



GRUPO HERDEZ

SECOND QUARTER 2025

CONFERENCE CALL TRANSCRIPT

CORPORATE PARTICIPANTS

Gerardo Canavati Miguel, *Chief Financial & Information Officer*

Andrea Amozurrutia Casilla, *Director, Finance & Sustainability*

PRESENTATION

Operator

Good morning, everyone, my name is Leonor, and I will be your conference operator. Welcome to Grupo Herdez's Second Quarter 2025 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. Please ensure that your full name is displayed correctly on Zoom, if not, please take a moment to edit your display name. Please note that this call is being recorded.

The information discussed may include forward-looking statements subject to risks and uncertainties. Please refer to the forward-looking statements disclaimer in our press release.

I'll now turn the call over to Gerardo Canavati, Chief Financial and Information Officer.

Gerardo Canavati Miguel

Thank you, Leonor.

Good morning, everyone, and thank you for joining us today to discuss Grupo Herdez's second quarter and first half 2025 results.

In a tougher consumer environment, coupled with difficult comps, we managed to grow market share in two-thirds of our portfolio. Traditionally, the start of a new federal government in Mexico is slow. Together with geopolitical uncertainties, it keeps investments on the sidelines, and the general business and consumption environment is weak.



Particularly during the second quarter, we saw major clients reduce inventory significantly. And despite being a one-off, sales performance was weaker than expected, having a significant impact on our working capital. We do not pay much attention to quarterly results based on external short-term adjustments, difficult comps, and seasonality.

Lately, our quarterly results have been volatile. We would rather focus on the long-term trend that looks stable.

I will now turn the call over to Andrea for a detailed review of our financial and operational performance. Andrea.

Andrea Amozurrutia

Thank you, Gerardo.

In the second quarter of 2025, Grupo Herdez's net sales increased 4.4% year-over-year, reaching \$9.7 billion pesos. For the first half of the year, sales grew almost 7% to \$19.4 billion.

The Preserves segment was a key growth driver, increasing 4.7% in the quarter and 7.5% for the first six months of the year, reaching \$7.4 billion and \$15.1 billion, respectively. This momentum reflects the success of our promotional strategies, which delivered strong results in the mayonnaise and spices categories and allowed us to gain market share in vegetables.

The Export segment grew 12% for the quarter and almost 10% year-to-date, volume being the main driver. These results reflect continued expansion efforts, including the transition to a new distribution partner in Canada, the launch of Barilla in El Salvador, and the growing demand for Herdez's salsas in Europe and Latin America.

On the other hand, the Impulse segment faced challenges, with sales declining 0.6% in the quarter, primarily due to heavy rainfall in June that affected Helados Nestle's performance. This was partially offset by an increase in average ticket, driven by effective commercial strategies that sustained value without relying on price increases for the retail segment. Year-to-date, Impulse sales grew 1.7%, reaching \$2.8 billion.

Moving to profitability, the consolidated gross margin for the quarter was 39.6%, a contraction of 0.8 percentage points, mainly due to higher raw material costs in Preserves and Impulse, particularly for egg yolk, coffee, and certain packaging inputs. Year-to-date gross margin improved 0.3 percentage points to 40.2%. The Exports segment's gross margin was 17.9%, an increase of almost 7 percentage points, driven by cost efficiencies in chunky salsa, mainly.



Consolidated SG&A as a percentage of net sales reached 27% in the quarter and 26.6% for the first six months, higher than last year's, mainly explained by increased promotions aimed at stimulating demand, especially in the Impulse segment. In this segment, expenses alone increased by \$77 million pesos year-to-date, mainly coming from Helado's Nestlé.

Consolidated operating income for the quarter totaled \$1.3 billion pesos, down 1.1%, with an operating margin of 13.1%. Consolidated EBITDA for the quarter reached \$1.6 billion pesos, with a margin of 16.2%. The slight decline is largely attributed to the Impulse segment, which posted an operating loss of 34 million.

Despite these quarterly pressures, our year-to-date performance remains solid. Operating profit grew 7.8% to \$2.8 billion, with margins stable at 14.1%. EBITDA rose 5.6% to \$3.3 billion pesos, with a stable margin too.

Turning to our equity investments, contributions from associated companies delivered strong results, reaching \$149 million this quarter, a 47.4% year-over-year increase. Cumulatively, this contribution grew to \$356 million, almost 60% up from last year's challenging performance. These results were driven by MegaMex, which posted sales of \$4.6 billion, up 21%, quarter-over-quarter, and 7% in dollar terms.

Within MegaMex, Wholly Guacamole saw a 10% volume recovery, driven by seasonal demand during the football season in the first quarter and the "Cinco de Mayo" festivities in the second quarter. Furthermore, in December, Don Miguel successfully expanded its mini-taco product to Sam's Club in Canada, contributing to a 4.9% increase in year-to-date volume, which climbed to \$8.8 billion compared to 2024, strengthening performance in convenience stores and price clubs.

The gross margin at Megamex for the quarter was 26.4%, down 70 basis points compared to last year, reflecting continued pressure from avocado prices, which rose 4.6% in the first half of the year compared to last year. Encouragingly, we began to see a downward trend in avocado prices in June, which we expect will continue in the coming months.

Finally, returning to the Consolidated Net Income, it increased 23.6% to \$269 million in the quarter and 46.1% year-to-date to reach \$681 billion. This improvement was driven by a reduction in our comprehensive financing costs, as well as the increased contributions from Megamex, particularly.

Our financial position remained solid. Cash on hand totaled \$2.6 billion pesos in June, down 31% compared to the previous quarter, mainly due to the strategic build-up of inventories explained in the press release and the extraordinary dividend paid in May. Our net debt to EBITDA ratio stood at 1.2x.

I will now turn the call over to Gerardo for additional remarks.



Gerardo Canavati Miguel

Thank you, Andrea.

Despite the current environment, we expect a more positive second half of the year. As for our guidance, we continue to see sales growing in line with expectations.

In Preserves, we see sales growing in the high single digits. We're lowering Impulse due to our second quarter; we now expect it to grow in the low double-digit range. Exports will be down due to softness in two of our major categories and the exchange rate effect, while EBIT will grow in the high single digits. Regarding Impulse retail specifically, we expect to increase our EBIT margin as we rein in SG&A. We're ramping up our stores and focusing more on same-store sales due to improved offerings.

In terms of EBITDA, we're expecting Preserves to grow in the single-digit range. Impulse will increase north of 40%, and Export will increase in the mid-single digits. We also expect income from MegaMex to grow in the low 40% range.

Lastly, net consolidated income will grow in the mid-double digits, and the majority of net income will grow north of 30%. Regarding CapEx, we're going to be within our guided range — in the middle of the range — at about \$1,600 million pesos.

Talking about other company topics, during this quarter, we successfully implemented ERP in one of our smallest subsidiaries, where we now have three-quarters of our operating processes covered. We are preparing a full rollout for the first quarter of 2026.

Also, we still expect to conclude the separation of Grupo Nutrisa before the end of this quarter.

With that, we can now turn the call over to your questions.

Operator

Thank you. We will now conduct a Q&A session. If you would like to ask a question, please press the 'Raise Hand' button located at the bottom of the screen, or dial *9 if you are connected via telephone. We remind you that all lines have been placed on mute. When it is your turn to ask a question, you will be given permission to speak, and you will then be able to unmute yourself and ask your question. We will now pause for questions.

Our first question comes from the line of María de la Madrid. Please state your company name and ask your question.



María de la Madrid

Hi, thanks for taking my question. I have three questions. The first one is, given volumes rose this quarter, how are you thinking about the balance between pricing and volume for the second half of 2025?

Gerardo Canavati Miguel

It's going to be split evenly. We expect volume for the second half to be in the low single digits, with the rest coming from pricing.

María de la Madrid

Perfect. Can I go on with my second question?

Gerardo Canavati Miguel

Yes

María de la Madrid

With recent tariffs and trade tensions, how will you manage avocado price volatility in the second half?

Gerardo Canavati Miguel

Well, that's a very important question. As long as all our products exported to the US are covered by the current trade agreement, we are not subject to tariffs. However, that could change in the future. If it does, we are prepared to increase prices, pass on some of these costs, and absorb some of the pressures in the short term. So far, we haven't needed to adjust our pricing strategy.

María de la Madrid

Thank you. My last question is regarding the recall flow, which turned negative this quarter. Was the inventory bill mainly a precautionary measure or related to promotional strategies? Should we expect a reversal and normalization in the third quarter?

Gerardo Canavati Miguel

Well, I think it's a combination of a few factors. It's a combination of lower sales and us not being agile enough to adjust our inventory. But we expect to end the year, not just the third quarter, the whole year with better working capital. The need for working capital is probably around \$200 to \$300 million pesos from a year ago.



María de la Madrid

Thank you so much.

Gerardo Canavati Miguel

The fourth quarter is our strongest quarter, so there's a seasonal trend that will reduce inventory.

Operator

As a reminder, to ask a question from a phone, dial *9. Or if you have joined the call over Zoom, press the raise hand button at the bottom of the screen. We will now pause for further questions.

Our next question comes from the telephone line ending in 6863. Please state your full name and company name before asking your question. You may need to press *6 to unmute yourself.

Felipe Ucros

Thanks for the space for questions. Really, a quick one on your views of the consumer in Mexico. It seems that there are a few reports this quarter from some companies — typically those engaged in liquids or in cold distribution, like in your case with some of the Impulse brands — where traffic and weather were very important factors. We've heard that from a number of companies.

But it also seems that things not very reliant on weather have performed fairly well. Would that still be your assessment? I mean, from your numbers, that appears to be the case. But I just wanted to hear your thoughts on the less objective, more subjective side of things — what you're seeing on the ground.

Gerardo Canavati Miguel

Thank you, Felipe.

So, well, when you think about weather — we got hit in our ice cream business. We saw traffic in DSD go down, and I think that inconvenience across the board was the same issue. So, there was definitely lower traffic among our street clients — mom-and-pops, convenience stores, etc.

There's also a lot of segmentation across the country. In some parts of the country, we saw a shift from mom-and-pops to modern retail. Obviously, that doesn't affect the overall consumption number, but there are some trends that can emerge from that.

Secondly, when we look at our total volume, it was flat — we grew 1% in volume in the quarter. I can say that some categories have special situations, like tomato purée, where fresh tomato prices are very low. We had a great crop last year, plus a higher supply from exporters, which competes directly with our tomato purée. So that category is down specifically due to this issue.



But in general terms, we believe consumption is soft across the board.

And comps are very important, Felipe, because in the second quarter of last year, we grew 5% in volume. That was a different environment, especially with the elections, where typically there's a lot of money in the streets. So, I wouldn't make a case based on the second quarter because of comps.

What we really think is that we're going to start growing again. Probably tomato purée will take a while until all this excess supply clears, but we are confident that consumption will pick up starting in the late third quarter.

Felipe Ucros

Well, that's very clear and very helpful, guys. I think that answers my questions. Congrats on the performance.

Gerardo Canavati Miguel

Thank you, Felipe.

Operator

We will pause once more for any further questions.

We have not received any further questions at this point. So that concludes our question-and-answer session. I would like to hand the call over to Gerardo for his closing remarks.

Gerardo Canavati Miguel

This is our Earnings Conference Call. If you have any questions or comments, please don't hesitate to contact us. We look forward to seeing you at the next call. Thank you.

Operator

Thank you. You may now disconnect.



CONTACTS

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ABOUT GRUPO HERDEZ

Proudly, we are the Mexican food company with the longest history in the country. Since 1914, we have brought the best of our gastronomy and the flavors of the world to Mexican families, and we have brought the best of the flavors of Mexico to the world. We have been listed on the Mexican Stock Exchange since 1991 and our purpose is to be a worthy representative of the recipes and ingredients of our cuisine on a global level, working committed to the social and environmental needs of the places where we operate.

We are leaders in the processed food sector and an important player in the ice cream category in Mexico, in addition to having a solid presence in the United States through MegaMex, as leaders in the production and marketing of guacamole, as well as in the categories of sauces and frozen Mexican food, in the American Union. We have a broad portfolio of more than 1,500 products, with which we provide solutions to the daily lives of our consumers, by offering them variety and convenience for different lifestyles in the categories of tuna, spices, guacamole, ice cream, mayonnaise, jams, honey, mole, mustard, pasta, organic products, crushed tomatoes, homemade sauces, ketchup sauce, tea, canned vegetables and many more. These products are marketed through an exceptional portfolio of brands, including Aires de Campo®, Barilla® Blasón®, Búfalo®, Cielito Querido Café®, Del Fuerte®, Doña María®, Embasa®, Flaveur®, Frank's®, French's®, Helados Nestlé®, Herdez®, Libanius®, McCormick®, Moyo®, Nutrisa® and Yemina®.

We align our sustainability strategy with 7 Sustainable Development Goals of the 2030 Agenda of the United Nations, being signatories of the Global Compact since 2012. This vision of contributing to the well-being of people, communities and the planet is shared with a great team of more than 12,500 employees, and executed through a solid infrastructure that includes 16 production plants, 28 distribution centers and around 650 points of sale of our brands Cielito Querido Café®, Chilim Balam®, Moyo® and Nutrisa®. For more information, visit <http://www.grupoherdez.com.mx> or follow us on: FB: /GrupoHerdezMX TW: @GrupoHerdezMX LI: /Grupo-Herdez IG: @grupoherdezmex



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