THE INVESTMENT CASE

EQUITY RESEARCH

# Wal-Mart de México y Centroamérica, S.A.B. de C.V.

Wal-Mart de México y Centroamérica, S.A.B. de C.V.
Consumer Staples · Multi-format Retail
BMV: WALMEX*

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WALMEX

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# 02 Company Overview

## The Dominant Retailer of Mexico

**WALMEX is the dominant, net-cash retailer of Mexico and Central America, around 71%-owned by Walmart Inc., running five core formats plus a fast-scaling ecosystem; its quality, an ROE near 21% on a defensive staple base, is exactly what the cost-of-capital debate turns on.** The company is the largest retailer in Mexico and Central America and a controlled subsidiary of Walmart Inc. It holds an estimated 65% to 68% of Mexican modern-trade self-service. Last-twelve-month revenue is around MXN 1.0trn, the fleet serves roughly 6mm customers a day, and the workforce numbers 236,000 to 241,000 associates. This is a scale, density and supply-chain story, not a turnaround.

The operating model is multi-format. Bodega Aurrera, the discount banner, is the primary growth vehicle; Walmart Supercenter is the hypermarket; Sam's Club is the membership warehouse club; and Walmart Express is the proximity format. Sam's Club and Walmart Express are Mexico-only. Central America adds discount stores, supermarkets, bodegas and Walmart units across the region. The Mexico revenue mix in 2025 runs Bodega 46%, Walmart Supercenter 25%, Sam's Club 22% and Walmart Express 5%, so the discount and hypermarket banners together carry roughly seven of every ten Mexican pesos of sales.

Geographically the business is concentrated at home. Mexico is around 83% of revenue and 85% of EBITDA; Central America is around 17% of revenue and 15% of EBITDA across six coun-

### COMPANY SNAPSHOT

**~71%**

**OWNED BY WALMART INC.**

Free float ~28-29%; single share class.

**~MXN 1.0trn**

**LTM REVENUE**

~83% Mexico / ~17% Central America.

**21.3%**

**FY2025 ROE**

Net cash; no financial debt.

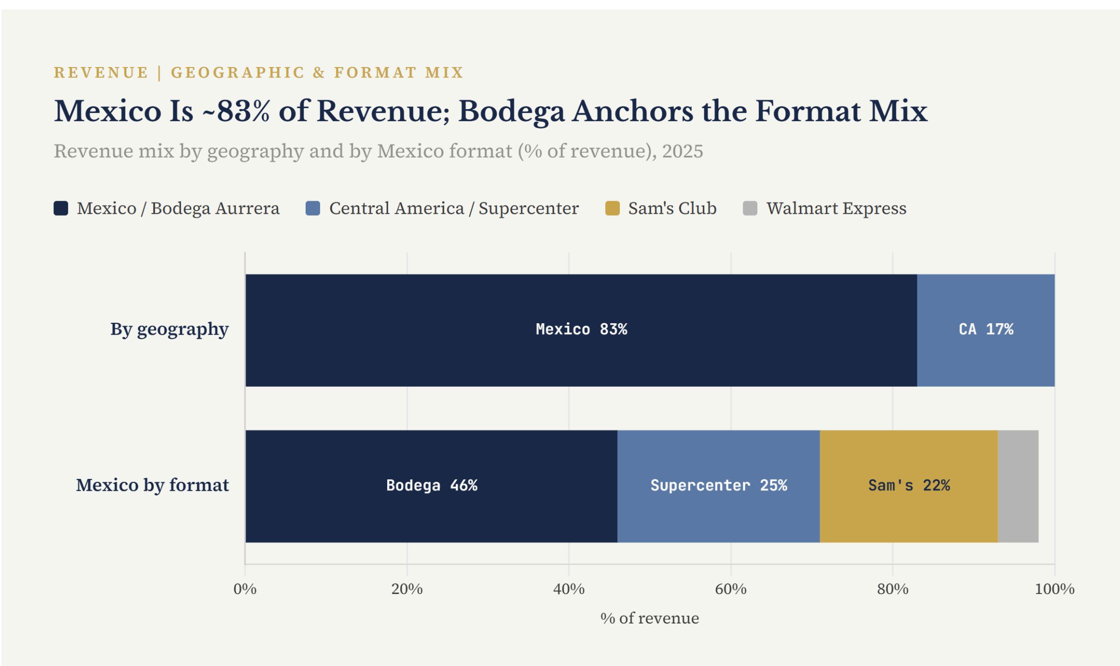
**4,282**

**STORES (1Q26)**

6 countries; ~6mm customers/day.

tries. The capital structure is unusually clean: a single share class, around 17,292mm shares at year-end 2025 (down from 17,446mm on the 2025 buyback), and a free float near 28% to 29%, the balance held by the parent.

The quality that anchors the thesis sits in three numbers: net cash with no financial debt, FY2025 ROE of 21.3%, and an EBITDA margin of 10.2%. A dominant, cash-generative, defensive compounder is precisely the kind of asset whose valuation is decided by the discount rate, not the next earnings print. We develop that cost-of-capital question in the Valuation section. Layered on the retail base is an expanding ecosystem: e-commerce, the Walmart Connect retail-media platform, fintech through Cashi and the Bait mobile service, and health and pharmacy. We treat it as optionality rather than a banked step-change, and we detail it on the third page of this section.




*Revenue mix by format (Bodega 46%, Walmart Supercenter 25%, Sam's Club 22%, Walmart Express 5%) and by geography (Mexico ~83% / Central America ~17%), 2025. Source: company filings; The Investment Case.*

# Scale & Store Fleet

**WALMEX added a record 186 stores in 2025 and keeps expanding the fleet at around 6% a year, led by Bodega Aurrera, but the growth is increasingly store-count and price-driven rather than traffic-driven.** The company operated 4,282 stores at 1Q26 (3,330 in Mexico, 952 in Central America), up from 4,265 at year-end 2025 (3,316 Mexico, 949 Central America). Aggregate selling-floor area reached roughly 8.0mm m² in 2025. Our model carries the fleet from 4,079 units at the end of 2024 toward roughly 5,205 by 2030E, a continuation of the same density build that has compounded revenue for a decade.

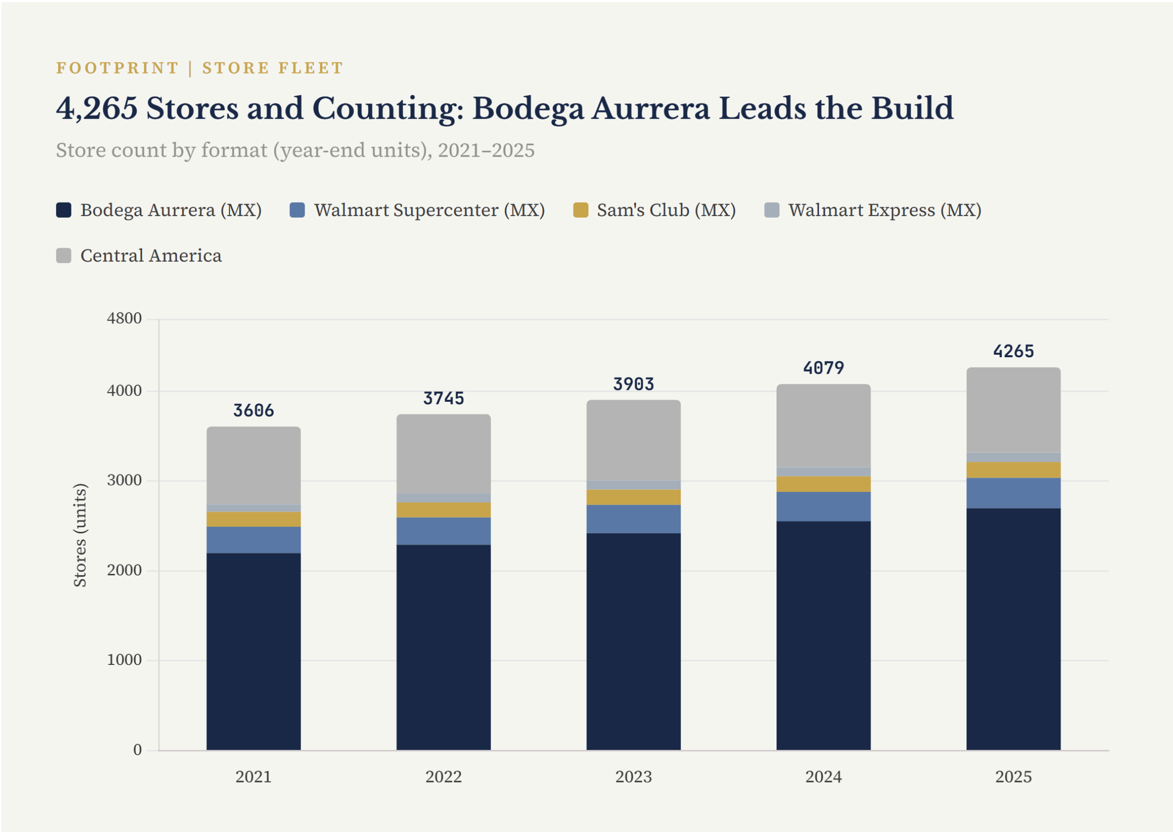
# Expansion | A Record Year, Led by Bodega

The 2025 program was the most aggressive in over a decade. WALMEX opened a record 186 new stores, the most since 2013, adding around 212,000 m² of floor space, after 180 openings in 2024. At Walmex Day 2026 management set a target of more than 1,500 new stores across 2025 to 2029, roughly 300 a year, lifting Mexican population reach from 75% to 83% in 2026 and toward more than 99% over three years. Bodega Aurrera remains the engine: the discount banner is where the unit economics, the catchment density and the trade-down tailwind concentrate.

| Format (year-end units) | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Bodega Aurrera (MX) | 2,198 | 2,292 | 2,419 | 2,553 | 2,698 |
| Walmart Supercenter (MX) | 294 | 303 | 316 | 327 | 338 |
| Sam's Club (MX) | 165 | 167 | 170 | 173 | 176 |
| Walmart Express (MX) | 85 | 101 | 102 | 101 | 104 |
| **Total Mexico** | **2,756** | **2,863** | **3,007** | **3,154** | **3,316** |
| **Total Central America** | **864** | **882** | **896** | **925** | **949** |
| **Total stores** | **3,620** | **3,745** | **3,903** | **4,079** | **4,265** |

*Source: Company filings (annual reports 2021-2025).*

The format-by-format trend confirms where the growth lands. From 2021 to 2025 Bodega Aurrera grew from 2,198 to 2,698 units, Walmart Supercenter from 294 to 338, Sam’s Club from 165 to 176 and Walmart Express from 85 to 104, while Central America expanded from 864 to 949. Within Central America the 2025 fleet splits into 636 discount stores, 99 supermarkets, 175 bodegas and 39 Walmart units. Selling-floor area by format is a genuine corporate non-disclosure; we do not fabricate a precise split, and our per-format economics rest on per-unit averages rather than a reported breakout.




*Store fleet by format, 2021-2025: total around 4,265 at year-end 2025; Bodega Aurrera leads expansion. Source: company filings; The Investment Case.*

The fleet connects directly to the quality-of-growth concern that runs through this report. New-store openings contribute an estimated 1.5% to 1.7% of sales growth and clearly support the top line. The problem is the underlying comparable: it is ticket, not traffic. Mexican store traffic has been negative in four of the last five quarters even as same-store sales stay positive on higher average tickets. Aggressive square-footage growth can mask a soft consumer for a while, but it does not resolve it. This is the price-only-growth pillar of the bear case, and we develop the ticket-versus-traffic mechanics in the Financial Analysis section.

# Management & Governance

**A new CEO and an incoming CFO take the helm just as the ecosystem businesses scale, but we read Connect, Bait and Cashi as optionality and scale-on-Walmart's-base plays, not banked consumer-brand winners.** Cristian Barrientos Pozo became chief executive in October 2025, succeeding Ignacio Caride. The finance seat turns over next: Paulo Garcia departs on 15 August 2026 and Camilo Cañedo Priesca, who comes from Walmart U.S., where he led financial planning and e-commerce initiatives, takes over. A permanent strategy confirmation under the new CEO and CFO is a secondary catalyst we watch, though the controlling-shareholder structure limits how far any strategy can drift.

Governance reflects the parent. The board was set at eleven proprietary directors approved at the April 2026 AGM (ten named, one to be appointed), with 50% independent and a majority women (6 of 10 named), and is chaired by Kyle Kinnard, a non-executive director (Walmart International EVP & COO), who succeeded Guilherme Loureiro on his departure as Chairman effective 31 March 2026. Walmart Inc. holds around 71% of the equity, leaving a free float near 28% to 29%. That concentration cuts two ways. It delivers sourcing scale, technology and a proven retail playbook, and it concentrates governance and transfer-pricing exposure in a single related party. It may also cap the quality premium the bull case needs, since a controlled, thinly-floated subsidiary tends to trade at a discount to an equivalent independent franchise. We tie this to the re-rating discussion in the Valuation section.

| Item | Detail |
|---|---|
| Controlling shareholder | Walmart Inc. ~70.6% via Intersalt (~71% on the post-buyback deck). |
| Free float | ~28-29%; single share class (WALMEX*). |
| Shares outstanding | ~17,292mm (year-end 2025; falls on the buyback). |
| Board | Eleven proprietary directors approved at the April 2026 AGM (ten named, one to be appointed); 50% independent; a majority women (6 of 10 named). |
| Chair | Kyle Kinnard (non-executive; succeeded Guilherme Loureiro, who stepped down as Chairman 31 Mar 2026). |
| Chief Executive Officer | Cristian Barrientos Pozo (from October 2025). |
| Chief Financial Officer | Camilo Cañedo Priesca (from August 2026; succeeds Paulo Garcia). |

*Source: Company filings (IA-2024); 1Q26 investor deck; CFO-transition release.*

# The Ecosystem | Optionality, Not Banked Accretion

The ecosystem is the high-margin engine that funds WALMEX's price investment, and it is the source of the gross-margin expansion that runs alongside falling EBITDA margin. We credit it as real and growing. We do not bank it as a near-term step-change in profitability, because management deliberately recycles most of the income back into everyday-low-price. That reinvestment choice is the crux of the thesis, developed in the Financial Analysis section; here we size the pieces.

**Walmart Connect** is the retail-media platform and the highest-margin line in the group. Mexican revenue was around MXN 4.4bn in FY2025, up 17%, and it accelerated to plus 33% year-on-year in 1Q26; the soft plus 5% print was 4Q25, on pressured supplier budgets, not a structural deceleration. Management describes the economics as very high margin. Our read is that Connect is still early as a brand-budget line and is already partly embedded in the base-case gross-margin grind, so the incremental optionality is narrower than a standalone retail-media multiple would imply.

**Bait**, the mobile virtual-network operator, reached 26.4mm users at FY2025 (+44% YoY), 26.6mm by 1Q26 (+34% YoY, revenue +48%), on roughly MXN 11.5bn of FY2025 revenue, and turned profitable in 2024; subscribers spend about 2.5x more in the stores. We frame Bait as a scale-on-Walmart's-customer-base play. It monetizes the prepaid, lower-income, Bodega-shopper footprint the company already owns, rather than a broad consumer-brand win against Telcel.

**Private brands** reached 18.0% of sales in 1Q26, up 90 basis points year-on-year (from 17.1% in 1Q25), against a five-year target in the mid-20s percent, and price-perception scores hit an all-time high, up 340 basis points year-on-year. **Cashi**, the digital wallet, is SPEI-linked and integrated Aplazo's buy-now-pay-later product in November 2025, but it remains a pilot against a dominant Mercado Pago. Across these four, our locked view is that the ecosystem is upside and optionality, weighted to prepaid and lower-income segments, not the near-term margin accretion a bull needs to underwrite. What we do not bank is a step-change in Connect's contribution or in broader SG&A leverage. The margin bridge that this engine feeds is charted in the Financial Analysis section.

# 06 Growth & Catalysts

**WALMEX's Walmex Day plan is credible and the ecosystem is genuine optionality, but the three catalysts that actually move the valuation are narrower: a margin inflection, the tax-driven 2026 EPS rebuild, and a rate-driven re-rating that now needs a fresh macro trigger. Each carries an explicit direction, so a constructive read and an adverse read are both on the table.**

The chapter opens with a table of five dated items, each with its timeline, probability, direction and confirming print. One section is reproduced here in full.

## The Walmex Day Plan Is the Growth Frame, Not a Fourth Catalyst

Management's three non-negotiables are price leadership (reinvest new-business income into price; private brands from 18.0% toward the mid-20s%), in-store availability, and e-commerce acceleration (triple GMV in five years, with On-Demand the core and Marketplace the stated recovery priority off a 1Q26 GMV decline of 14.4%). The quantified targets are a sales CAGR around 8%, more than 1,500 new stores across 2025-29 (around 300 a year), Mexico population reach rising from 75% to 83% in 2026 toward more than 99% within three years, two automated distribution centres from 2027 (cost-to-serve down around 10%), and 2026 capex of MXN 43bn (+10%). We read the plan as a credible reinvestment programme that supports mid-single-digit compounding; it is the backdrop the three catalysts play out against, not an additional re-rating trigger.

### The full report develops the rest of the chapter with the same discipline:

1. The dated catalyst table: five items, each with its timeline, probability, direction and confirming print
2. Why the Margin Inflection Leads, and Where It Breaks
3. The 2026 effective-tax-rate normalization and the mechanical EPS rebuild
4. The rate regime: the dominant valuation lever, and why it needs a fresh macro trigger
5. Ecosystem scaling and capital returns: Connect, Bait, private brands and the CFO transition

*Built from the primary filings, the Walmex Day 2026 materials and the earnings calls, every figure traced to source.*

## This is a preview of our full Walmex deep dive.

The complete 65-page report includes:

**Executive Summary:** Investment tear sheet, the investment thesis, bull case, bear case and key risks, the fair-value range, the financial snapshot and the key catalysts

**Company Overview:** The multi-format franchise and the moat, formats and ownership, scale and the store fleet, management, governance and the ecosystem businesses

**Industry and Competitive Landscape:** Mexican modern trade, ANTAD and the consumer, e-commerce and hard discount, the peer set and WALMEX's premium position

**Financial Analysis:** Revenue and same-store-sales quality, profitability and the EDLP-reinvestment crux, the balance sheet and net cash, cash flow and capital allocation, and the key metrics

**Valuation:** The FCFF discounted cash flow on a normalized WACC, the reverse DCF, scenarios and sensitivity, relative valuation against peers, and the football field behind the blended conclusion

**Growth and Catalysts:** Margin inflection, the 2026 tax and EPS normalization, store expansion, ecosystem optionality and the rate regime (you have read one section; four remain)

**Risk Analysis:** The risk matrix, structural versus cyclical margin compression, hard-discount share loss, cost-of-capital reversal, Central America and parent concentration

**Conclusion:** The investment thesis summary, bull, bear and key risks, and what would change our view