



# GENOMMA LAB INVESTOR DAY

NOVEMBER 3, 2016



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# Today's Presenters

**Max Juda**



**CEO**

- 14 years at LABB

Prior Experience:

- COO, Head of International
- Launched Argentina, Brazil and US operations

**Antonio Zamora**



**CFO**

- Joined Dec 2015

Prior Experience:

- CCO Cydsa
- CFO Grupo LALA
- Strat. & Financial Planning PEPSICO
- McKinsey & Co

**Marco Sparvieri**



**EVP  
SALES**

- Joined April 2014

Prior Experience:

- EVP Sales P&G
- +20 years of experience in consumer goods

**Stefano Curti**



**GL. PRESIDENT  
OF BRANDS**

- Recently joined

Prior Experience:

- Global President J&J
- CEO & Board Member in Venture Capital and Private Equity -backed PC and Beauty Cos.



# Genomma Lab's Key Imperatives





# Core Competencies



## Before

Demand generation



Talent



POS execution



Mexico: sell-in  
International: sell-out, EBITDA, FCF



Growth

## Today

Demand generation

Developing online

Talent +

Better POS execution

Sell-out, EBITDA, FCF

Sustainable growth  
and brands

## Future

Demand generation

Win online

Continue attracting  
global talent ++

Best POS execution

EBITDA, FCF and ROIC

Sustainable growth  
and brands



# Agenda

1

**LAB Highlights: Then and Now**

2

**Mexico: The Turnaround**

3

**Sustainability**

Brand Equity

Commercial Strategy

Innovation

4

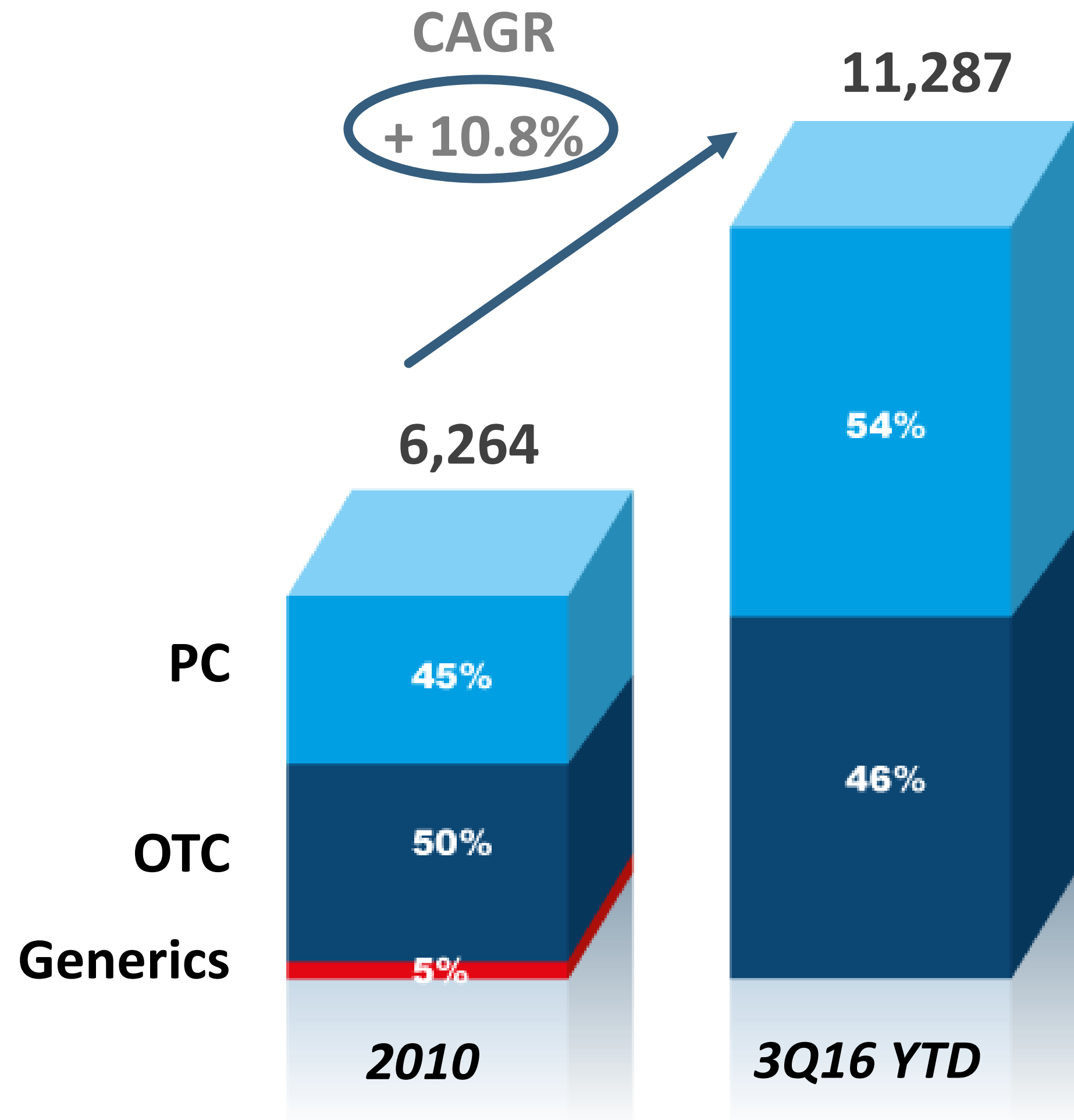
**Financial Results and Outlook**



# Growth Achieved in OTC and PC Since 2010

## Sales by Category

(Million MXN)





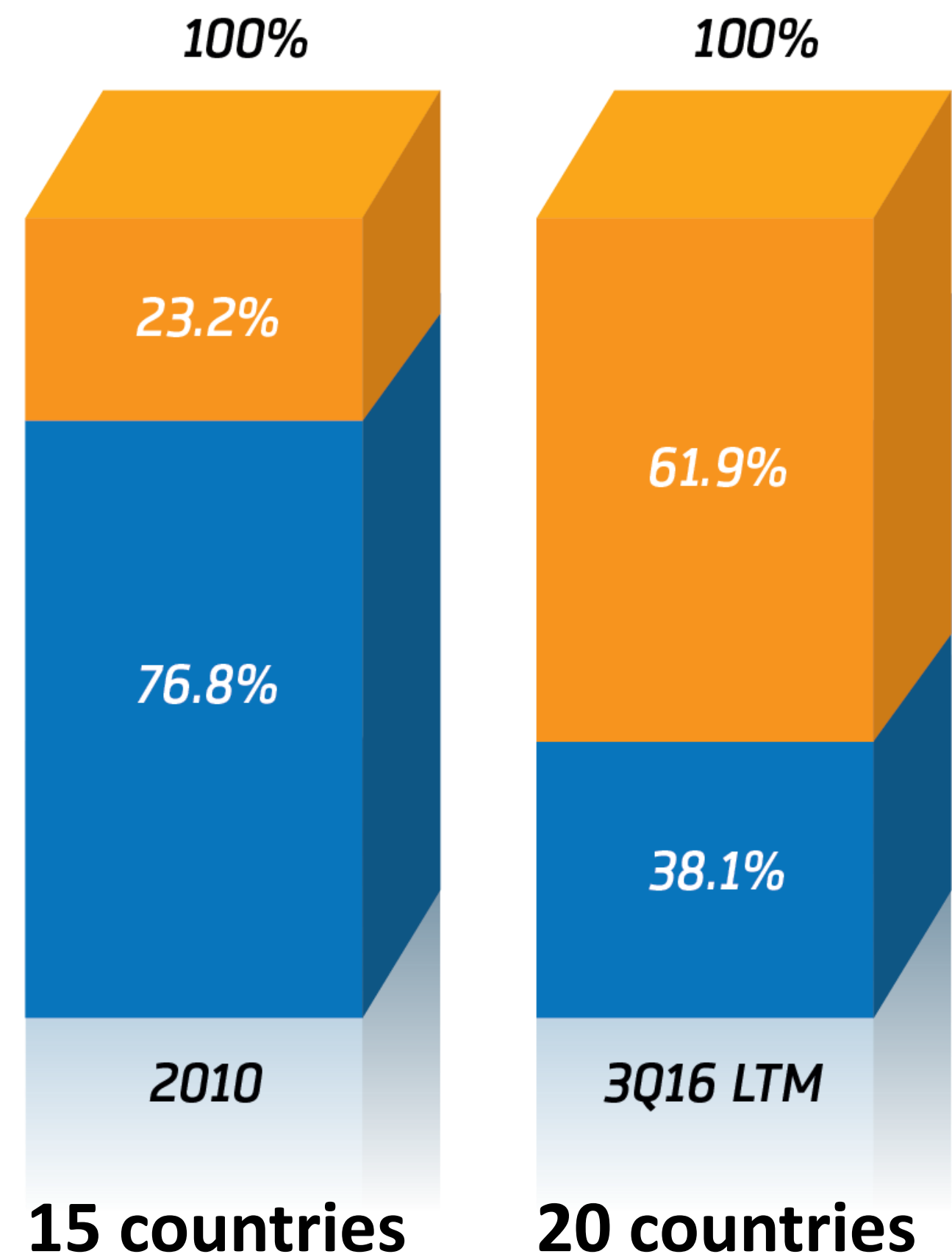
# Significant Geographic Diversification

## Revenue Mix by Region



International

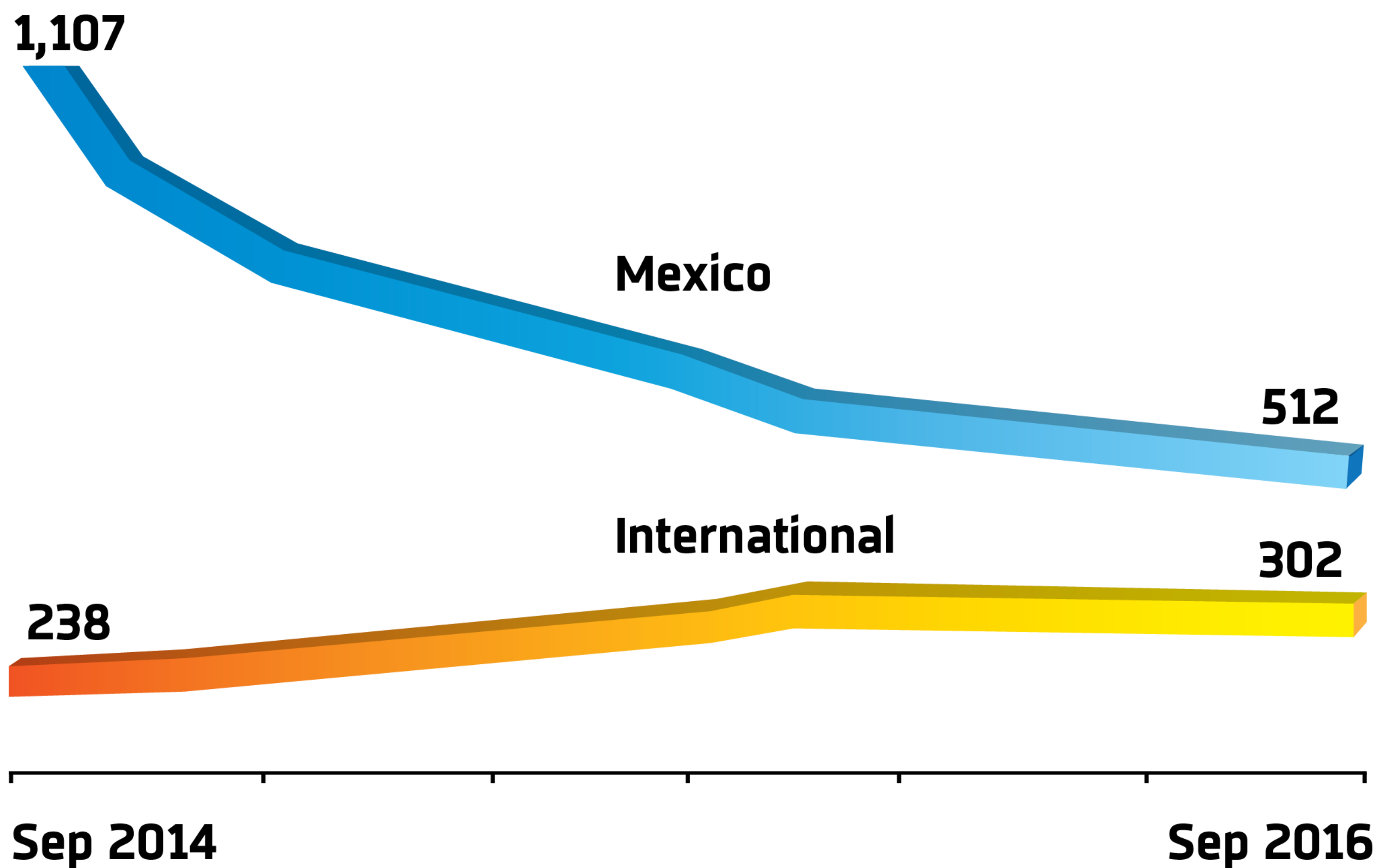
Mexico





# Rightsizing the Organization

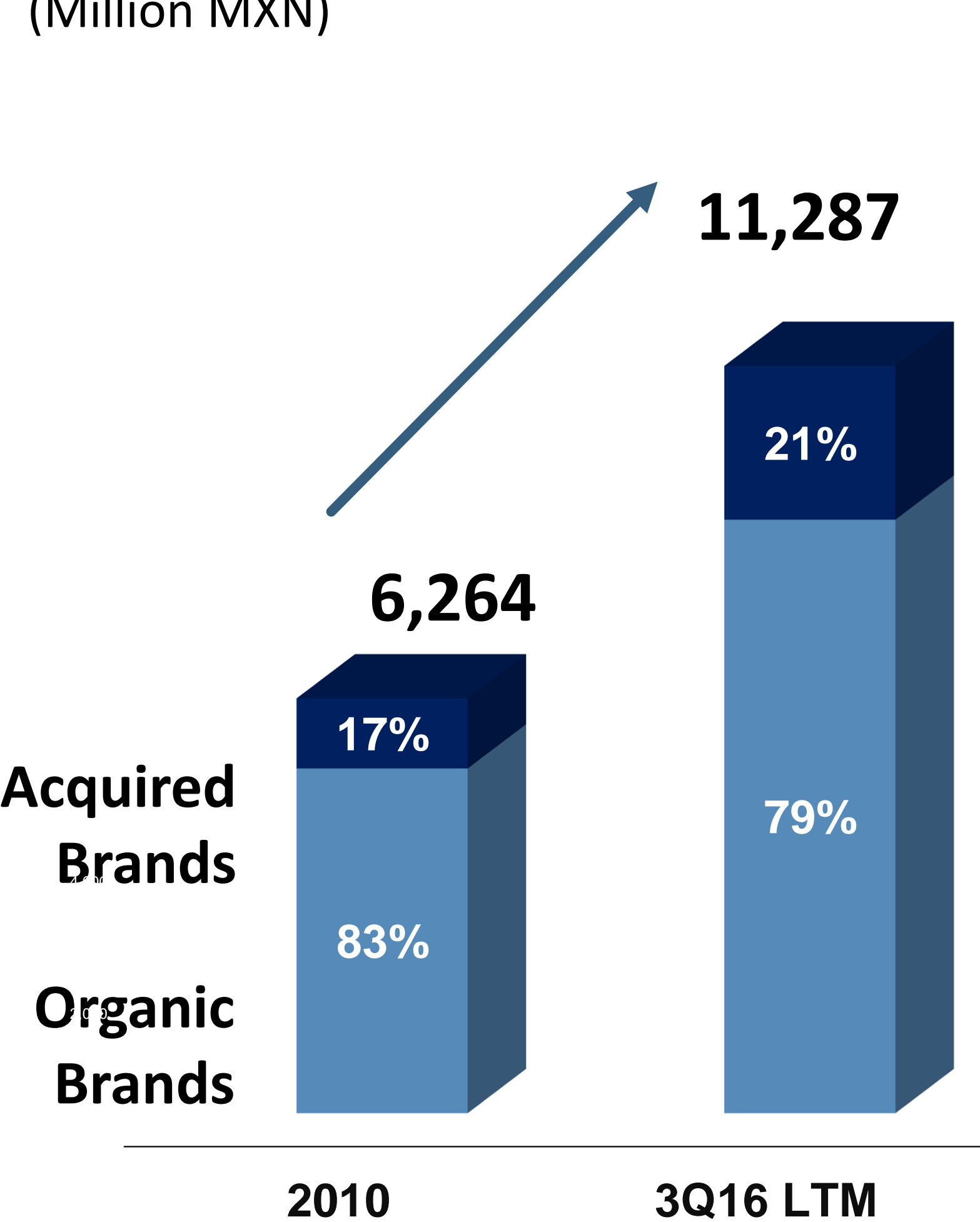
## Employees





# Growth Fueled by Organic Brands and Strategic Acquisitions

(Million MXN)



CAGR:

+10.8%

+ 14.6%

+ 9.9%

## Examples of Acquired Brands



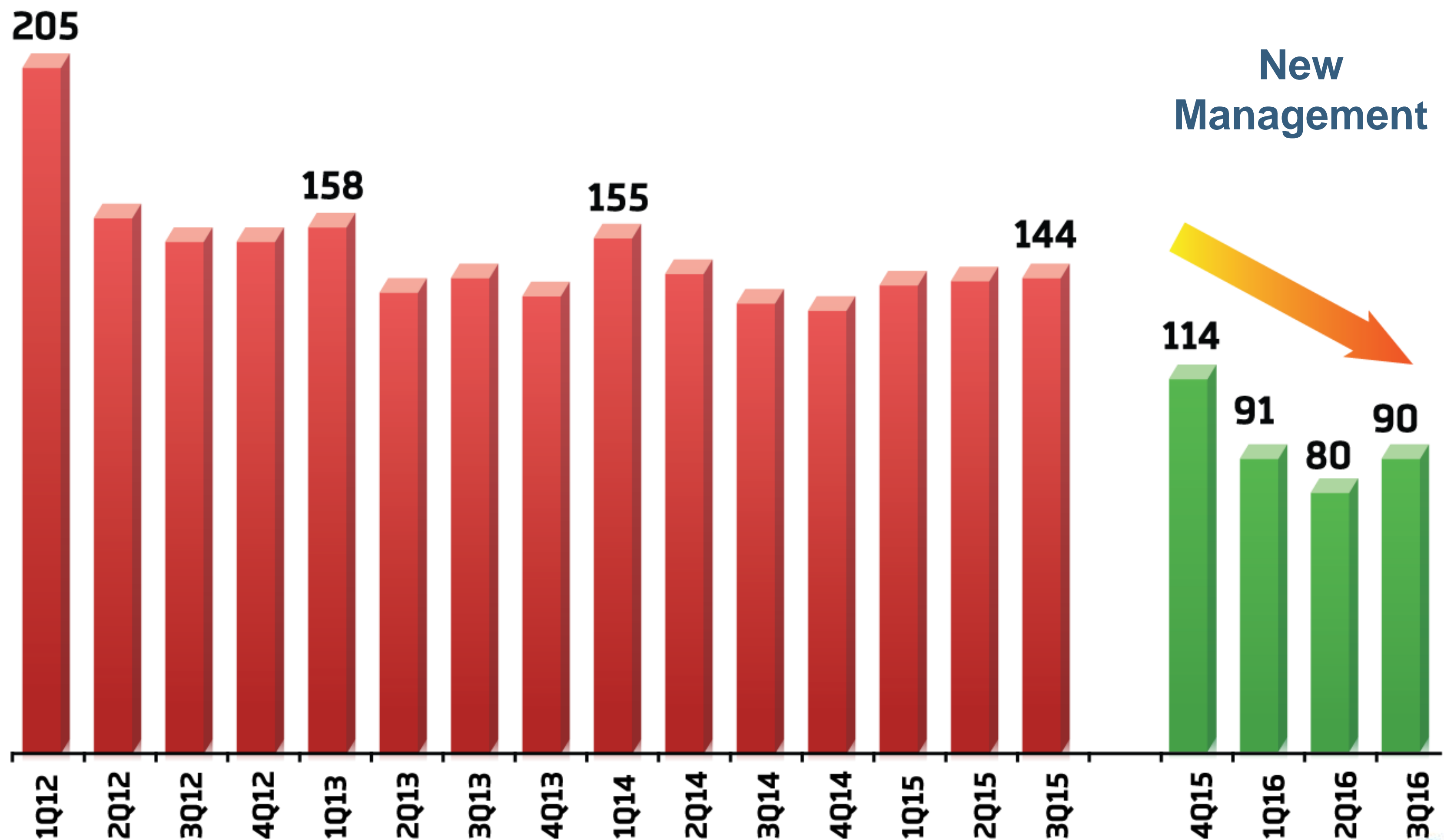
## Examples of Organic Brands





# New Management Focused on Generating Cashflow

## Consolidated Cash Conversion Cycle in Days





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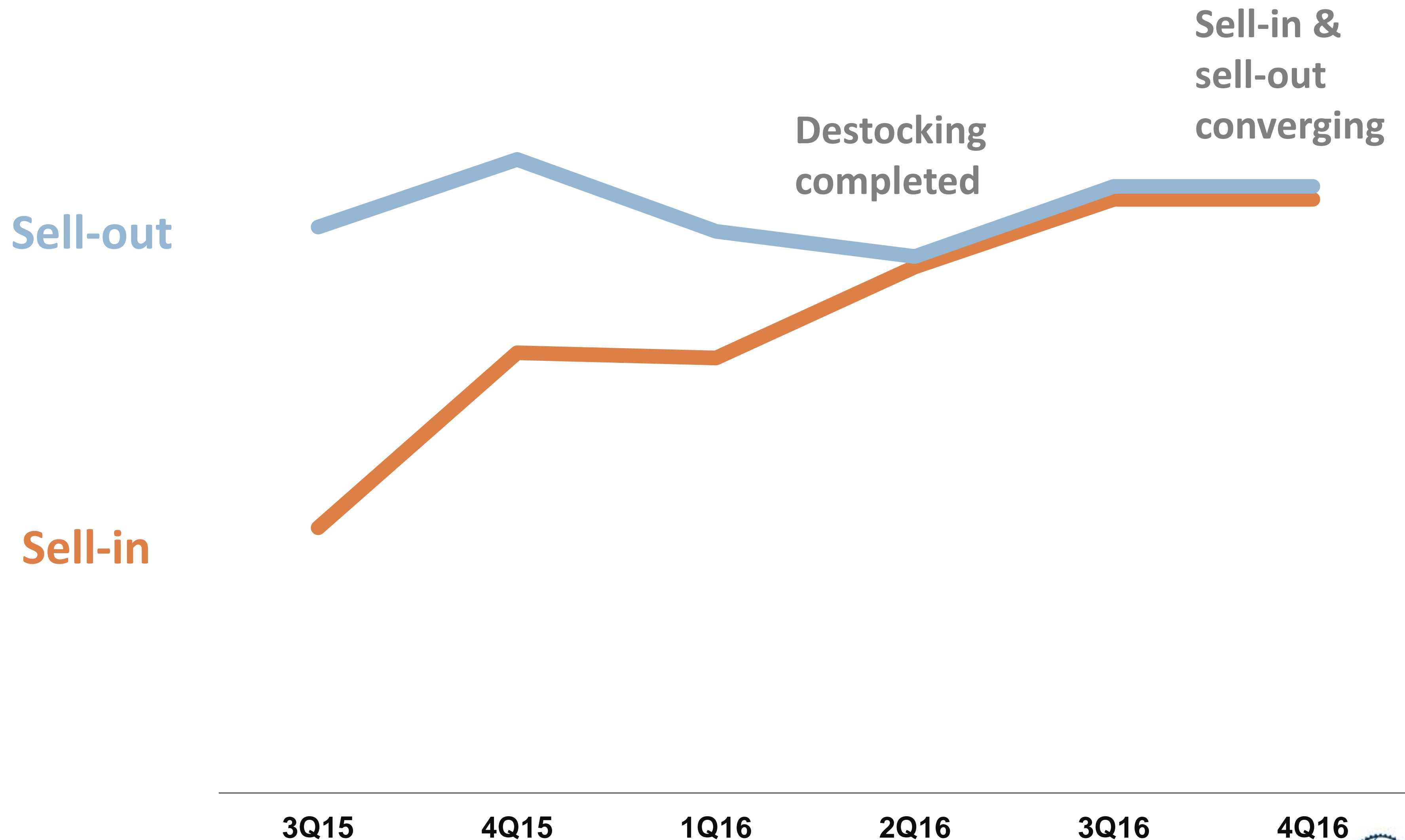
Commercial Strategy

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Financial Results and Outlook

# Sell-in Converging with Sell-out: Successful Destocking Process

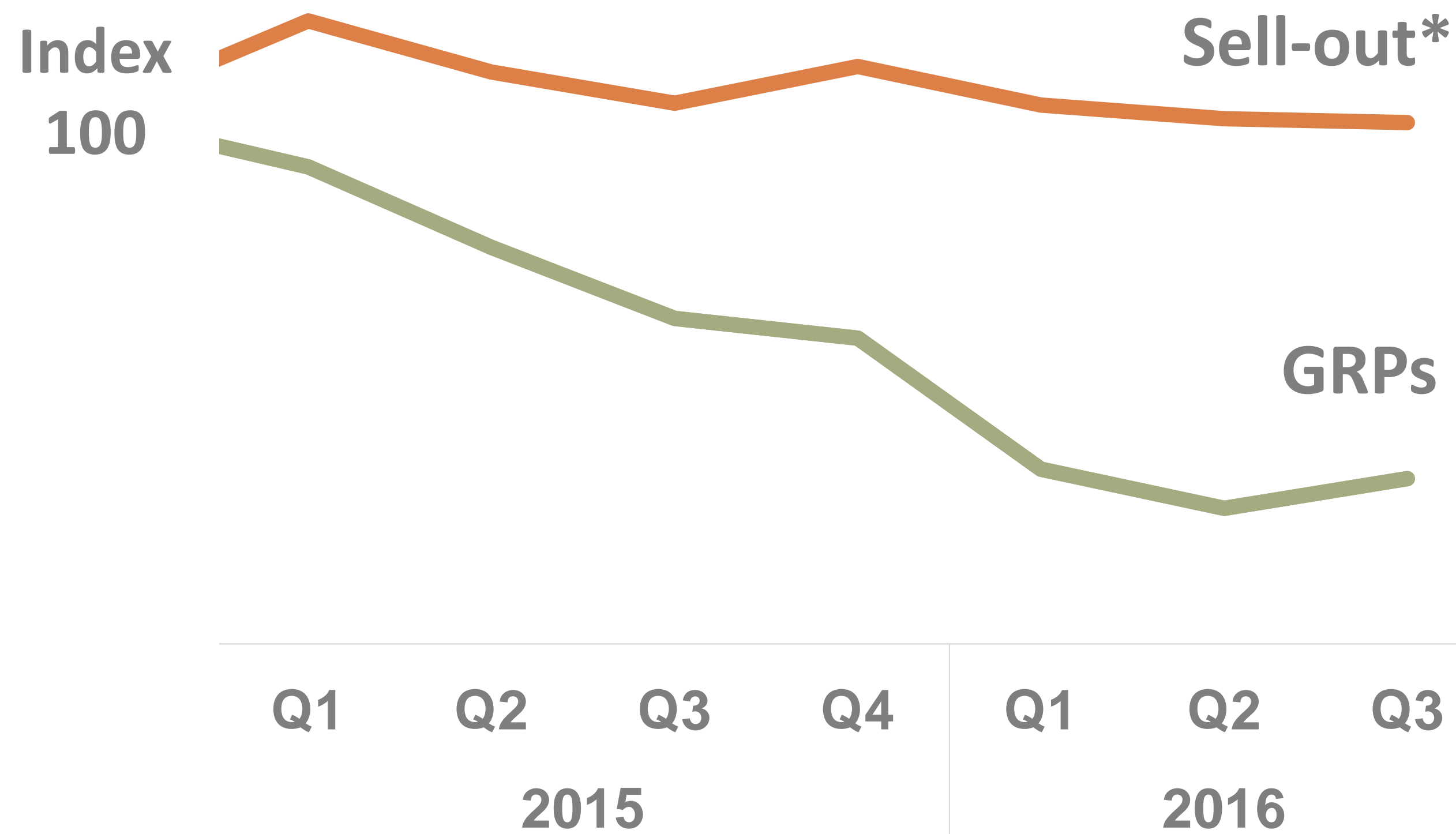




# True Demand Supported by the Strength of our Brands

Actions taken to offset significant media inflation:

- Reduction of 60% in GRP's vs YAGO
- Budget reallocated to optimize advertising expense



\*Real terms: adjusted by inflation. Sell-out affected by fill-rate.  
Base 100: 1Q14

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Commercial Strategy

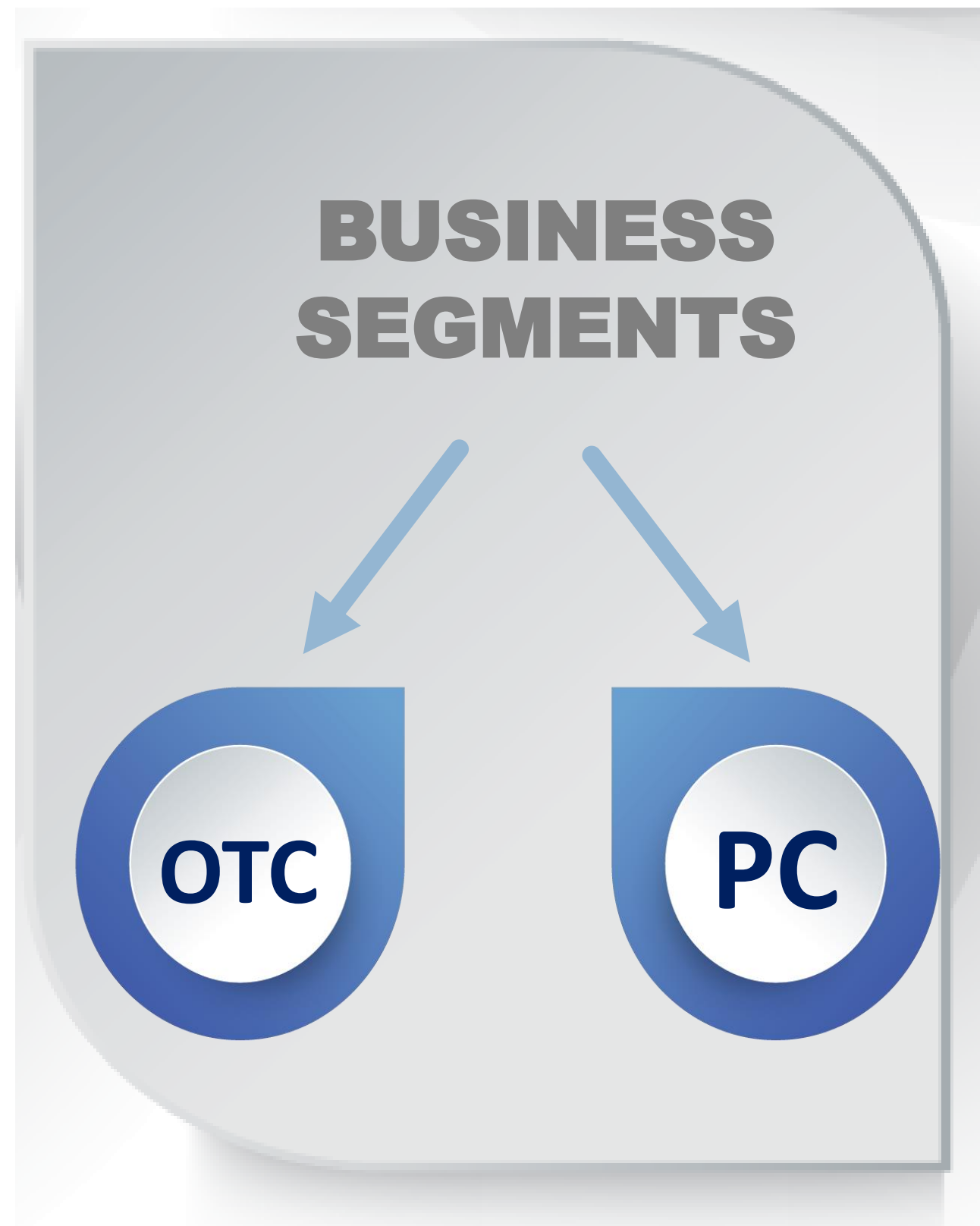
Innovation

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Financial Results and Outlook



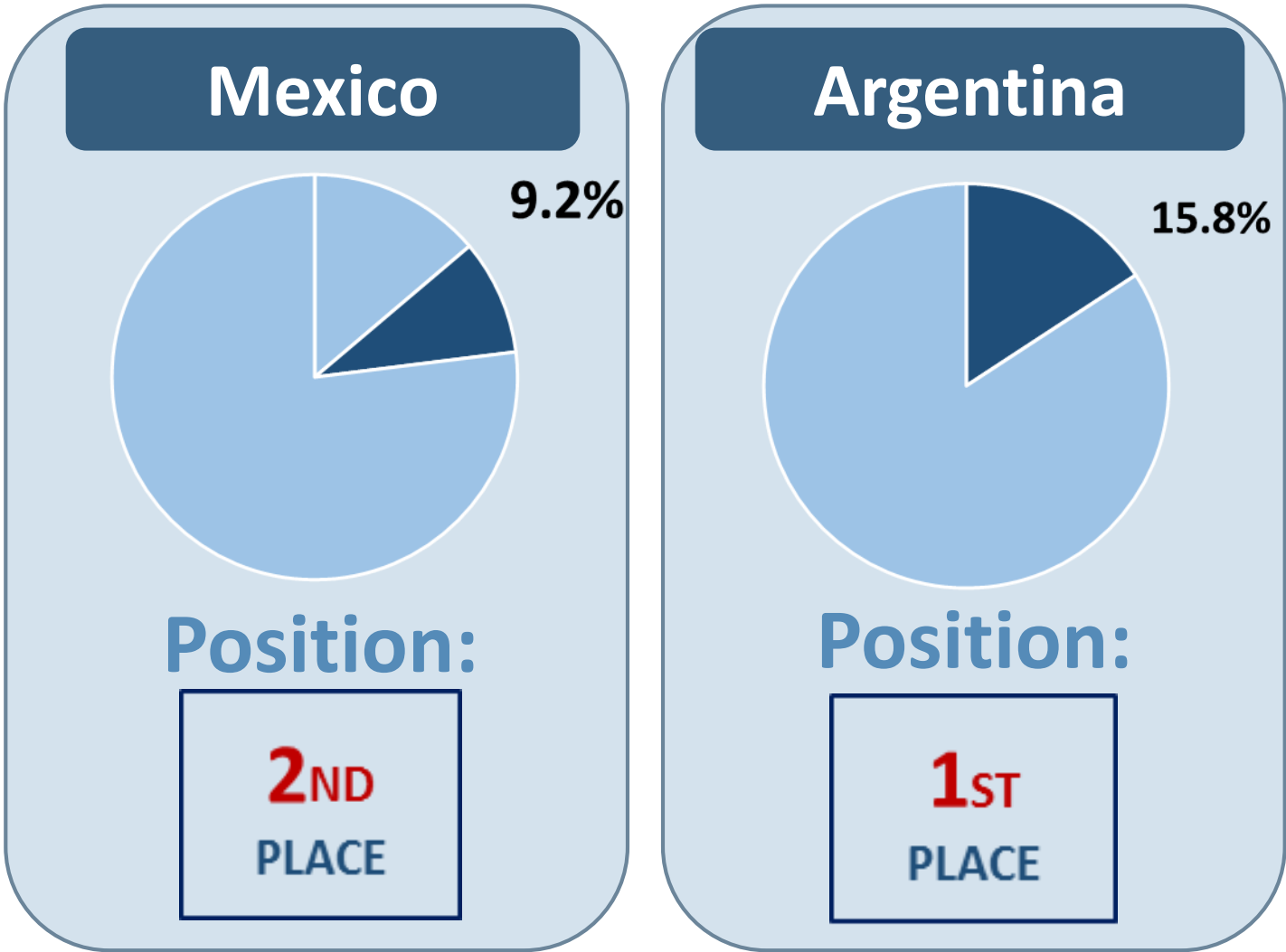
# LAB Participates in Attractive and Growing Business Segments



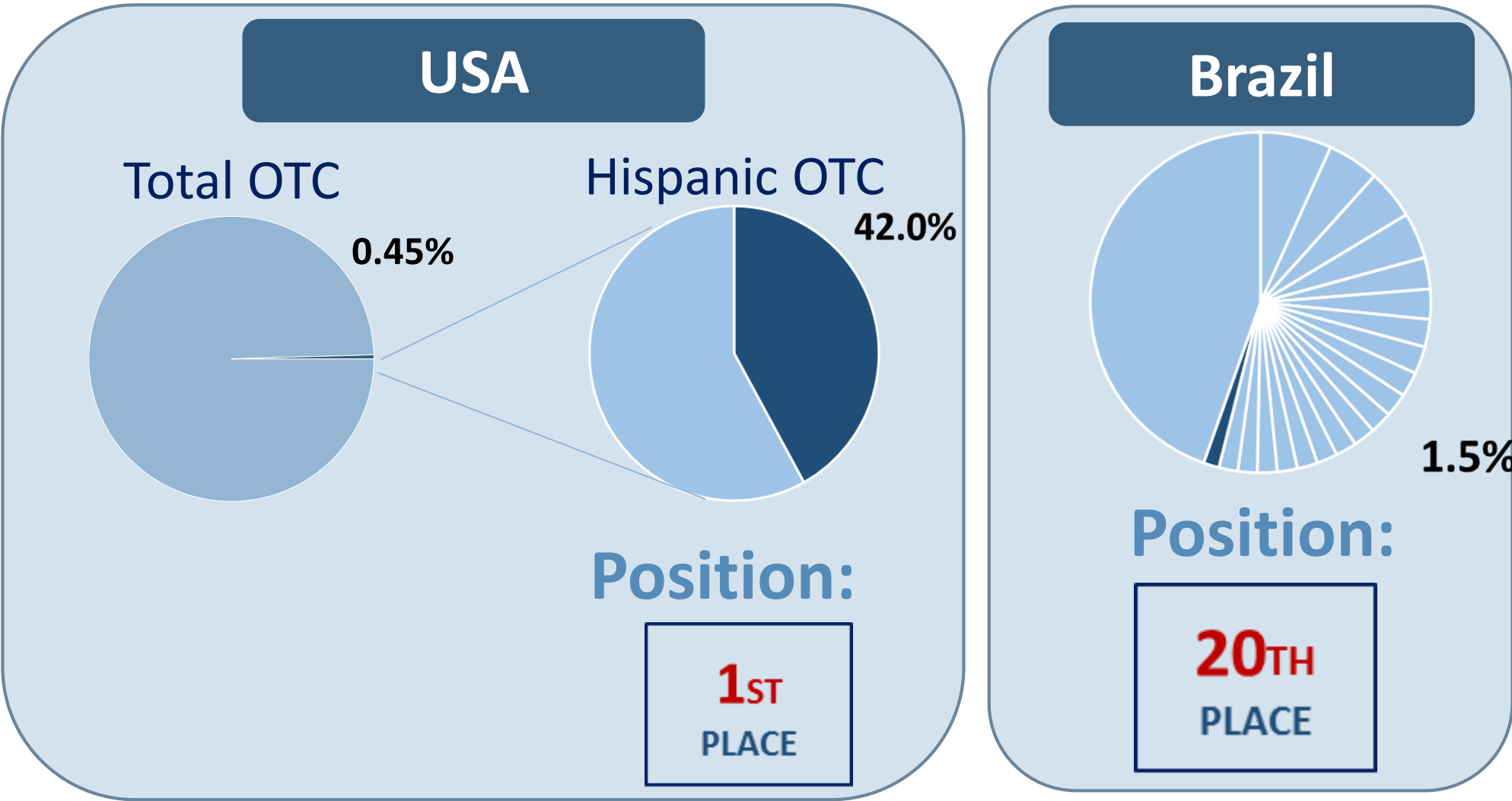
- **Sizable markets**
- **Growth potential**
  - **Latin America**
  - **U.S. Hispanic market**
- **Well-recognized leading brands**

# Genomma is a Leading OTC Player within its Markets

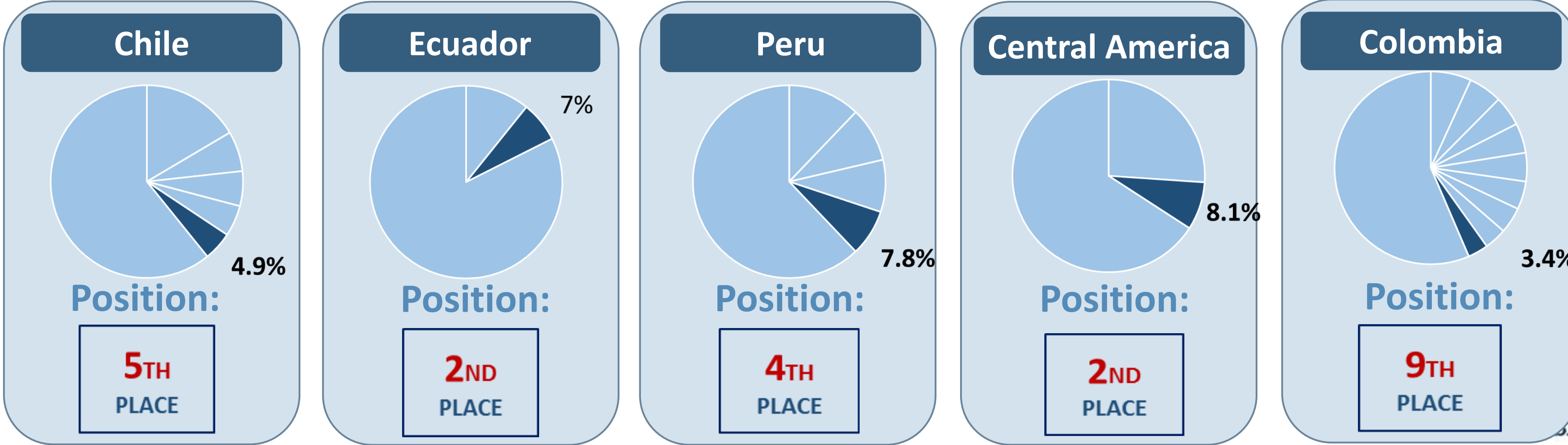
## Top Two Countries



## Highly Fragmented



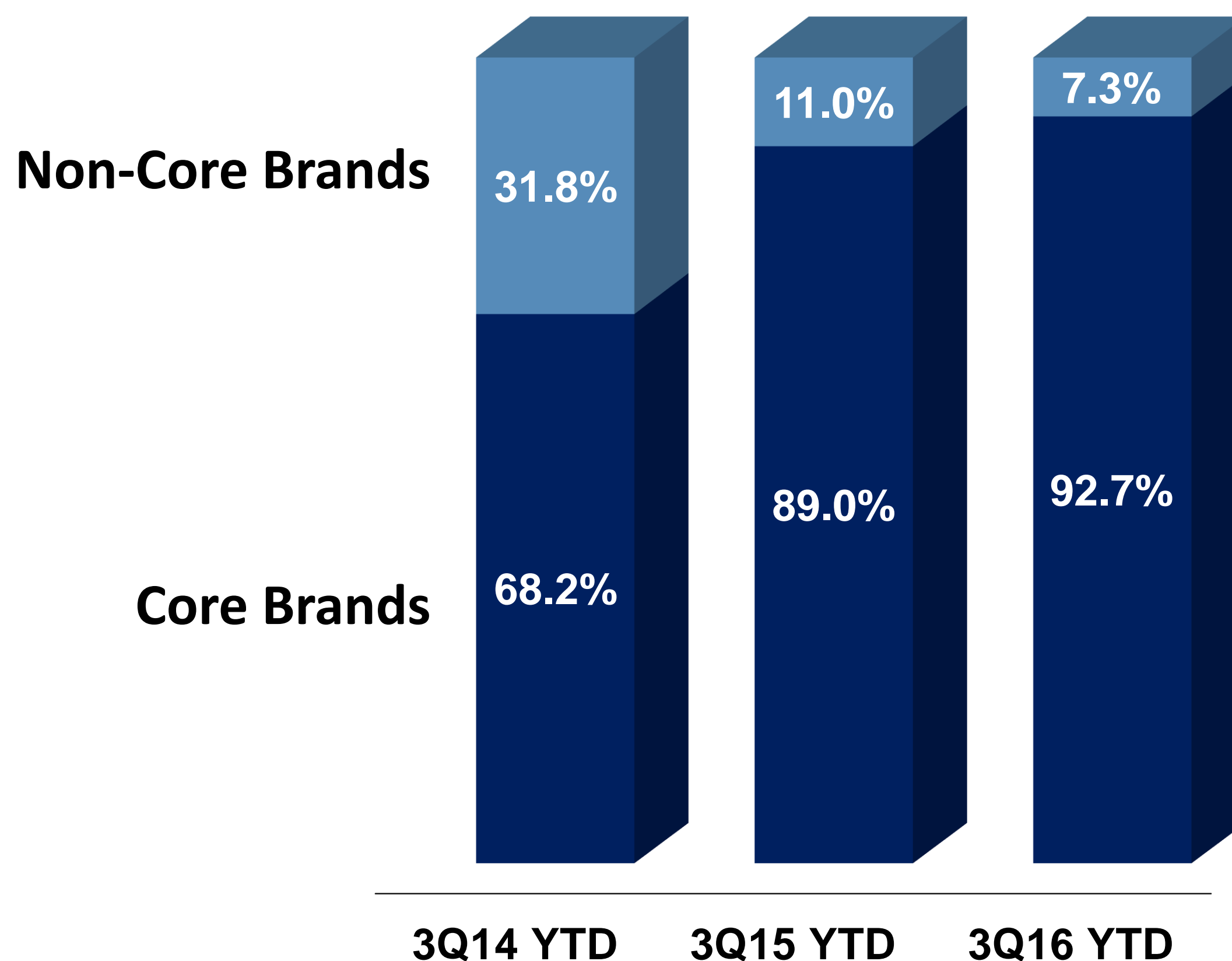
## Significant Growth Opportunity





# Increased Penetration of Core Brands

## Revenue Mix in Mexico



- Better product rotation in the POS
- Higher profitability than non-core brands

~ 95% of sales in our international operations come from core brands.

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# Our Path to Developing Megabrands

**Two Megabrands > US \$100 million**

**Product Line Extensions**

**Asepxia<sup>®</sup>**

Asepxia  
Caps

- Caps
- Neutral soap
- Anti-acne soap
- Powder makeup
- Liquid makeup
- BB cream
- Facial cleansing wipes
- Anti-acne wipes

Mexico → Global

**Cicatricure<sup>®</sup>**

Gel  
Anti-scar

- Gel
- Makeup
- BB cream
- Body cream
- Eye cream
- Stretch mark
- Anti-aging
- SPF

Mexico → Global



# Our Focus on Power Brands Drives Category Growth



Cold & Cough



Anti-acne



Antimycotics



Skin Care



Pain



Sexual Health



Anti-hemorrhoids



Gastro

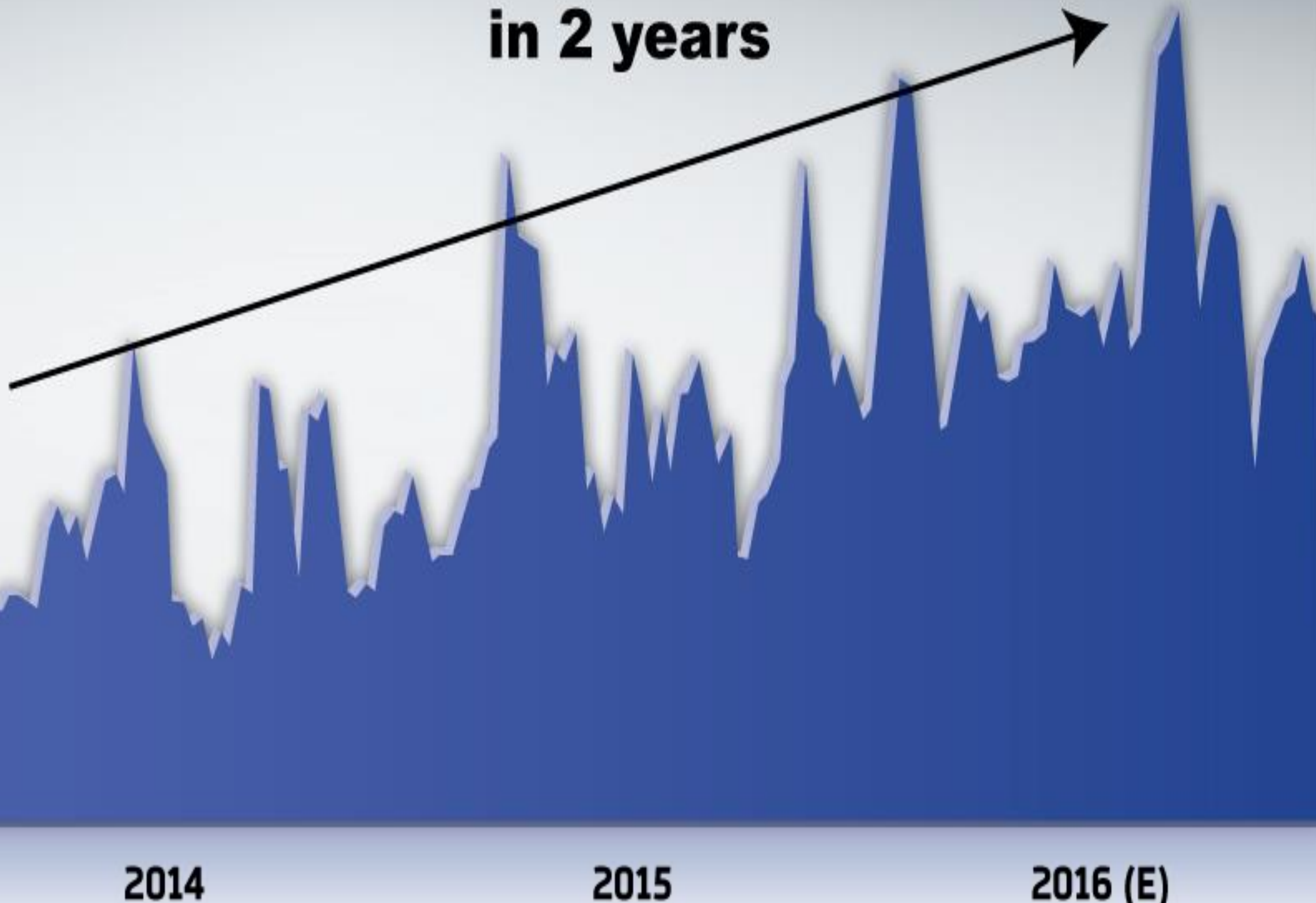


Hair Care



# Genomma's DNA: Disruptive Marketing Strategies to Grow Brands

**2x Sales  
in 2 years**



**“100 Secrets”**

**Home-made “recipes” of  
Pomada de la Campana**

**Mix with natural ingredients  
to obtain different skin  
benefits (exfoliation,  
hydration, etc.).**



# Teatrical: Developing a Power Brand



## Sustainably Successful Launch Model

### Winning Strategy:

- Relevant Concept
- Value Offering & Innovation
- POS Execution

4.6x  
Sales

\$35

\$164



2013

- 90 years of tradition
- Quality & heritage



2014

- Launch into mass facial skin lotions segment
- Unique trend ingredient



2015

- Expansion into body lotion segment



2016

- Design relaunch
- “Anti-wrinkle” innovation
- New sizes



# Acquired Brand Transformed into a Local Power Brand

## Piecidex

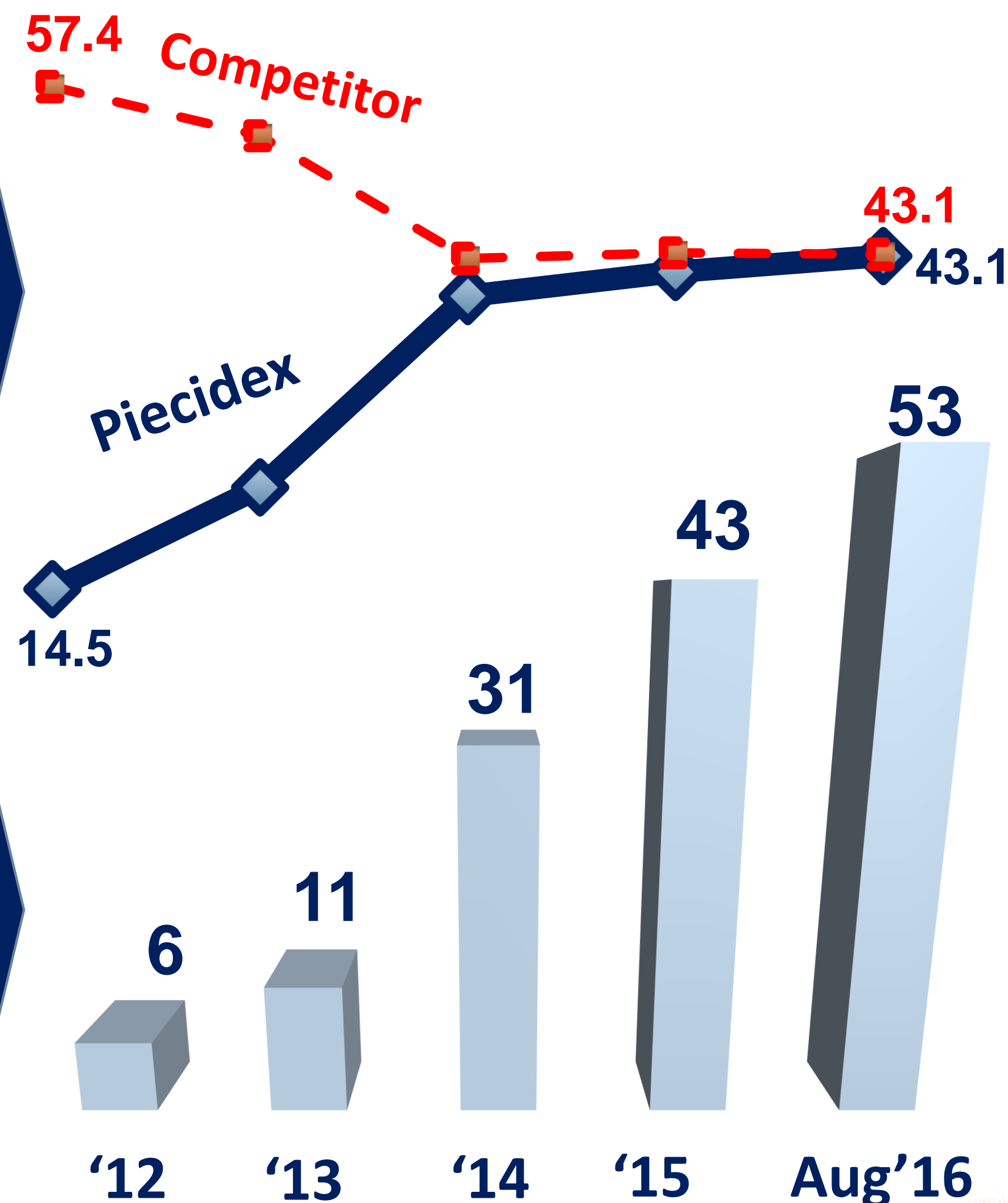
Acquired in 2012 from  
*Andrómaco*



Cream, spray, powder,  
lotion & gel

Market  
Share in  
Units  
(%)

Sales  
in Million  
AR Pesos





# Acquired Brand Transformed into a Local Power Brand

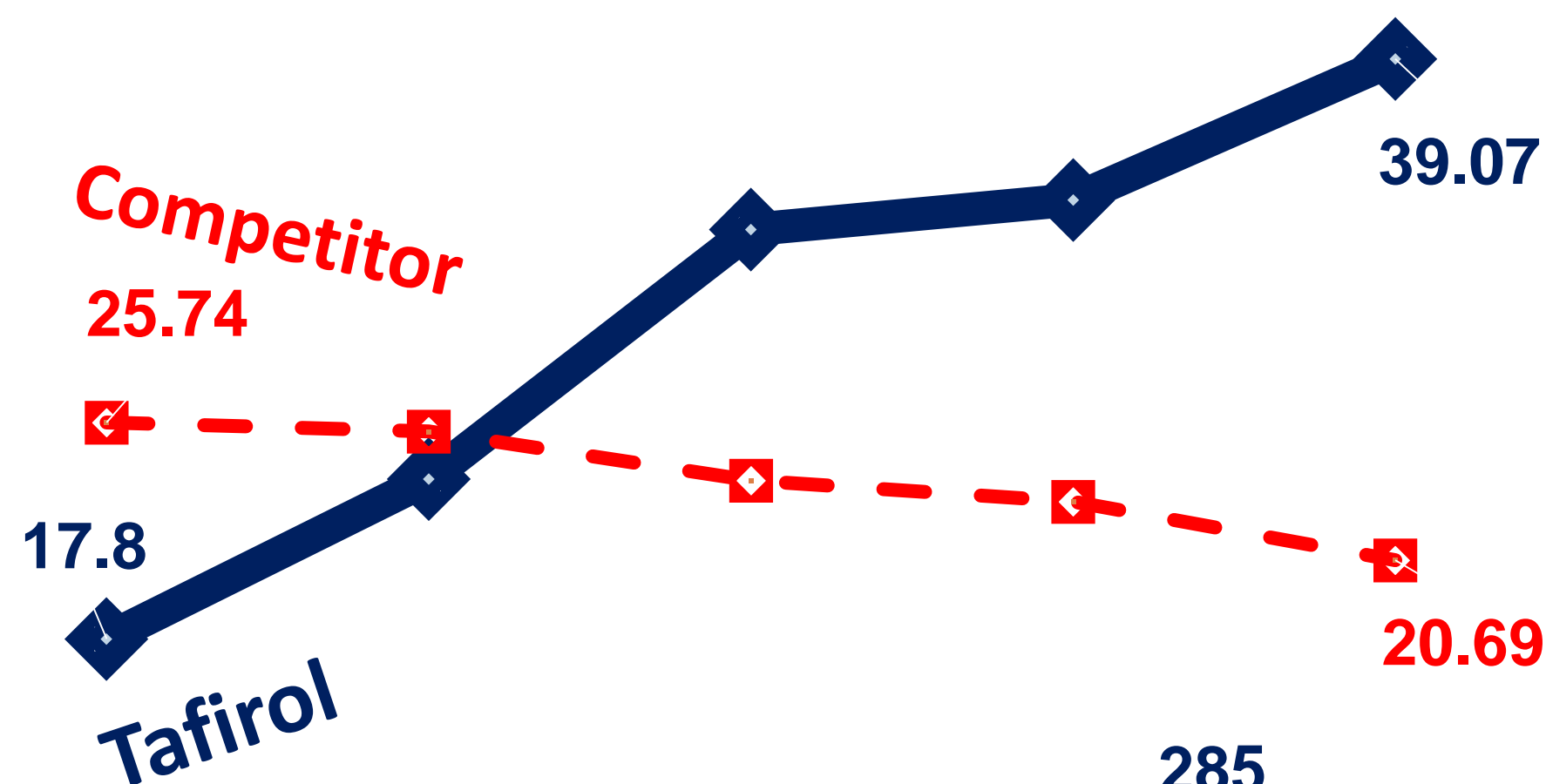
## Tafirol®

Acquired in 2012  
from *Sidus*

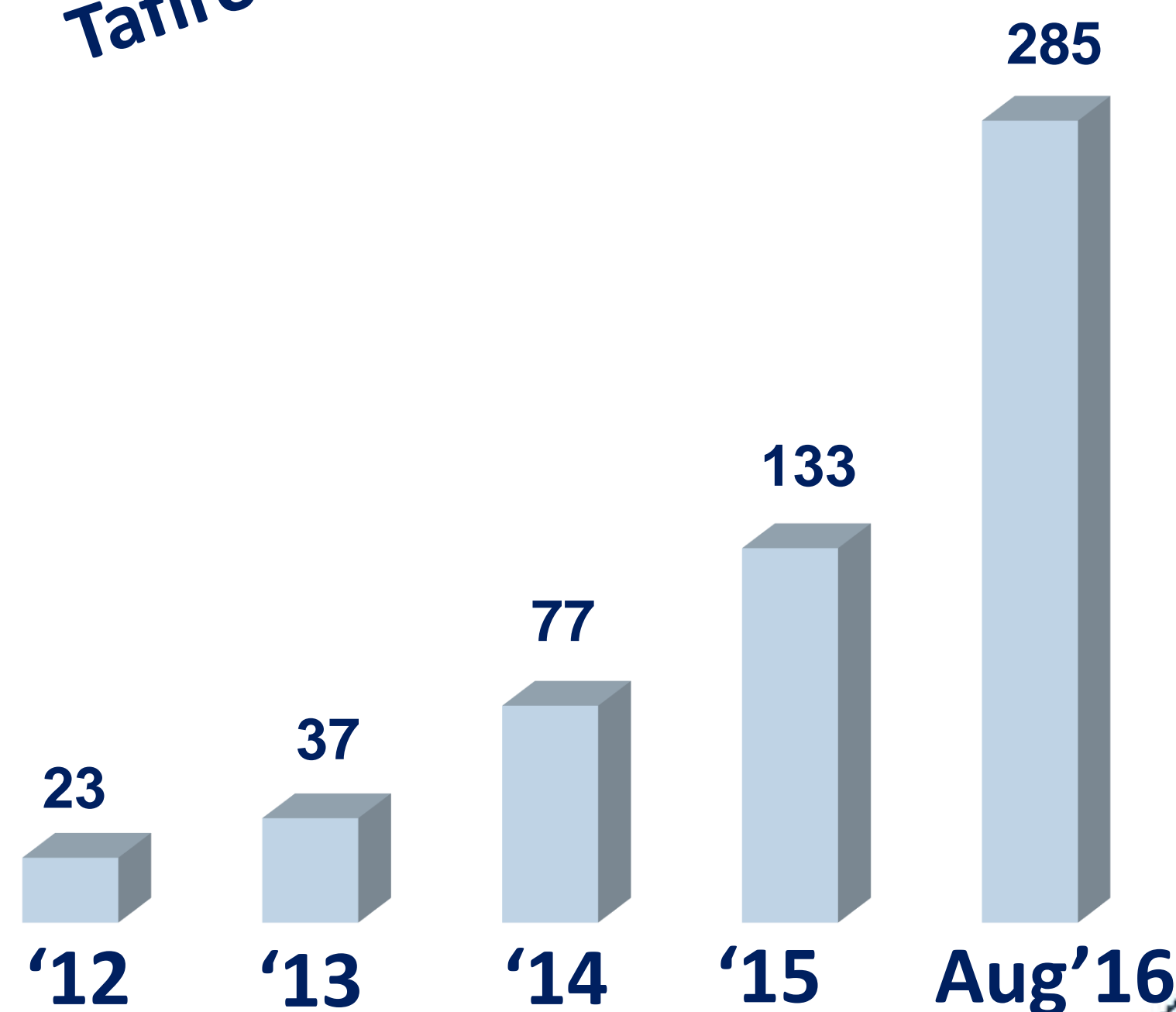


OTC and Rx product  
portfolio

Market  
Share in  
Units  
(%)



Sales  
in Million  
AR Pesos



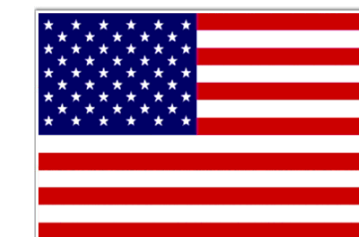
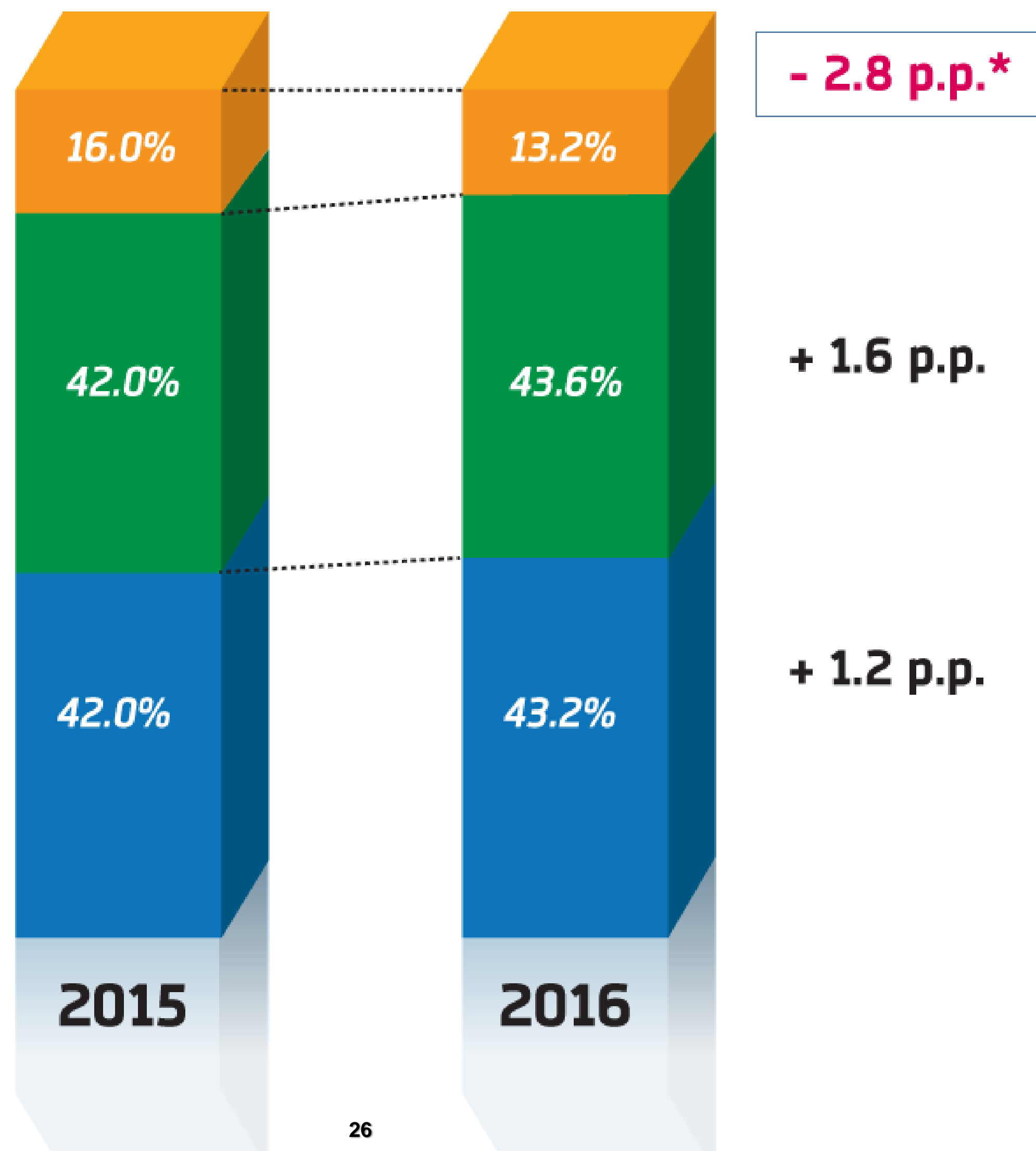


# Strengthening our Product Portfolio Category Mix in the U.S.

Supplements

OTC

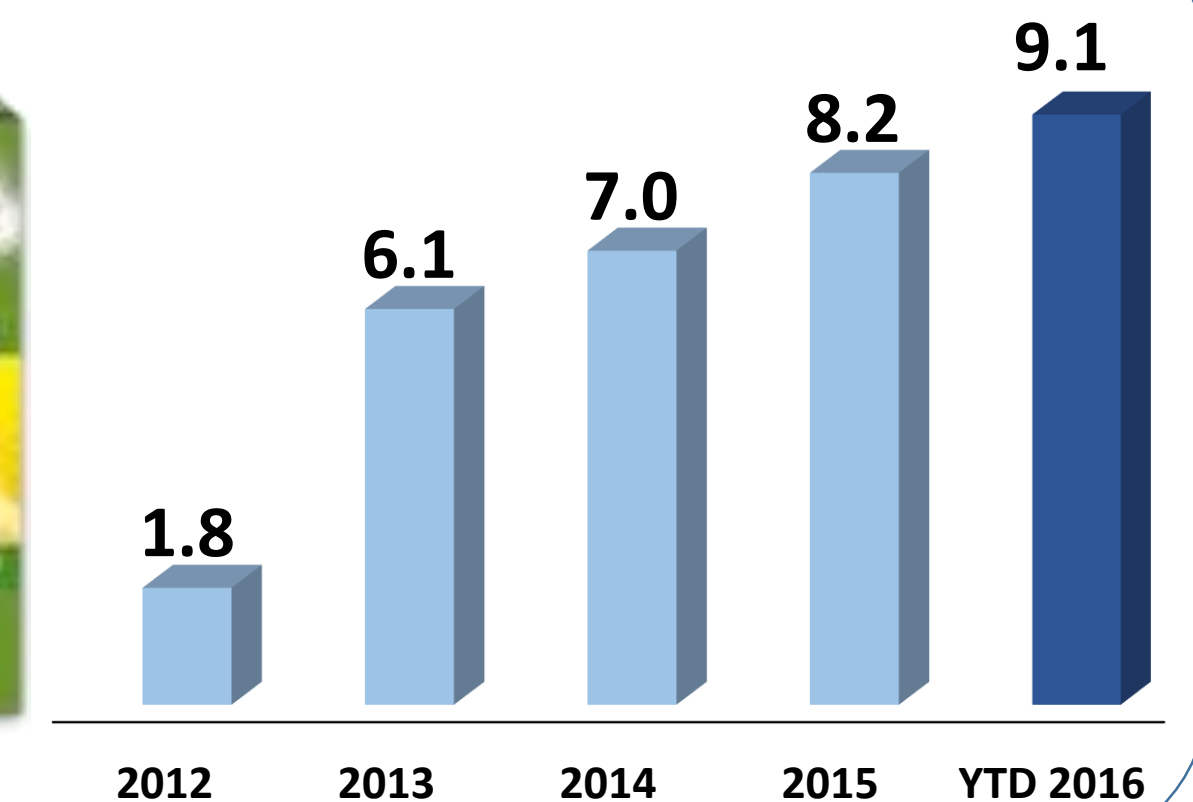
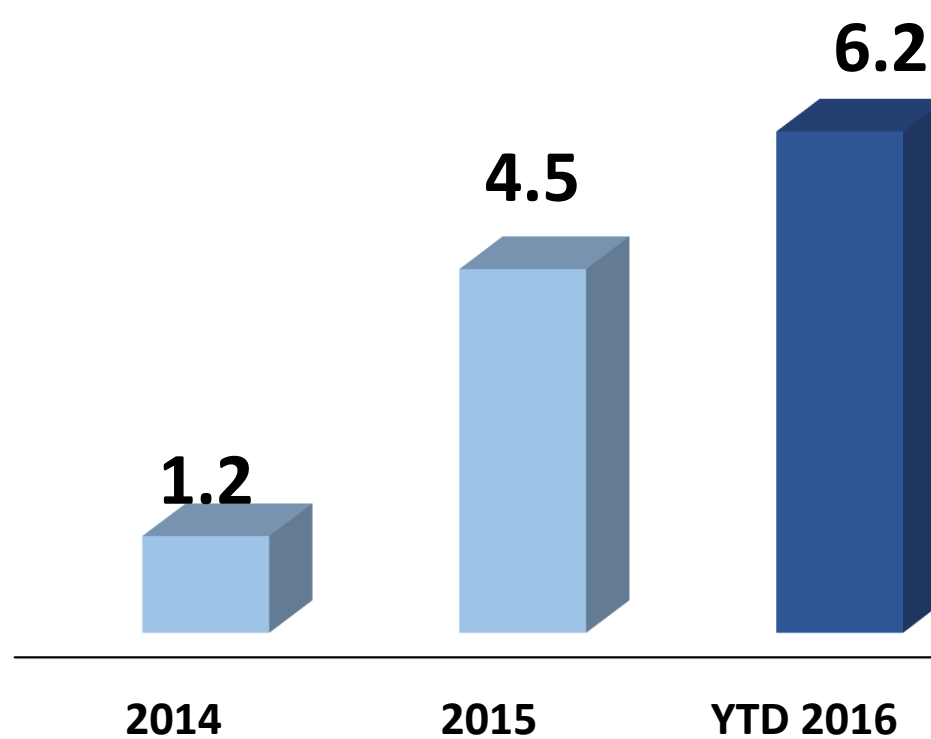
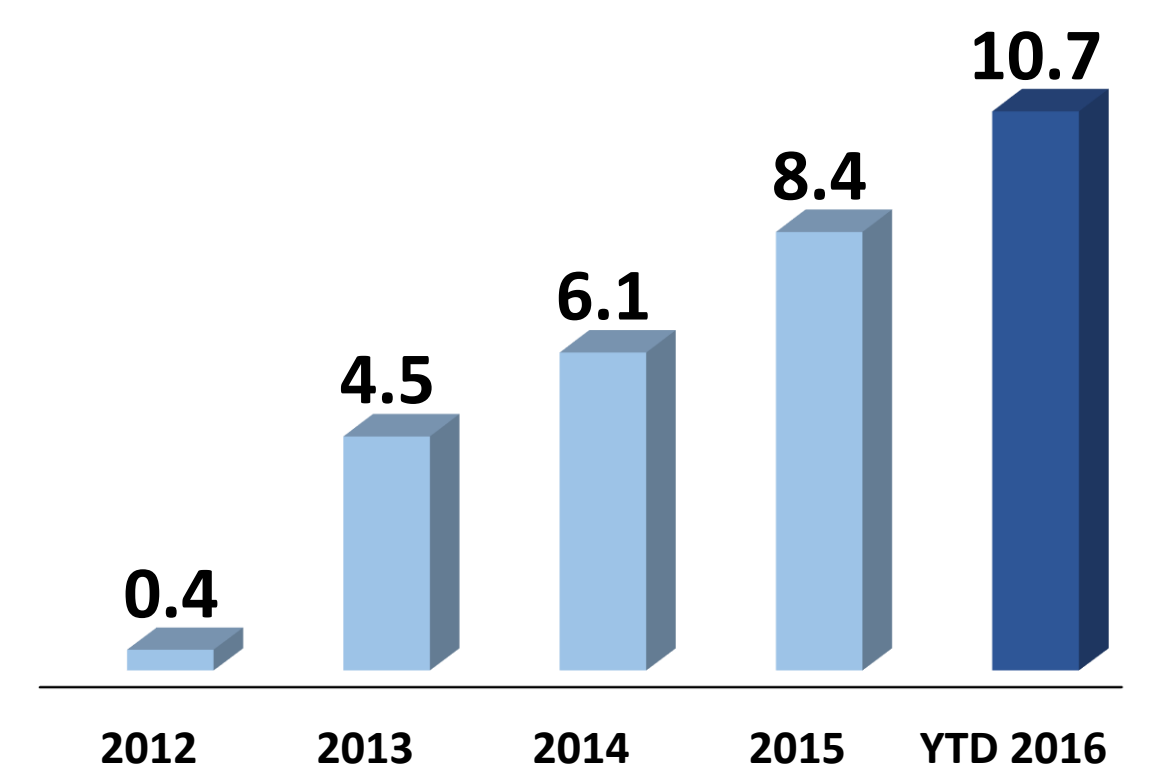
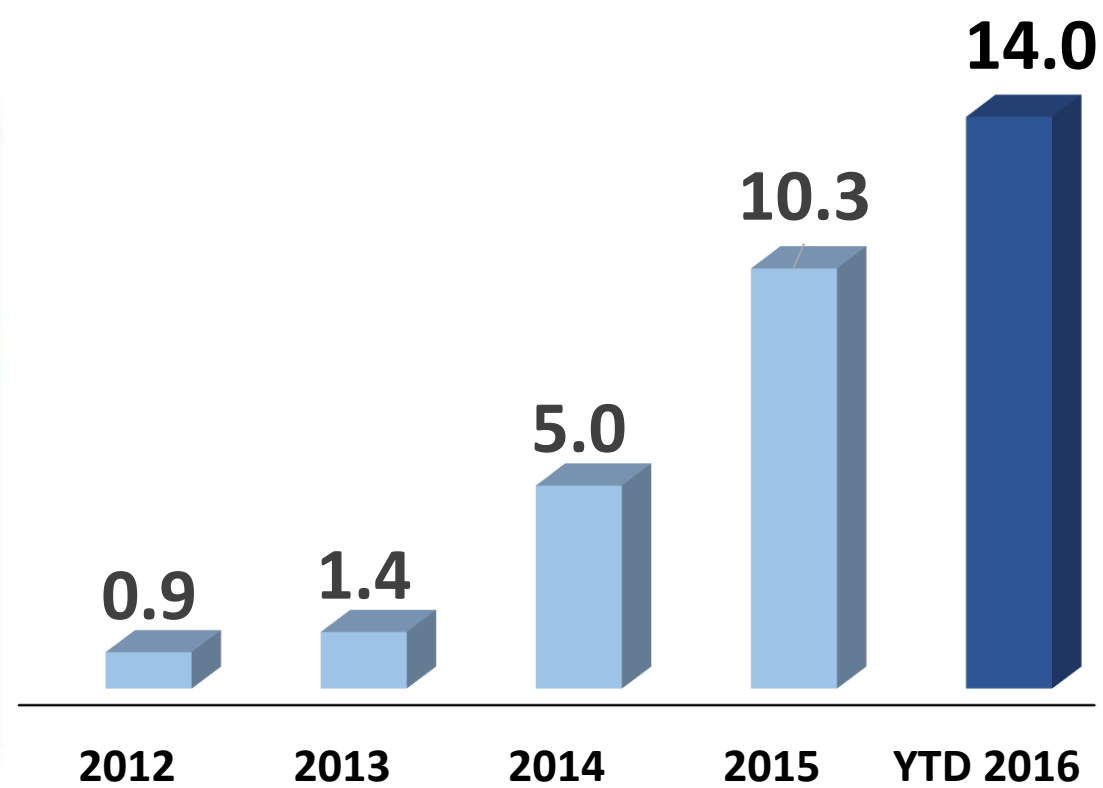
Personal Care



\*Percentage points.

# Top Brands Showing Strong Growth in the U.S.

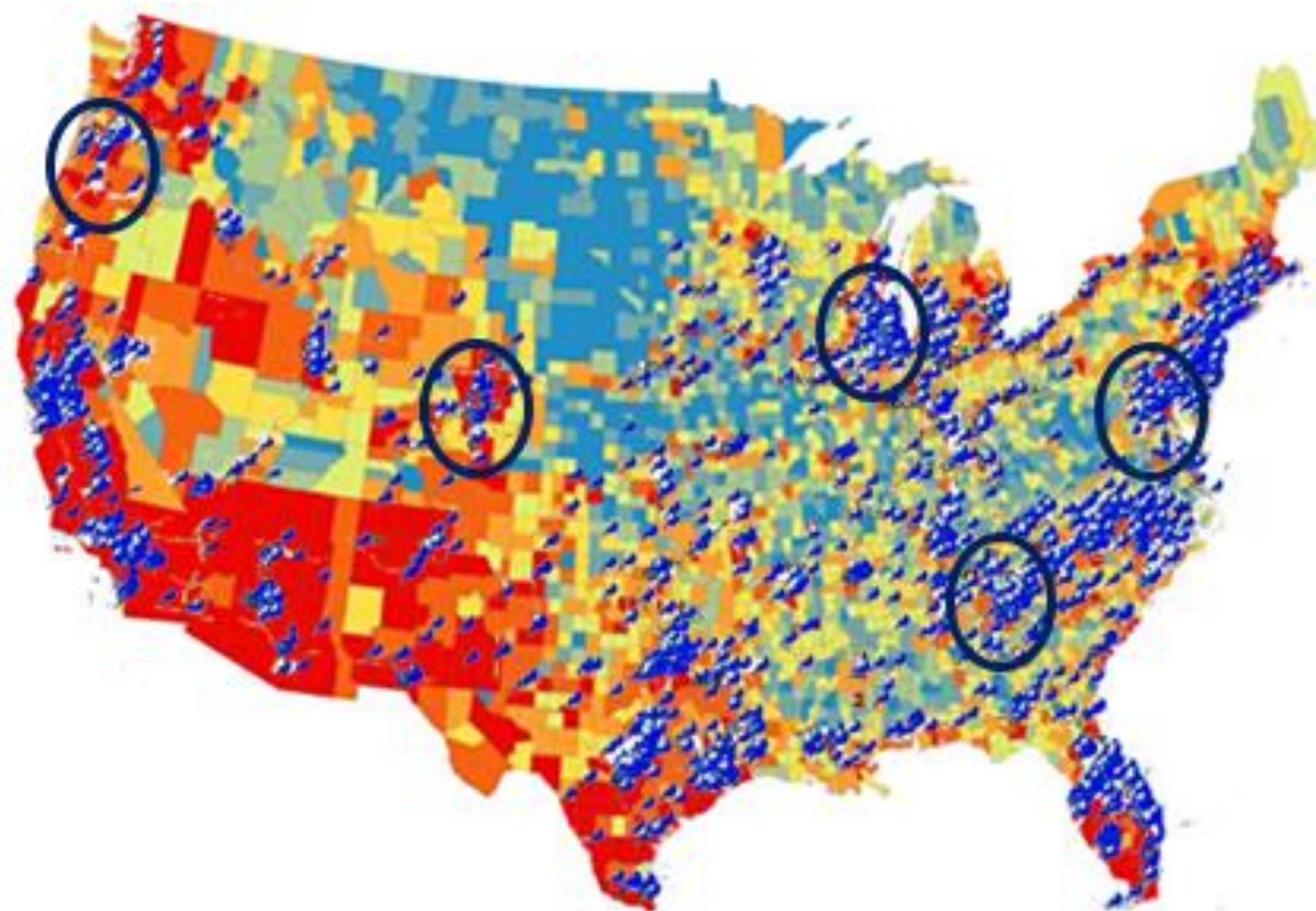
(Million USD)



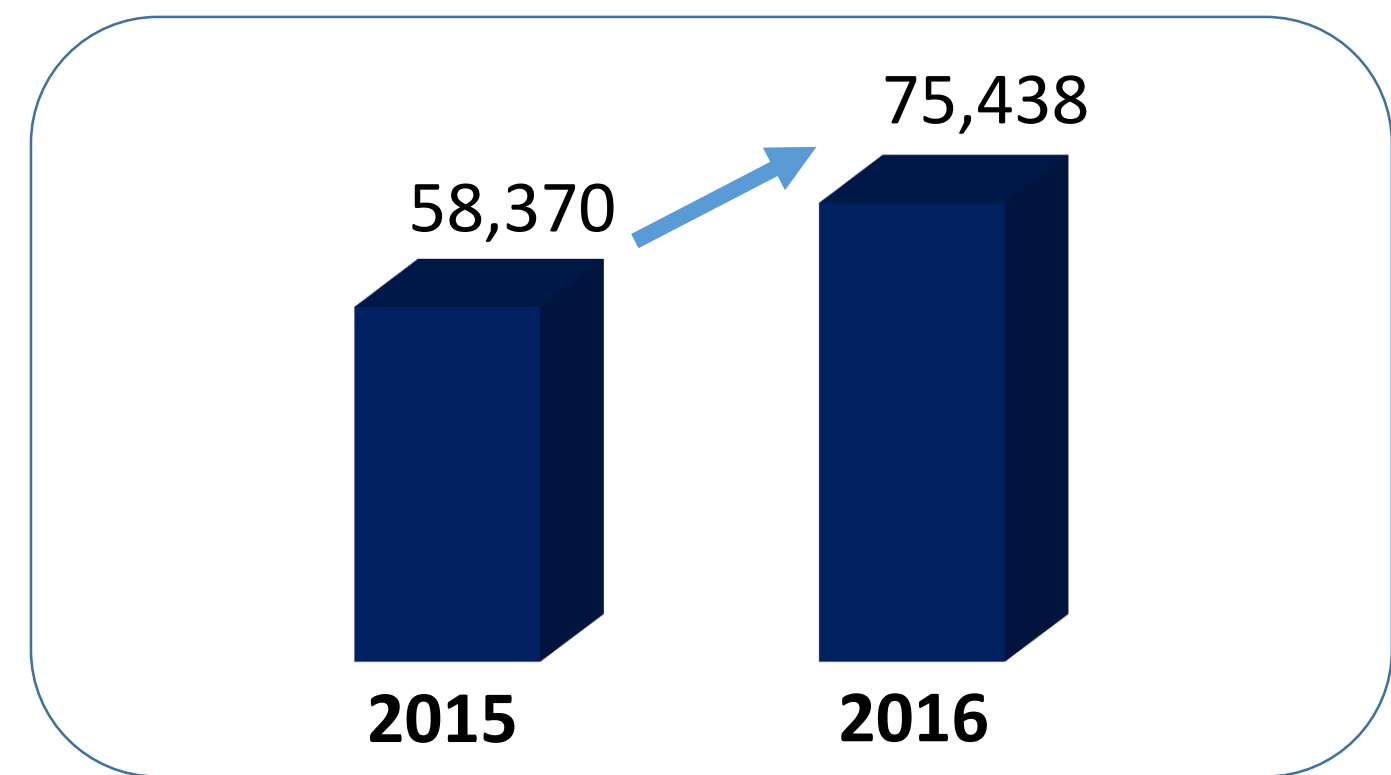


# Hispanic Population Expanding throughout the U.S.; Genomma is Broadening its Presence

## Hispanic Population Expanding Rapidly in Non-Traditional Markets



### LAB's POS



### New Clients



### New E-commerce Clients





# Results with Key Clients in the U.S.



**OTC Set**  
660 stores

**Beauty Set**  
900 stores



- Optimize Assortment
- Integrate Signage Elements
- Marketing Campaign

*Walgreens*



**End-Caps**  
1,679 stores

**Side-Kicks**  
2,269 stores

- 23 SKUs in the Top 30 list



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# Commercial Key Variables

**1**

## **Channel & Customer Expansion**

- Traditional Channel
- New Customers
- Channel Mix

**2**

## **Visibility**

- Cicatricure
- Asepxia
- OTC

**3**

## **POS Execution**

- Shelf
- Displays
- Featuring

**4**

## **Go-To-Market**

- Trade Terms Reduction
- Payment Behind Performance



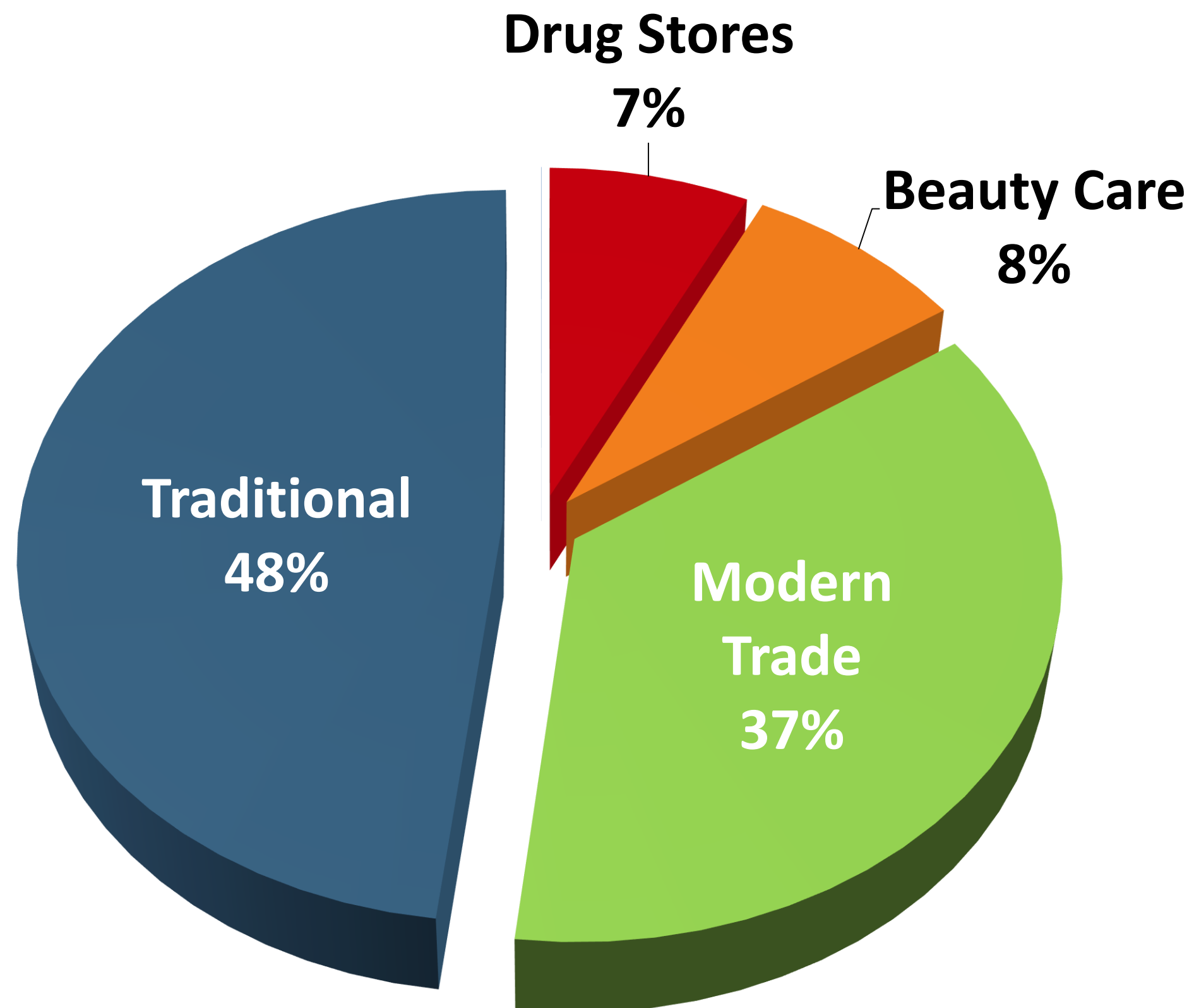
1

# Channel and Customer Expansion (Global)

+108 New  
Customers\*

+27,612 New  
Stores\*

11% of Total Sales\*



\*From March 2014 to date.



# 1

# Channel and Customer Expansion (Global)

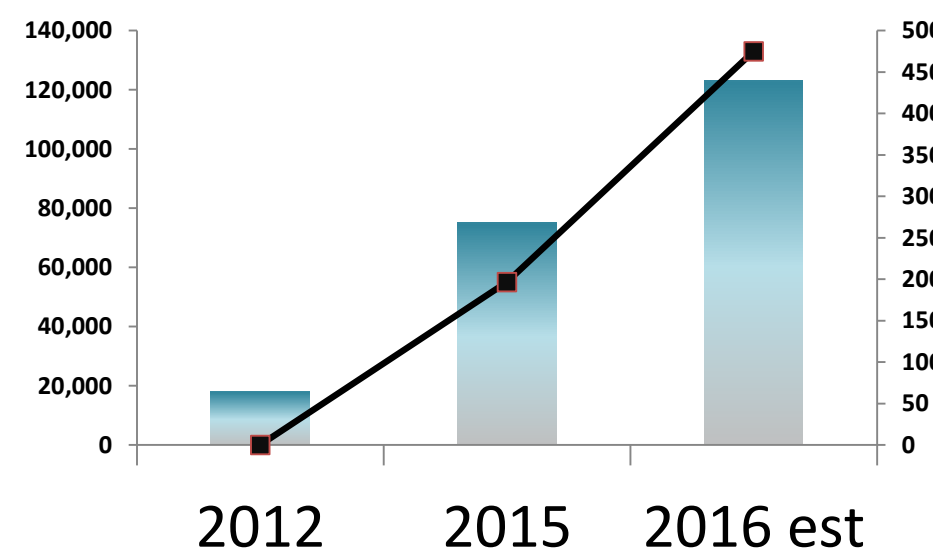


**Botiquín Abarrotes**  
Supporting distribution  
expansion

Sold as an SKU



Deployed at mom-and-pop



15,000 Independent Drug  
Stores in Mexico by YE 2016



**Botiquín Farmacia**



2

# Visibility

75% of Supermarket Stores in Mexico with Off-Shelf Visibility.



Asepzia



Zan Zusi



Cicatricure





# 2

## Visibility

25% of Pharmacy Chains

Department Stores



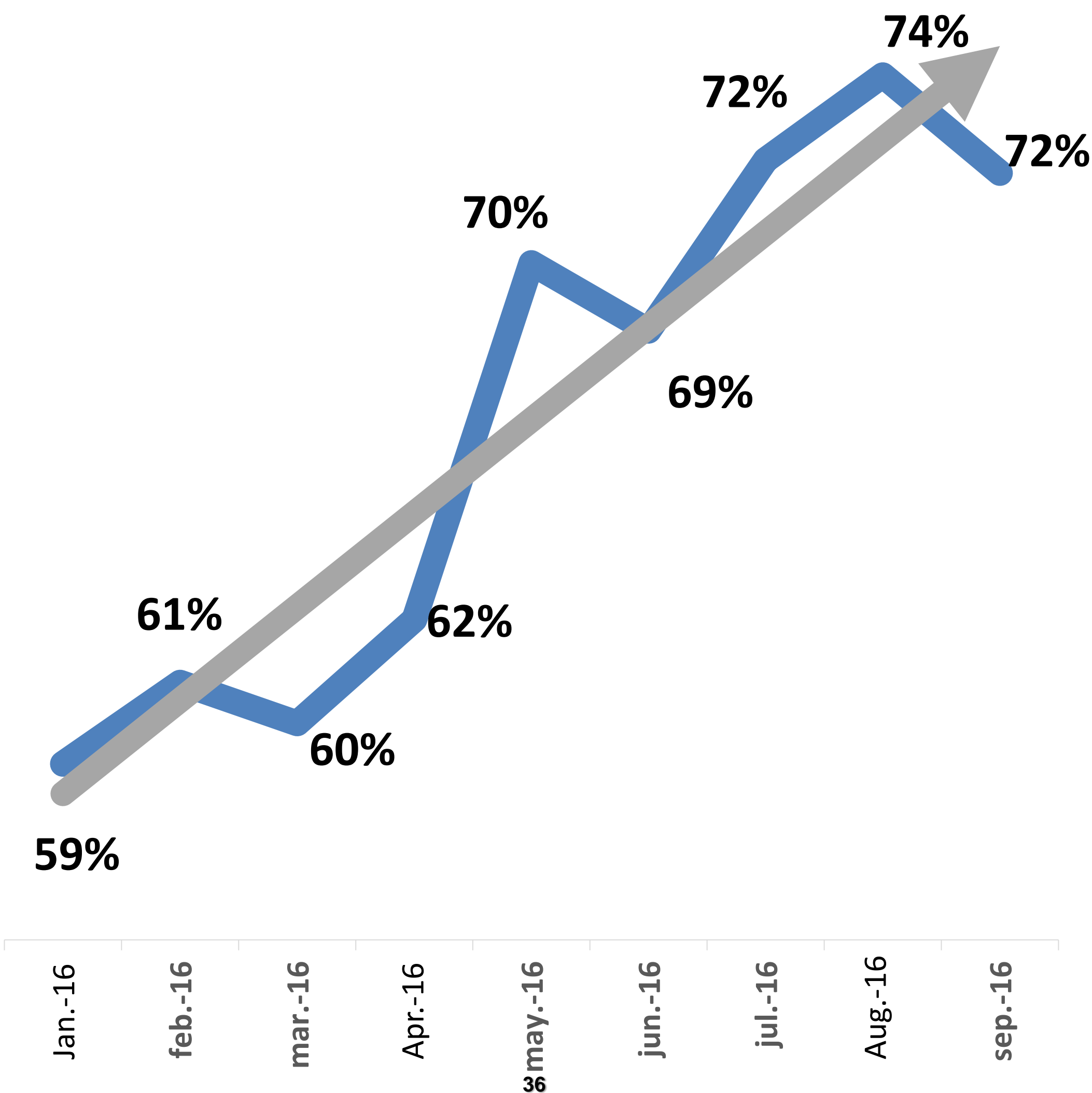
Asepxia & Cicatricure

Cicatricure

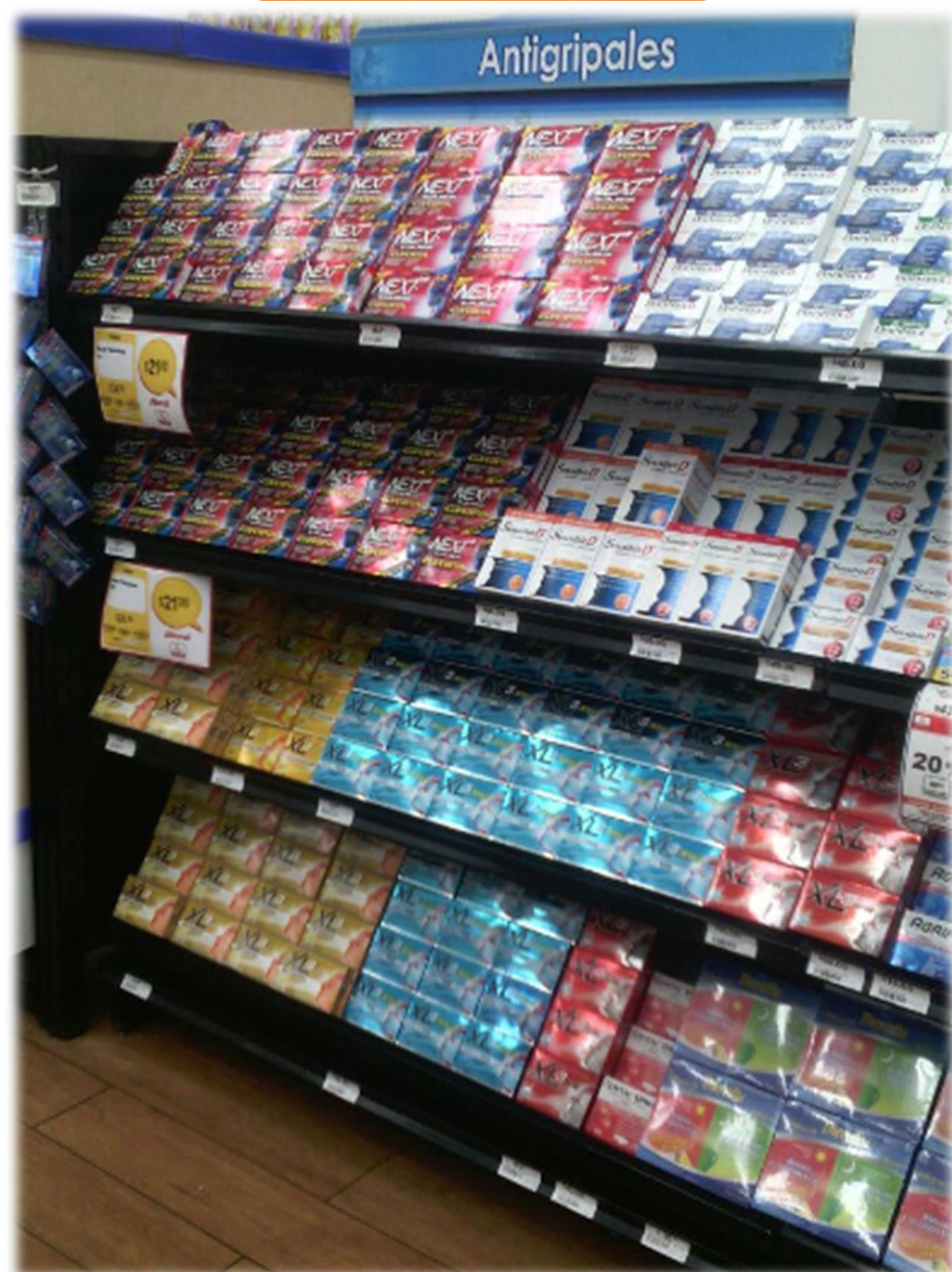
Sanborns



% of in-store perfect execution.







**Cuernavaca**

BodegaAurrera

**Observatorio**



**Supercenter Arboledas**



**San Pablo**



**laComer**



Fuentes del Valle



Mega Pilares



San Mateo



**Soriana**



Soriana Sendero



Soriana Solidaridad





## Walmart



Supercenter Plaza Texcoco



Supercenter Tepeyac



Supercenter Toreo

Supercenter  
Lago de  
Guadalupe



Supercenter  
Querétaro





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# Asepxia: 360 Degree Relaunch and Execution

## New Formulation



Perfect balance

Technology  
+  
Natural Ingredients

## New Design



Modern image, focus on  
functional benefits

## Makeup Product Line Evolution

BB in entire makeup  
product line  
8 benefits in one



Cream  
&  
Powder



# A New Segment for SUEROX +75% SELL-OUT

The image illustrates the expansion of the SUEROX product line into a new segment. On the left, the 'INFANT' segment is shown with four small bottles of different flavors (pink, orange, blue, and dark blue). A large blue arrow points to the 'ADULT' segment in the center, which features three larger bottles of different flavors (orange, pink, and orange). To the right of the 'ADULT' segment is a red box labeled '360°' containing various marketing materials: a photo of a man holding a bottle, a product box, a website screenshot, a social media post, and a banner for a triathlon event. On the far right is a large bottle of SUEROX with a red cap and a label that reads 'SUEROX', 'FORMULA DE 8 IONES', and 'MANTÉN UNA HIDRATACIÓN ÓPTIMA CON VITAMINA C Y MINERALES SIN CALORÍAS'.

**INFANT**

**ADULT**

**360°**

**SUEROX**  
FORMULA DE 8 IONES  
MANTÉN UNA HIDRATACIÓN ÓPTIMA  
CON VITAMINA C Y MINERALES  
SIN CALORÍAS



# New Global Marketing and Innovation Process

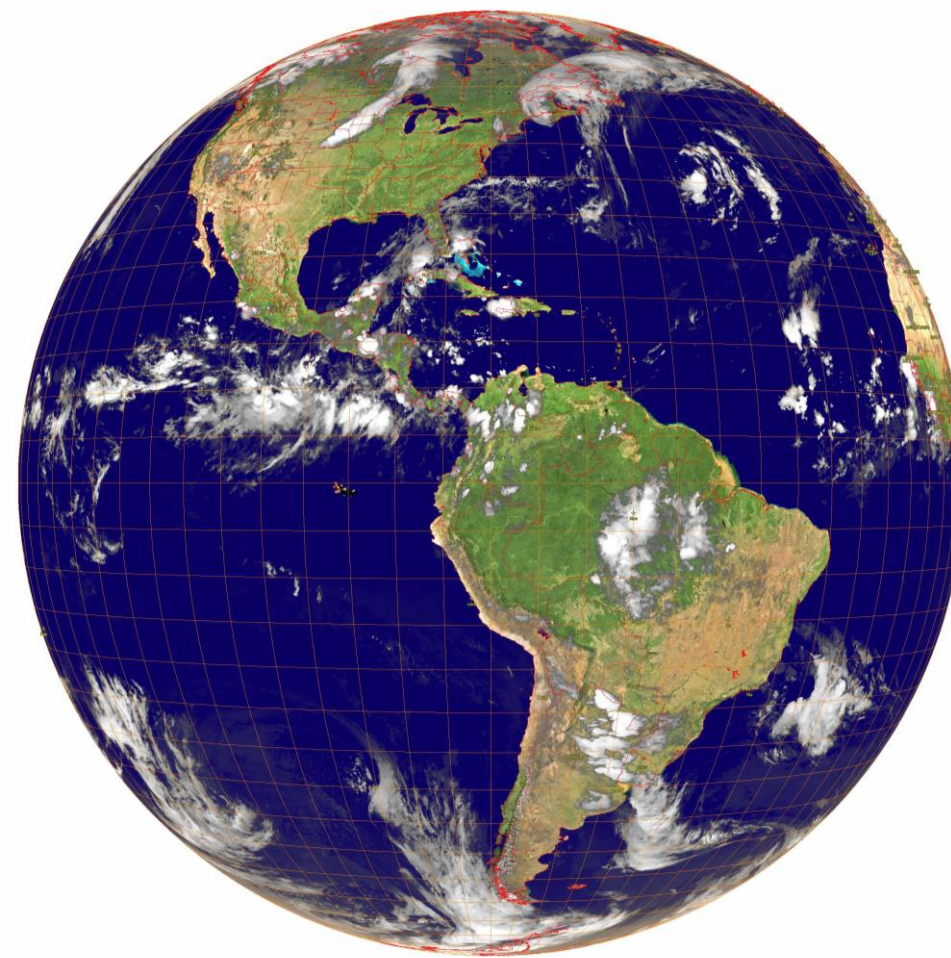
## From:

- Federation of 20 countries

## To:

- Global Approach

- Lead Markets
- Creative
- R&D



- Category & brand strategy
- Brand footprint
- Communication ideas
- Innovation



# Two Year Innovation on Core Brands and Base Business Upgrade



**Innovation** pipeline: + **90 Products** for the coming years



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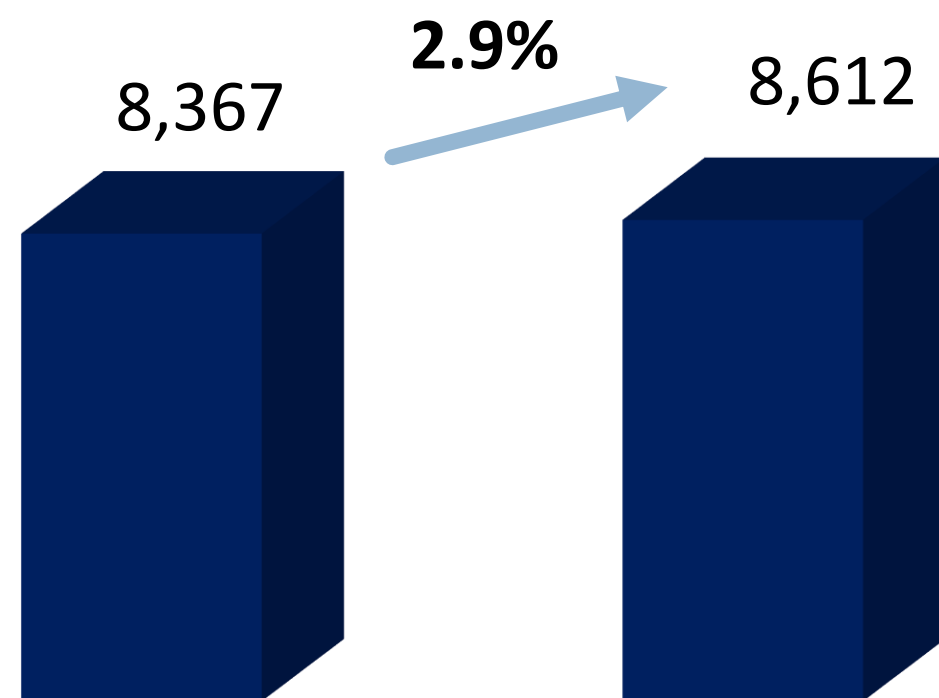
**Financial Results and Outlook**



# 3Q YTD 2016: Growth in Top Line Profitability and FCF

(Million MXN)

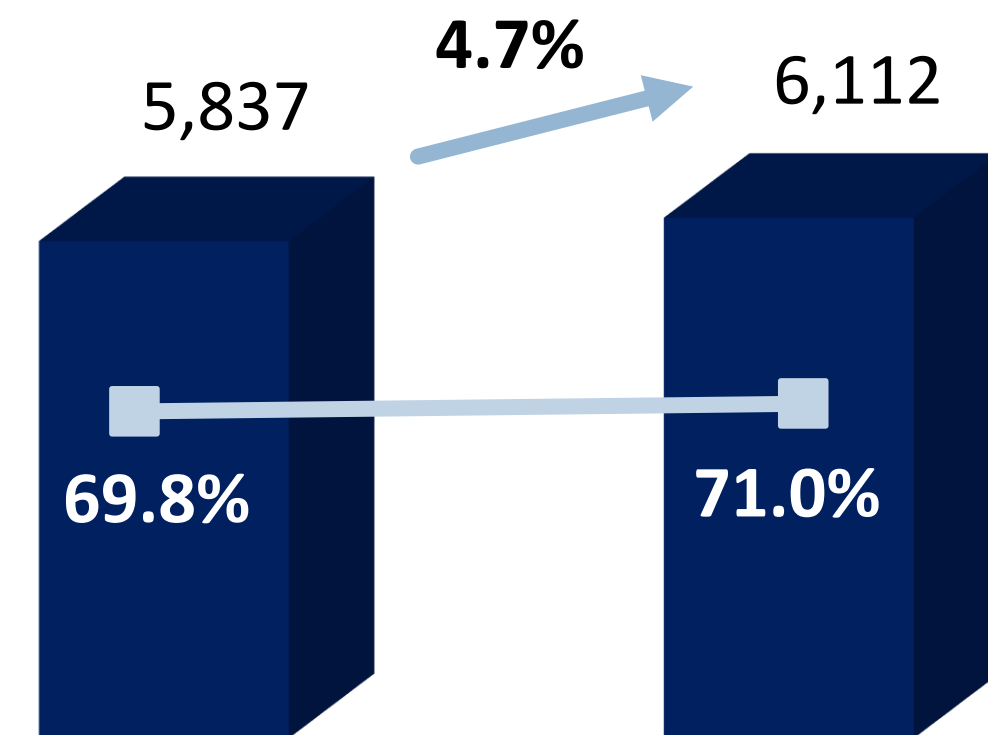
## Net Sales



3Q15 YTD

3Q16 YTD

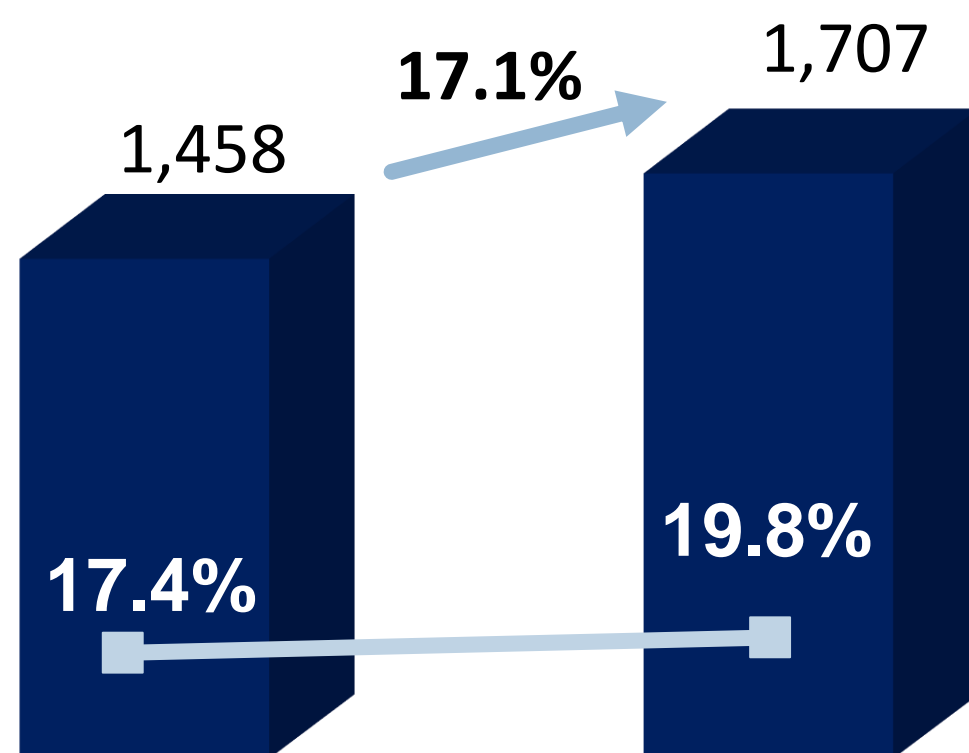
## Gross Profit



3Q15 YTD

3Q16 YTD

## EBITDA\*



3Q15 YTD

3Q16 YTD

## FCF



3Q16 YTD

\*Adjusted due to non-recurring severance payments.



# Stronger Policies and Disclosure

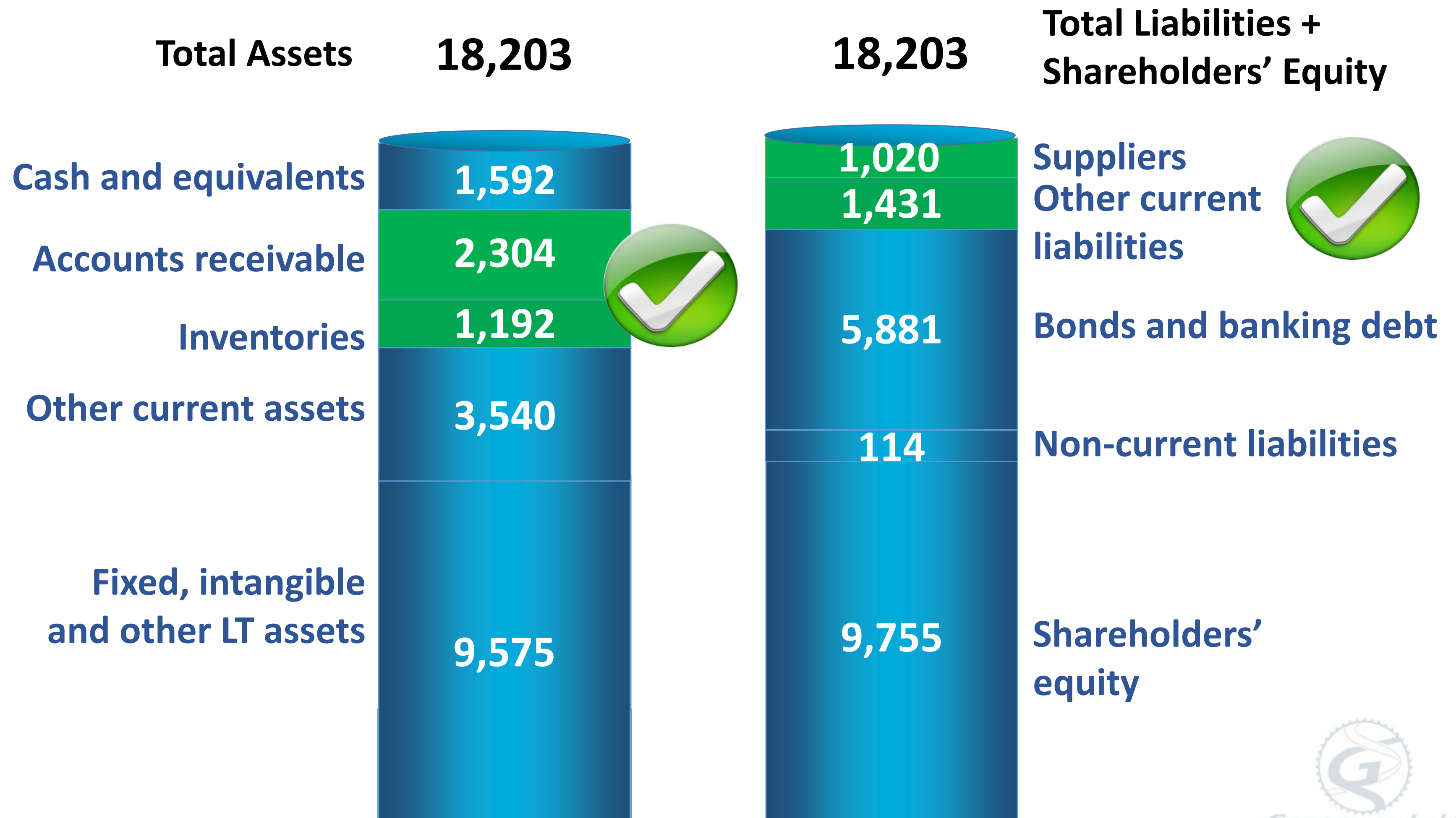
- Strengthening of corporate policies and procedures resulted in one-off effects, primarily non-cash, in 4Q and FY 2015 results.
- Tightened policies and procedures with additional oversight to support future strategy.
- Smooth and incident-free SAP implementation improves transparency and controls.



# BALANCE SHEET

## As of 3Q'16

(Million MXN)





# Latest News: LAB Now Running on **SAP S/4 HANA**



- **SAP launched S/4 HANA in February 2015**  
(biggest technological change\* in over two decades, replacing classical R/3 ERP)
- **1Q'16 - First worldwide S/4 HANA implementation is announced\*\***
- **3Q'16 - LAB Mexico goes live in S/4 HANA**
  - First implementation in Latin America
  - Not an upgrade; no disruption
- **LAB developed Global Template**
  - Journey for other countries in 2017
- **Full benefits expected to be captured in 2017**

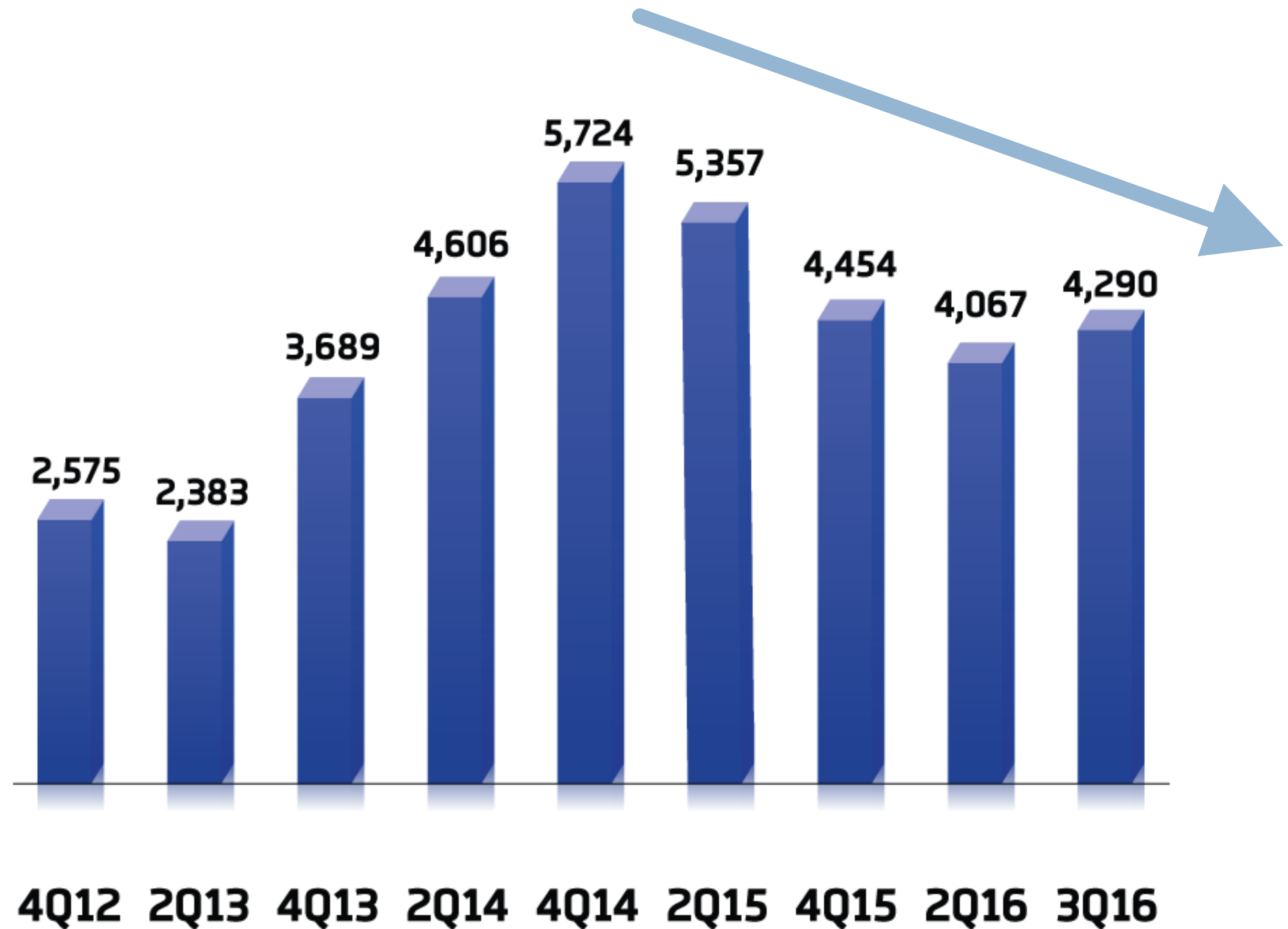
\* Gartner.

\*\* Swiss Property - SAP Capital Markets.



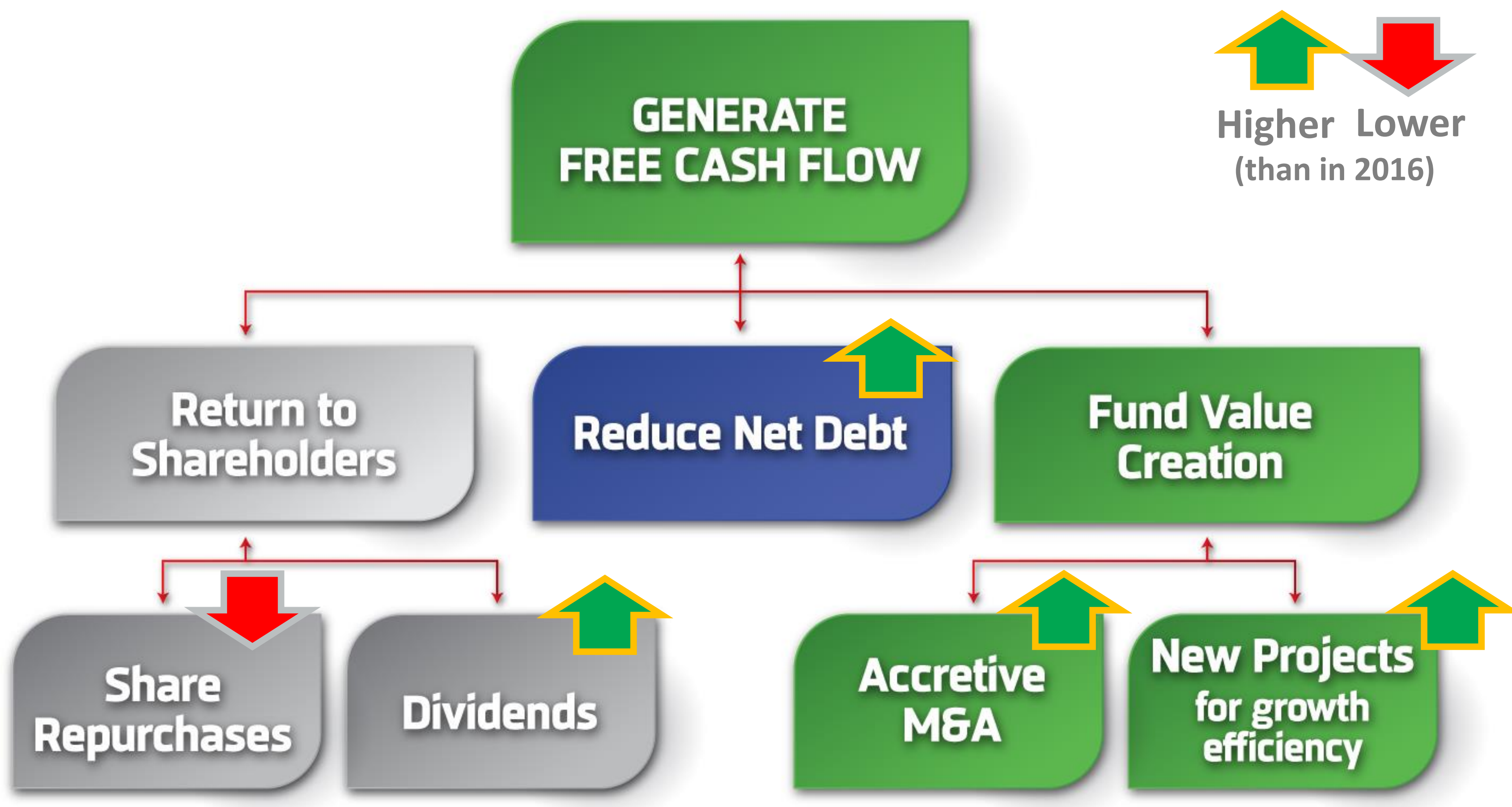
# Evolution of Net Debt

(Million MXN)





# Capital Allocation Concept



\* Non-Gaap measure defined as Operating Cash Flow less maintenance Capex.



# M&A Strategy

## Accretive Inorganic Growth

- Non-transformational
- Focus on big geographies, mainly Mexico and the U.S.
- Mainly OTC
- Brand heritage and growth potential
- OPEX synergy opportunities
- Focus on ROIC



# COGS Reduction

## New Production Capabilities Rationale

- Four last quarters intensive analysis
- Scale: filling, bottles, raw materials
- Quality
- Fill-rate
- Attracted GM's talent from the best generics and PC producers in Latam
- Mexico has one of the lowest production costs in the world
- Business model sustainability

## Investment Opportunity (24 months)

- Up to MXN \$800 million
- EBITDA savings: 700 bps to 910 bps
- ROIC: > 30%



# Guidance 2017

**Net Sales Growth (MXN):**

**+ 7%**

**EBITDA Growth (MXN):**

**+ 14%**

**FCF (billion MXN):**

**> \$1.8**

**ROIC Objective:**

**~ 30%**

**Net Debt/EBITDA Target:**

**< 2X**





# INVESTOR RELATIONS CONTACT:

**ANA MARÍA YBARRA** – IRO

**BARBARA CANO** – MBS Value Partners

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