Genomma Lab Q3 2025

Thursday October 23, 2025

[Operator]

Good day, ladies and gentlemen. Thank you for joining Genomma Lab's Third Quarter 2025 Earnings Conference Call. All participants will be in listen-only mode. After today's presentation, there will be an opportunity to ask questions. As a reminder, this meeting is being recorded and will be available for replay from the Investor Relations section of Genomma's website following the call.

I'll now turn the call over to Christianne Ibanez, Genomma's Head of Investor Relations. Please go ahead.

[Christianne Ibanez]

Welcome everyone. On today's call are Marco Sparvieri, Chief Executive Officer, and Antonio Zamora, Chief Financial Officer.

Before we get started, I'd like to remind you that the remarks today will include forward-looking statements, such as the Company's financial guidance and expectations including long-term objectives and forecasts as well as expectations regarding Genomma's business, products, strategies, demand and markets. These statements are subject to risks and uncertainties that could cause actual results to differ materially. They are also based on assumptions as of today, and the Company undertakes no obligation to update them as a result of new information or future events.

Let me now turn the call over to Mr. Marco Sparvieri.

[Marco Sparvieri, CEO]

Good morning, everyone, and thank you, Chris.

I'd like to begin today by addressing a clear reality. The company is going through a challenging period, and the results i will present today are not the ones i would wish to report — nor the ones we are used to delivering as a company. However, i hope that by the end of today's presentation, i can convey the same confidence and reassurance i personally have: that our plan to reignite growth is solid, well-structured, and entirely focused on rebuilding our topline. My expectation is that, after reviewing the next slides, you will share the same confidence that I have.

Let me begin with a message of strength. Over the past decade, Genomma lab has achieved remarkable progress: sales have grown near 70%, EBITDA has more than doubled, free cash flow has surged 152%, and eps is up 46%. I don't mention this growth only to highlight results, but to demonstrate that we have successfully transformed the company from a deep restructuring phase into a high-growth, more profitable, and more capable organization.

We are better-than-ever positioned to emerge stronger from the current slowdown.

This performance is underpinned by six strategic assets that we have built over time — assets that very few companies possess, and which would take any new entrant decades and hundreds of millions of dollars to replicate.

The first is our powerful brand portfolio of over 40 brands, many of which were built during a period when television played a dominant role in influencing consumer purchasing decisions. Today, these brands enjoy exceptionally high awareness and strong positioning in consumers' minds. Brands such as Cicatricure with its medical heritage, Asepxia with its strong dermatological credentials, Goicoechea in leg treatment, and OTC leaders like next, XL3, and Tukol in Mexico, as well as Tafirol in Argentina — where we hold a 40% market share. All these brands form part of this invaluable portfolio.

Equally important is our team. Building this leadership structure has taken time and effort of years. Having spent over 20 years at Procter & Gamble, I can confidently say that our executive and managerial teams match — and in many cases exceed — those of our multinational competitors.

We have also developed an extraordinary distribution network in the highly resilient traditional channel, reaching over 730 thousand points of sale across Mexico and Latin America every week. This is a core capability that would take any pharma or personal care competitor decades and massive capital to replicate. We can launch a product and have it distributed to nearly 730 thousand points of sale stores almost simultaneously — this is not only a true competitive advantage but also a clear growth avenue for the company.

In addition, our decision to integrate our own manufacturing facility has proven highly strategic. Despite the complexity of regulatory and operational integration, it now provides us with stronger cost control and greater product quality assurance, while allowing for further productivity in the company.

Our company culture — rooted in speed and agility — is also a major asset. While many of our competitors operate with more bureaucracy and slower decision-making, we have a structure that allows us to move faster and respond quickly to consumer needs.

Finally, we have established solid footholds in two key markets with profitable operations — the U.S. Hispanic segment and Brazil. Although current results in the U.S. Market warrant review, our presence there represents a valuable long-term asset. Today, our products reach more than 50 million Hispanic households, with distribution in major retailers such as Walmart, Walgreens, and amazon, generating close to US$100 million in annual sales. Establishing this level of penetration and relationships from scratch would take any company years and significant investment — and the same holds true for our footprint in Brazil.

All in all, this company has penetrated high barriers of entry and is positioned to continue consolidating its position to increase market share in a 3-trillion size industry, the largest in the world.

Let me now turn to the current environment and our plan to return the company to growth. We are operating in a complex consumption environment, and navigating a difficult situation, particularly in Mexico, driven by two consecutive failed seasons: a weak winter season due to unfavorable weather conditions and a summer season that practically did not materialize. These dynamics have affected roughly 50% of our Mexican portfolio — primarily our OTC products during the past winter season and roughly 20% of our portfolio with Suerox during the summer season.

Despite these topline headwinds, our ebitda margin remains resilient, with stability around 24%, underscoring the strength of our cost discipline and efficiency programs. I am fully confident that this ebitda margin level is both solid and sustainable going forward.

What are we doing to offset this slowdown? At a certain point, we were facing two possible paths: either we sacrifice margins to invest more aggressively in the business and accelerate topline growth, or we preserve margins and identify additional resources to fund our growth strategies without compromising profitability.

We initially set a productivity target of 1.8 billion pesos in savings by 2027. Given the current topline environment, we challenged ourselves to find additional resources to reinvest in growth without compromising margins. As a result, we have identified and secured an additional 1.1 billion pesos in efficiencies, bringing our total accumulated savings to 3.0 billion pesos by 2026.

These resources have been secured and we are re-investing 1.1 billion pesos directly into the business to drive topline growth.

Our 2026 investment plan focuses on three pillars: product innovation, go-to-market and distribution, and emerging channels. Altogether, we estimate these initiatives could generate up to 5 billion pesos in incremental sales opportunities between 2026 and 2027. While some cannibalization is expected, these projects represent our north star — a clear roadmap to reignite growth starting in the first half of 2026. With these actions, i am confident we can restore topline growth to prior levels while maintaining a healthier margin and cash flow structure than ever.

Now, moving to the third-quarter results. On a like-for-like basis, sales declined 2.9%, which translates to a 12.8% decrease in reported Mexican pesos. Approximately 80% of this impact stems from accumulated, non-cash hyperinflationary accounting effects in Argentina, following a 53% depreciation of the argentine peso during the quarter.

Our real operating indicator — like-for-like performance — reflects a 2.9% decline, while EBITDA margins remained strong at 23.7%, consistent with our 24% average target. Adjusted net income, excluding non-cash hyperinflation effects, declined 3% to 632 million pesos. Free cash flow reached nearly 1.6 billion pesos, down 35%, mainly due to lower net income and a three-day increase in the cash conversion cycle, also related to hyperinflationary accounting effects.

As mentioned, we have accelerated our productivity plan, delivering the initial 1.8 billion pesos savings by 2025 and adding another 1.1 billion pesos for 2026. These resources are already identified and in execution — not a plan, but a reality. We have already secured resources for our investment projects.

We will reinvest 1.1 billion pesos across five strategic areas — product innovation, go-to-market and distribution, communication, e-commerce, and pricing. These initiatives represent approximately 5 billion pesos in growth opportunities for 2026–2027. While some overlap and cannibalization are expected, a significant portion will translate into incremental sales and long-term topline expansion.

Let me provide a few examples. In innovation, we have a robust pipeline across all key categories. In skincare, we are reformulating and relaunching products with cleaner formulations and more accessible price points. For example, a consumer who today pays 350 pesos for a premium hyaluronic acid serum will soon be able to purchase the same product from Teatrical for around 90 pesos.

In haircare, we are fully relaunching Tío nacho, strengthening its treatment positioning with second and third routine steps while revitalizing the entire product line with clean formulas, improved packaging, and competitive pricing.

In beverages, Suerox will debut a renewed image and expand into new consumption occasions.

In OTC, we expect 25 new pharma registration approvals to be launched between 2026 and 2027, allowing us to enter new segments.

All of this innovation will be supported by a renewed communication strategy. We are shifting from functional, frequency-driven advertising to more emotional storytelling that resonates and engages consumers emotionally. Let me show you an example.

The company is entering a completely new communication strategy. We are investing in mass micro influencer partnerships and brand ambassadors on Tiktok and Instagram, while driving traffic to e-commerce & direct conversion. Let me show you some user generated content examples for our Asepxia relaunch.

We are also leveraging artificial intelligence to produce high-quality, cost-efficient content. Let me show you an example of advertising spots produced by one person, with no actors, no cameras, for as little as a 500 us dollar investment.

This slide illustrates the depth of our product innovation pipeline — entering new categories, introducing new packaging, sizes, and formulations, all with clear and ambitious relaunch timelines.

On the distribution front, we currently have a nearly 3 billion sales operation in the traditional channel, where we plan to expand our coverage from 730 thousand to over one million points of sale, targeting almost 2 billion pesos in incremental sales over the next two years.

Our e-commerce business is set to reach 1.2 billion pesos in sales by 2025. We plan to add 500 million pesos in 2026 and another 500 million pesos in 2027, bringing the channel to 2 billion pesos by 2027, supported by strong communication investments to drive traffic and conversion.

In hard discounters and convenience stores—two of the fastest-growing channels in Mexico and Latin America—our 420 million pesos operation is set to expand coverage from 35 thousand to 57 thousand points of sale and reaching roughly 1 billion pesos in annual sales by 2027.

In summary, Genomma lab is facing a challenging environment, particularly in Mexico, driven by two consecutive weak consumption seasons. Nevertheless, our EBITDA margin remains resilient, our resources are secured, and our growth plan is clear and fully actionable. We are confident that after weathering the next quarters and by executing this plan, the company will return to growth by the first half of 2026, reaching — and potentially exceeding — its historical growth rates, supported by a stronger, more efficient, and more profitable structure.

Before turning the call over to Antonio, I'd like to thank our investors for their continued trust and the entire Genomma Lab team for their unwavering commitment to driving the company toward its next stage of growth.

Antonio, please go ahead.

[Antonio Zamora, CFO]

Thank you, Marco, and thank you everyone for joining us today.

As Marco mentioned, third-quarter net sales decreased 12.8%. Results were mainly impacted by foreign exchange headwinds from a stronger Mexican peso, as well as hyperinflationary accounting effects following the Argentine peso depreciation during the quarter.

On a Like-for-like basis, sales declined 2.9%, primarily due to the impact of a cooler and rainier summer season in central Mexico and a softer consumption environment in the country. These effects were partially offset by solid sales growth in Brazil, Chile, Central America, and the Andean cluster.

Genomma's third-quarter EBITDA margin closed at 23.7%, representing a 2-basis-point increase year over year, reflecting the ongoing benefits from manufacturing cost efficiencies as we deliver our targeted EBITDA margin of around 24%.

Pro forma net income for the quarter—excluding non-cash FX-related effects—decreased 3%, reflecting the strong EBITDA margin performance and lower net interest expenses during the period. Pro forma EPS reached MXN 0.63 per share.

Moving to our regional results, third-quarter net sales in Mexico declined 6.4%, mainly due to a weaker summer season that impacted sales performance. This decline was partially offset by strong OTC performance, driven by market share gains in the Cough & Cold and Infant Nutrition categories.

As you can see in this chart, there is a high correlation between the weather and beverage sales in Mexico. Besides this headwind, some competitors significantly lower prices during the quarter, adding pressure to the category

Among the Growth initiatives that Marco described earlier, we ill increase our geographical presence to other areas of the country next year. This effort is expected to drive renewed momentum in the first half of 2026.

EBITDA margin for Mexico improved by nearly 300 basis points, reaching 27%, despite the consumption headwinds and deleveraging pressures previously mentioned. This strong performance reflects the accelerated impact of our company-wide productivity initiatives.

Moving on to our U.S. business, the U.S. dollar declined 1.6% versus the Mexican peso compared to the same quarter last year.

U.S. net sales decreased 24% in U.S. dollars, reflecting ongoing disruption in the U.S. Hispanic retail market, which continues to weigh on sell-in performance. However, sell-out declined only 7%, showing early signs of recovery, led by Suerox and Haircare, both gaining market share despite the challenging environment.

The difference between sell in and sell out this quarter comes from customer returns of cough and cold products due to a weak winter season 2024-2025

EBITDA margin for the region was 13.6%, down about 150 basis points, mainly due to operational deleverage and higher advertising investments.

Net sales for our Latin America operations, excluding Argentina, increased 10.6% for the quarter, driven by strong performance in Brazil, Chile, Central America, and the Andean cluster.

EBITDA margin, including Argentina, was 21.7%, down approximately 360 basis points, mainly reflecting the impact of hyperinflationary accounting adjustments.

Net sales for Argentina declined 48.6% in Mexican Pesos, mainly reflecting accumulated hyperinflationary accounting adjustments following a 53% depreciation of the Argentine peso.

However, in local currency terms, sales grew 35% during the quarter, in line with inflation and driven by strong unit share gains in our Ibu 400, Treg, and Suerox products.

As a reminder, the depreciation of the Argentine peso is taken into account when reporting figures in a currency such as the Mexican peso.

Likewise, while inflation in Argentina has been declining, Hyperinflationary Accounting is mandatory when Cumulative Inflation exceeds 100% in the previous 36 months.

The Company's performance in the region is reevaluated each quarter. When the difference between accumulated inflation and FX depreciation is negative, results reflect a non-cash decrease in accordance with hyperinflation accounting rules. Last year, this effect corresponded to a positive 13% difference.

This quarter we had to cope with a 47% negative delta and compare a basis that had a positive 13%, thus a 60% impact

The good news is that, historically, high levels of inflation tend to follow significant currency depreciations.

Turning back to our financials, Cash Conversion Cycle reached 120 days, Non-cash hyperinflationary accounting effects in Argentina resulted in a two-day increase in consolidated receivables offsetting Genomma's sequential improvement in Mexico receivable days.

Genomma ended the quarter with a leverage ratio of 1.2x Net Debt to EBITDA, in line with the same quarter last year, which was notably a historical low in financial leverage.

Free cash flow totaled approximately 1.8 billion pesos over the trailing twelve months, representing a 31% decrease, mainly due to lower net income and higher capital expenditures related to our growth projects. During the period, we converted about 9% of net sales into free cash flow.

Capital allocation during the quarter included our thirteenth consecutive quarterly dividend payment of 200 million pesos, 0.20 pesos per share, and repurchasing 1.4 million LABB shares.

In closing, this quarter highlighted both the challenges and the resilience within Genomma's portfolio, as well as the strength of our Company's business fundamentals. Over many years, Genomma has been built on a foundation of sustainable growth, and we continue to advance with a long-term perspective. We remain encouraged by the solid fundamentals across our core markets and the traction of our strategic projects, and we look forward to capitalizing on opportunities once these challenging conditions ease.

With that, let's now turn to your Q&A.

-- Q&A--

[Operator]: Thank you Antonio, we will now begin the question-and-answer session. To ask a question you may raise your hand using the icon "raise your hand" located at the bottom of your screen. To withdraw your question, press the same icon at any time. This will be required in order to allow you to turn on your microphone and ask your questions.

Our first question comes from Alejandro Fuchs with ITAU. Please turn on your microphone to proceed with your question.

[Alejandro Fuchs – ITAU]: Hola, Marco y Antonio. Thank you for the space for questions and the very detailed presentation. I have two very quick ones. First, for Marco. I want to see, Marco, if you can maybe walk us through your expectations for next year? Maybe a little bit better consumption in Mexico, but we also have some headwinds in terms of potential IEPS taxes for beverage companies. Can you tell us what do you see and expect for next year in Mexico? That would be very helpful.

And the second one is for Antonio. In terms of working capital, I saw a big decrease in accounts of days payables this quarter, and then an increase in receivables in Mexico. I wanted to see if you can walk us through if there is something unusual that is occurring this quarter. Thank you.

[Marco Sparvieri, CEO]: Thank you, Alejandro. In Mexico, I would say that, my expectation, although I don't have the crystal ball, but, I do expect, a few more quarters, a difficult few more quarters in a very difficult consumption environment.
Regarding of the overall context, in the market, categories and competitors, I am very confident in the plans that we are currently putting in place.

We have started working and implementing many of these strategies several months ago, so I am very confident that we are going to see a gradual recovery of the top line at some point in the first half of 2026.

With the investments that we are making in the business, the additional resources that we have secured, the 1.1 billion pesos that I just mentioned. Reinvesting that money thoroughly and intentionally in the business to reignite the top-line growth, I am very confident that we are going to put this company to grow again, at least at the same levels that we have been growing over the past 7-8 years.

Regarding IEPS, based on all the public information that you all have access to, it's impacting both our competitors and ourselves. And when I say competitors, I mean all the competitors. Isotonic beverages and electrolyte beverages in the same category.

We have an advantage, right now, our products are free of sugar, so the current situation as it stands today, based on the public information that we know, is that the IEPS that will be applicable to Suerox is half of what will be applicable to our competitors in isotonics and electrolytes.

There's two scenarios here that we have fully accounted in the plans for next year. One is if our competitors increased prices, and do not absorb the IEPS. We would follow them, and the IEPS will have no impact in our margins.

If our competitors do not increase prices, we will have to absorb that impact, but it's already in the financials and the plans for 2026.

[Alejandro Fuchs – ITAU]: Super clear, Marco, thank you very much.

[Antonio Zamora, CFO]: Hi, Alejandro. This is Antonio. Thank you for your question regarding working capital. In terms of days payable, the 93 days that we presented for the Q3 are pretty much in line with the 96 for Q2, or the 94 for Q4 2024. As we all know, when you transition from third-party contractors to our own facilities, the type of suppliers that we have are different. We are now buying, raw materials directly. And it's a new game.

I would say that this range of around 90-something days for payables is going to be the new normal. Obviously, we are working with suppliers, we're negotiating as they get to know us better, and as we can get to better negotiations.

We hope that in the future this is going to improve.
In terms of DSO in Mexico, that's why I presented a chart with the historical DSOs. In 2024, we were improving our DSO. Last year, everything was more optimistic. This year has been more challenging. The market is a little bit slower for everybody, and you can see this in most companies in the consumer landscape in Mexico.

[Alejandro Fuchs – ITAU]: Super clear, Toño, thanks.

[Operator]: Thank you. Our next question will now be from Alvaro Garcia with BTG Pactual. Alvaro, please turn on your microphone and proceed with your question.

[Alvaro Garcia -BTG Pactual]: Hi gentlemen, how are you? One question we've gotten quite a bit is, how is it that your EBITDA margin is so stable, considering pretty significant sales decline we saw this quarter?

[Marco Sparvieri, CEO]: Thank you, Alvaro. This is Marco.

It's because of the huge amount of efficiencies and productivity that we are generating behind the plan we put in place a few years ago. The short answer is basically that.

[Alvaro Garcia -BTG Pactual]: Great. Another one. I can't remember a time with so many sort of relaunches, sort of renewed images across all your different brands. So I was curious, Marco, of how your clients are taking this, especially maybe the larger retailers. How are they digesting all of this, and sort of what's the prospect, or what's the outlook?

[Marco Sparvieri, CEO]: Clients are fascinated. I mean, they like innovation. That's what the categories where we compete actually need. Not just to drive our growth, but to drive the total category growth. For example, the Walmart skincare buyer is really fascinated with everything we are doing.

You have to remember that this is not just, for one distribution channel. All the new sizes and all the innovation, it doesn't necessarily impact just one channel all at the same time. Many of the things that we are doing are some for the traditional channel, some from the modern retail channels, clubs, hard discounters, e-commerce, so it's not that, like, one single customer is going to have to absorb all the 50 different changes.

[Alvaro Garcia -BTG Pactual]: That's very helpful. And the last one, on CapEx, could you provide guidance for maybe this year or next year on.

[Marco Sparvieri, CEO]: This quarter we had some heavy capex investments. We are paying for the new distribution center, which is, spectacular. We are, taking our levels from 7 to 10 in the distribution center, and it's going to bring us savings of around $12 million per year. We are still paying for the second line of Suerox and some other capex investments in the plastic plant. So I expect, the next two quarters to be a little bit heavy on CapEx. But 2026, overall, based on the current forecast that we have, both in terms of CAPEX and operational cash flow, we expect that we are going to return to the levels of free cash flow that we have been reporting in the past few quarters, which is in the round of 2.5 billion pesos annually.

[Alvaro Garcia -BTG Pactual]: Great. Awesome. Thank you very much.

[Operator]: Thank you. Our next question will be from Axel Giesecke from Actinver. Axel, please turn your microphone on and proceed with your question.

[Axel Giesecke – Actinver]: Hello to everyone. Thank you for taking my question.

Just a quick one regarding the resilience of OTC in Mexico. I just want to know what share gains are you achieving in these categories, and how sustainable are they as we move into 2026 and looking forward? Thank you.

[Marco Sparvieri, CEO]: Thank you, Axel. OTC in general is very resilient. A lot more resilient than personal care or even beverages. Not only for Mexico, but, but also for all the markets, and basically all the categories or subcategories within OTC.

What we are seeing in a sellout standpoint, regardless of the very difficult environment that we are seeing in general in Mexico from a consumption point of view, we were able to navigate in these categories with a lot more strength.

And just to provide a little bit of color, in terms of numbers, it's very early to say, but I think it's important that you guys know that, the early signs that we have from both execution and incidents of the cold and flu season for 2025, the early signs that we are seeing are very encouraging. We are growing double digits, in several of our brands. So it remains to be seen what happens, but normally when a season starts strong, it remains strong.

[Axel Giesecke – Actinver]: Perfect. Very clear. Thank you.

[Operator]: Our next question will now be from Froylan Mendez from JP Morgan. Please feel free to turn on your microphone and proceed with your question.

[Froylan Mendez Solther – JPM]: Hi guys, thank you very much for taking my question. I was, hoping you could illustrate on where are the peso 1.1 billion productivity measures, the incremental ones coming from. If the weakness in the market is clearly a top-down and even weather-driven, why do you feel the need to invest more in growth leverage today if the market is supposed to stabilize at some point? That's my first question. And secondly, I wanted to understand better the performance in the U.S, the decline of almost 24%. You mentioned something about some returns from the different channels, but should the U.S. react before other countries? Where does the U.S. stand in the recovery path that you foresee?

[Marco Sparvieri, CEO]: Yeah, thank you, Froy. Let me address one by one. Productivity is mainly coming from, four key interventions. Number one is a very strong, implementation of artificial intelligence, across different, functions, and processes, that used to require a lot of headcount.

Second is, the continued COGS reduction. We had a plan, a very aggressive plan to reduce COGS. And we strengthened that plan even further. So we expect the costs to continue to go down.

Third, we are eliminating a massive amount of administrative cost that was previously in the P&L. So we are cutting administrative costs by around 30%.

And fourth. We have optimized our go-to-market spending, and with that, I mean unproductive spending. We made a very thorough analysis of all the money that we were spending, in, pricing and promotions, point-of-sale execution, etc. So we made a very thorough analysis of every spending that we have in that bucket, and we are cutting a huge amount of spending that was unproductive.

All that adds up to 1.1 billion. Regarding the second question as to why investing in the business? And the answer is that no one knows what's going to happen with the consumption market or environment or context in 2026, and I don't want to wait until the context saves us.

We want to be aggressive, because we have a very strong portfolio of brands, with very strong positioning. We have a pipeline of innovation, and importantly, we have very strong capabilities to execute, and we want to put this company back to growth.

Regarding the U.S. decline, it's fairly simple. The sellout is declining 8%, it's not great, but it's not a massive crisis. We have brands that are relatively healthier in the U.S, like Suerox and Tio Nacho, and some of our OTC brands. But unfortunately, we had a very bad winter season across the U.S, as well as in Mexico last year. After a season that, didn't go so well, we are receiving customer returns in those brands that is impacting the top line in sell-in. But the sellout is not declining as much as the sell in. I don't know if that provides perspective on the question you asked.

[Froylan Mendez Solther – JPM]: Perfect, thank you so much.

[Operator]: Thank you. That concludes Third Quarter results conference call. Thank you for your attention.