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WALMEX (HOLD, PT\$85.00)

Flash: Walmex Day. Driving the Omnichannel strategy with sales floor growth

- Few surprises on investor day, where Walmex reiterated its drive for business transformation through pricing strategies, investment in technology, and expansion of its service portfolio
- Growth base remains in SSS, but long-term perspective is in Omnichannel, supported by strategic positioning of stores in Mexico and Central America

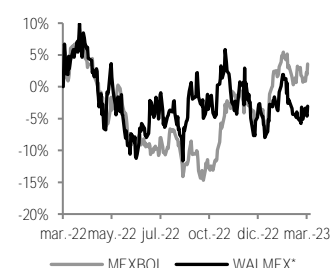
Initiatives in all business areas and increased services should continue to underpin sustained growth. Investor day remained in line with expectations, favored by organic expansion plans, but seeking to significantly leverage physical stores for Omnichannel strategies. In that sense, the company continues with a series of measures aimed at increasing product offering of its 'extended catalog', as well as rising the services that are integrated into its 'ecosystem', where the most notable, is in the possibility of greater financial services and pharmacy business.

Walmex's plan to generate sustained growth consists of 3 pillars: (1) Win at a discount; (2) be Omnichannel leaders; (3) being the costumer's preferred ecosystem. The main action lines are aimed at increasing sales through services growth, having an important leverage base through a rise in sales floor, as well as greater information processing that allows more efficient decision making in all business areas.

For development, the first pillar, which is referred to as (1) '**win at a discount**', is based on maintaining a favorable gap in prices vs. competition, while underpinning value propositions through loyalty programs, maintaining perishables quality, and boosting its private label (~15% of consolidated revenues). In second place is (2) '**be Omnichannel leaders**', aiming to consolidate the home and in-store delivery channel, together with improving shipping times and expanding product's catalog. Finally, (3) '**to be the preferred ecosystem**' contemplates continuing with the good performance of business advertising hand in hand with some relevant products: 'health care', including an annual membership that brings together physical and online customer health care services, as well as discounts on products, integrating: 30 thousand health memberships, 1,500 pharmacies and 500 doctor's offices. The other segment that we highlight in 'preferred ecosystem' is **financial services** with 3 key products: **Cashi**, with the objective of continuing to increase the customer portfolio, improving the platform through design, and simplifying the user experience. In addition, it is expected that in the next few weeks the company will have the approval of the purchase of a Mexican Financial Institution of Electronic

HOLD	
Current Price	\$72.64
PT	\$85.00
Dividend	\$2.69
Dividend Yield (%)e	3.7%
Upside Potential	20.7%
Max – Min LTM (\$)	81.92-65.84
Market Cap (US\$m)	70,006.1
Shares Outstanding (m)	17,461.4
Float	29.5%
Daily Turnover (\$ m)	1,130.6
Valuation metrics LTM	
FV/EBITDA	13.9x
P/E	24.3x
MSCI ESG Rating*	A

Relative performance to MEXBOL LTM



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Document for distribution among public

Payments, opening the possibility of financial deposits. Remittances, where through 'Walmart to Walmart', they seek to expand the payment network (2nd largest remittance network by branches), standardize all processes, and maintain competitiveness through low commissions (\$2.5 vs. ~\$7 market average). **Credit solutions**, representing a greater amount of products for Cashi, Kiosks, and credit for cell phones.

Enablers or catalysts for this year's expansion are identified as: (1) **Customer and data centrality**, with information processing being the key to identifying consumer tastes and preferences, as well as distribution processes; (2) **Technology**, which implies continuing with the development of eCommerce platforms, as well as advancing in predictive demand processes and automation; (3) **Supply chain**, which implies leveraging the 8 current distribution centers; and (4) **Talent**, maintaining and promoting associates.

Greater Capex investments and dividends stability. The company announced that during the year it will invest MXN 27.1 billion in Capex (+27% y/y), which will be allocated primarily to four areas: remodeling (45%), opening of new units (29%), technology (14%), and supply chains (12%). Finally, they maintain a stable outlook for dividends distribution with a proposed one of MXN 2.69 per share, representing a yield of 3.7% at current prices and very close to our initial estimate of MXN 2.64. The ordinary distribution would be made in 2 payments of MXN 0.56 per share, the first payable in November and the second one in December. Extraordinary dividends would be segmented into 3 payments: MXN 0.75 per share in April, and two more of MXN 0.41 each, the first in November and the second in December. Finally, although the expansion should continue and the strategies seem positive to us, which is already incorporated in our forecasts, important challenges prevail in the environment derived from margin pressures due to cost increases and investment expenses in Mexico, which was confirmed in [4Q22](#) results. We reiterate our recommendation to HOLD.

Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Yazmin Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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	Reference
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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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History of PT and Ratings

Stock	Date	Rating	PT
WALMEX	20/10/2022	HOLD	\$85.00
WALMEX	26/07/2022	HOLD	\$79.23
WALMEX	26/02/2022	HOLD	\$80.38

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD	AVERAGE				LEADER	

*The MSCI ESG Rating is an indicator that evaluates companies in Environment, Society and Governance (ESG) metrics.

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