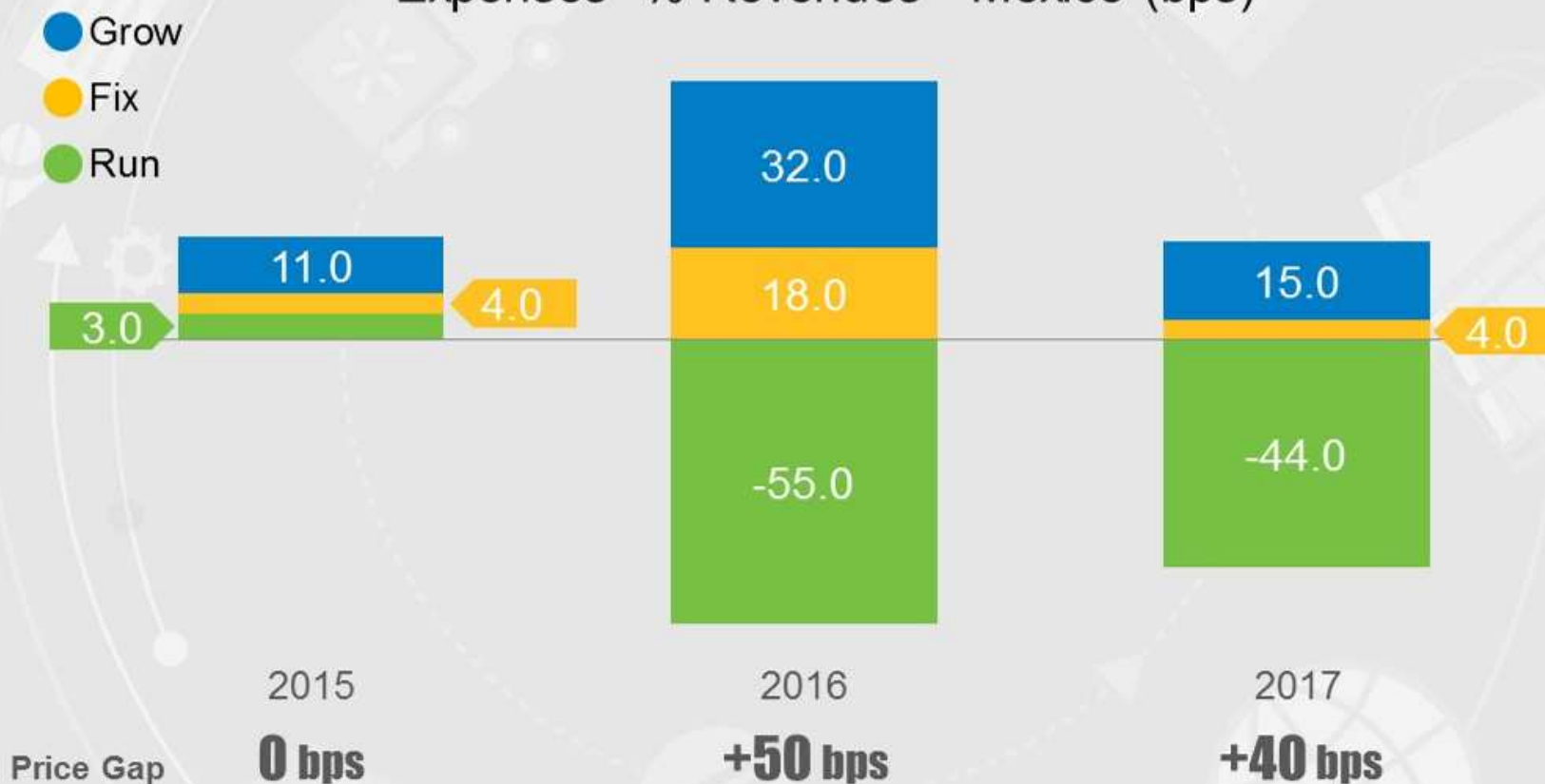
1: Excluding Suburbia



## By leveraging base expenses we have reinvested in key areas of the business



Expenses<sup>1</sup> % Revenues - Mexico (bps)



1: Excludes one-time effects and accounting reclassifications. | bps = basis points

# Strong focus on productivity and expense management



**Retail ready packaging**

Store and club productivity



**Digital tools and training**

Optimize technology and processes



**GNFR and offices**

Reduce non-store expenses





## Flex POS will help us to speed up our processes and provide a better customer service



- ✓ **Expedites** implementation of commercial activities
- ✓ Increases **productivity** by reducing manual processes
- ✓ Boosts **financial services**
- ✓ **Enables** initiatives such as scan and go



# Reinvesting savings in price and strategic initiatives to further improve our competitiveness



**Prices**



**New stores**



**Digital**



**eCommerce**



**Logistics**



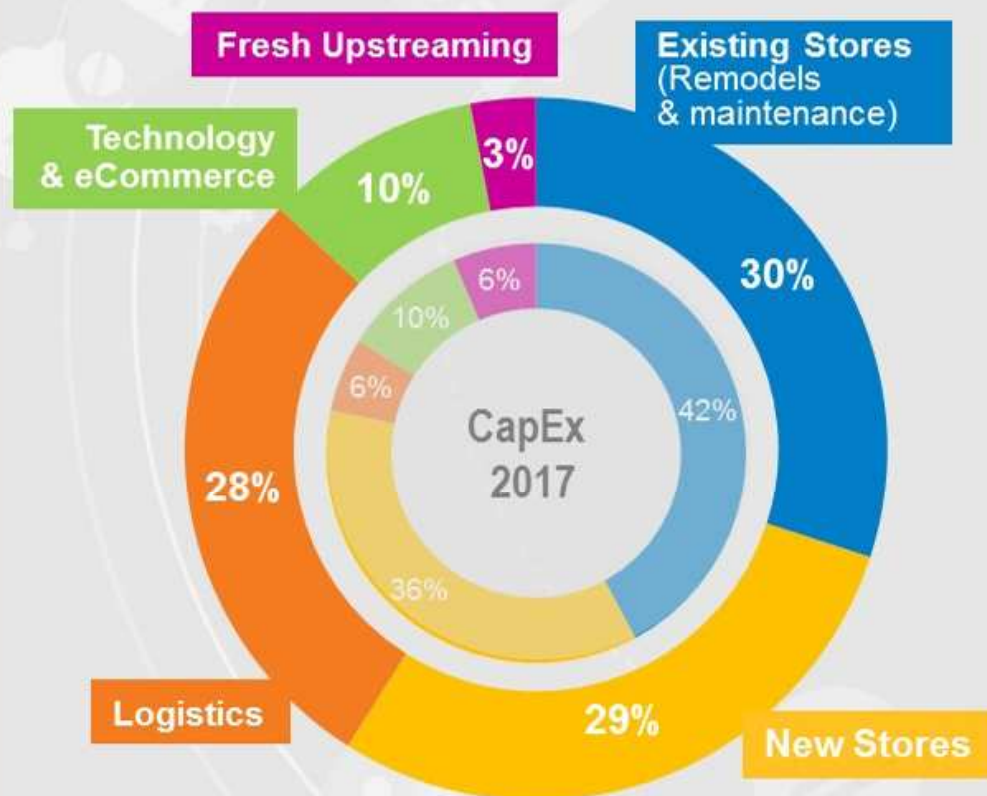


# **STRATEGIC CAPITAL ALLOCATION AND WORKING CAPITAL MANAGEMENT**

# We are deploying capital strategically



## 2018 CapEx Distribution



## CapEx (MX\$ B)





# Increased focus on working capital management



**Strategic commercial partnerships**



**Staple stock investments**

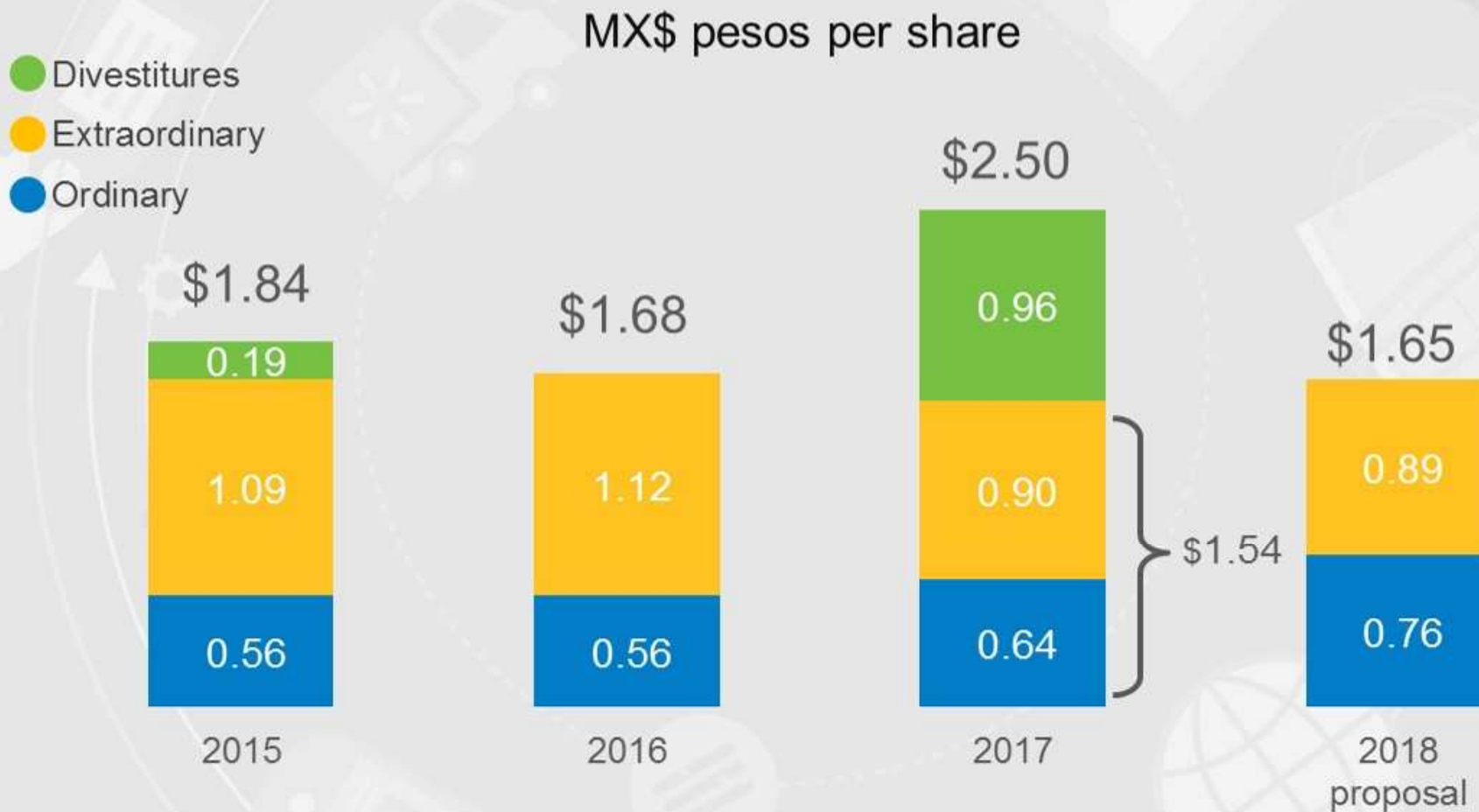


**Store inventory management**



**DELIVER SHAREHOLDER VALUE**

## Committed to return excess cash to shareholders



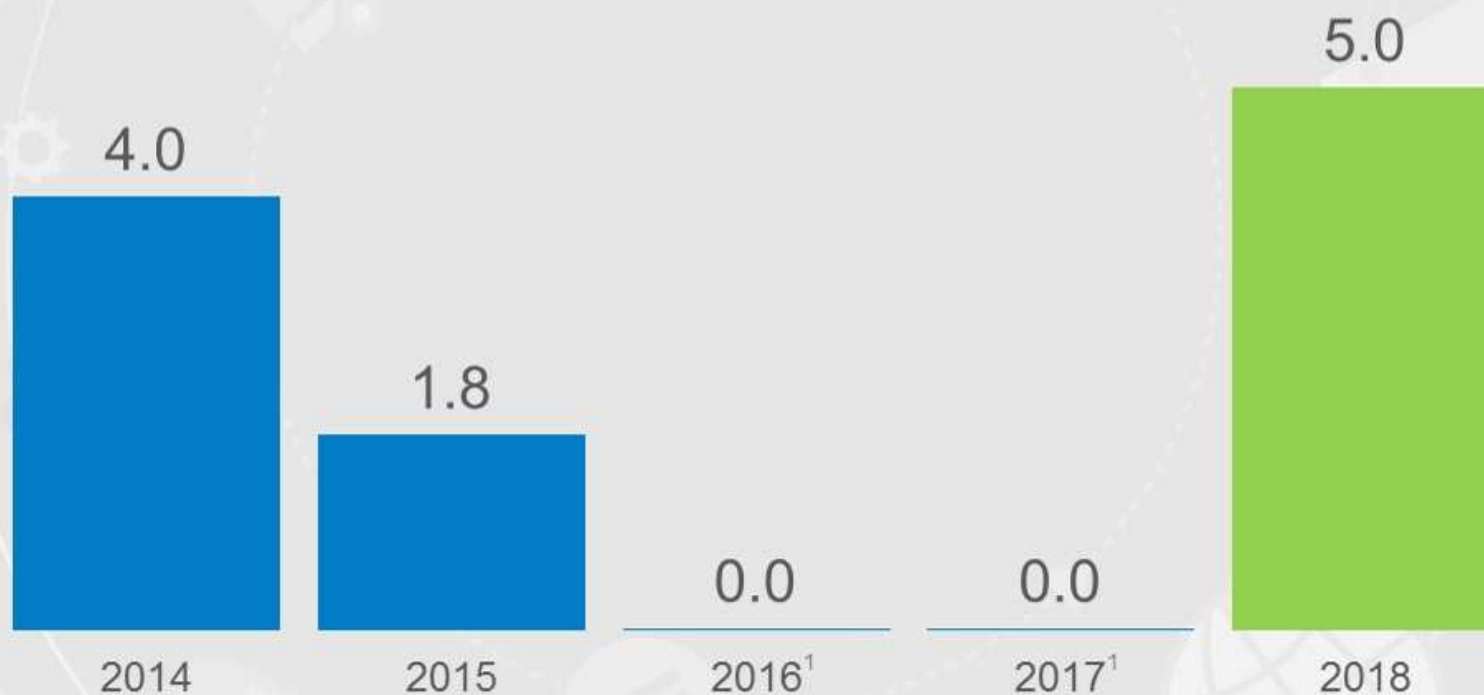


## Distributing excess cash



Shares repurchase (MX\$ B)

Proposed share  
buyback program



1: Authorized amount \$5.0B MXP



## Financial strategy: focus on value creation



**QUALITY GROWTH  
ACROSS THE BUSINESS**

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**TRANSFORMATIONAL SG&A  
TO REINVEST IN THE BUSINESS**

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**STRATEGIC CAPITAL ALLOCATION  
AND WORKING CAPITAL MANAGEMENT**

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**DELIVER SHAREHOLDER VALUE**



**Walmart**   
México y Centroamérica

# Q&A