



GRUPO HERDEZ

FOURTH QUARTER AND YEAR 2025

CONFERENCE CALL TRANSCRIPT

CORPORATE PARTICIPANTS

Gerardo Canavati Miguel, *Former Chief Financial Officer*

Andrea Amozurrutia Casilla, *Chief Financial & Sustainability Officer*

PRESENTATION

Operator

Good morning, everyone and welcome to Grupo Herdez's Fourth Quarter 2025 Earnings Conference Call.

This call is being recorded.

Information discussed may include forward-looking statements subject to risks and uncertainties. Please refer to the forward-looking statements disclaimer in the Company's press release.

I'll now turn the call over to Andrea Amozurrutia, Chief Financial and Sustainability Officer. Please go ahead.

Andrea Amozurrutia Casillas

Good morning, everyone.

Since we are in the middle of strategic corporate restructuring and the transition in our executive leadership roles, we have invited Gerardo to this call, so we will lead this call jointly today. Please be confident that the transition is being smooth and that our financial discipline will keep office peace.

I'll now hand the floor over to Gerardo.

Gerardo Canavati Miguel

Thank you, Andrea.

Despite the slower consumption environment, we had an outstanding fourth quarter as inventories across our customers regained optimal levels on a sequential basis, coupled with favorable comps. This helped



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us achieve a record year as net sales topped 37 billion pesos, a 5% increase on a pro forma basis and a consolidated net income of 4.1 billion pesos, representing a robust 16.9 growth. From a Shareholder standpoint, the value creation in the last six years has been threefold.

Finally, Project NEO, our new ERP, remains on track for its April go-live. We will experience a typical behavior during the first half of 2026 due to this transition. To ensure zero supply interruptions, we have designed a strategy involving an advancement of inventories during the first quarter, generating a temporary sales spike followed by moderation in the second quarter. We expect operating flow to fully normalize starting in the third quarter. Due to the natural course of this project, it will be in 2027 that we will start seeing the deceleration of ERP-related SG&A and the efficiencies of this better technology.

I will now hand the call over to Andrea to discuss 2025 financial execution and 2026 outlook.

Andrea Amozurrutia Casillas

Thank you, Gerardo.

A key highlight of 2025 was our ability to protect margins despite significant investment. We achieved a full-year gross margin of 39.3%, a 90 basis point improvement. We successfully offset SG&A pressures from Project NEO with cost efficiencies driven by our procurement strategy and the strength of the Mexican peso.

Our brand demonstrated high resiliency in a complex domestic environment. We successfully expanded our market share in core categories, including mayo, vegetables and mole, consistently outperforming category averages. Also consistent with industry trends, we observed the tactical shift in the tomato puree category as fresh tomato prices reached deflationary levels due to domestic oversupply. Some consumer segments temporarily shifted towards the fresh commodity. This, also we took advantage of this, and we leveraged the same oversupply to optimize our input costs.

Regarding our international footprint, MegaMex operated also in a very complex U.S. environment. Despite volume pressures, by prioritizing efficiency over volume MegaMex achieved an extraordinary 45% growth in annual net income.

Also, I am proud to report that we surpassed our water consumption reduction targets tied to the KPIs of our 2022 local bond issuance, and we are on track to surpass our 2030 commitments. Furthermore, starting this year, we are adopting the new IFRS S1 and S2 Accounting Standards, ensuring our ESG performance is reported in connection with our financial results.

Looking ahead, the \$700 million proceeds from the McCormick divestiture provided us with a highly robust capital position. We have defined a clear three-pillar strategy for the allocation of these funds. First, deleverage. We will prioritize the strength of our balance sheet by paying down approximately 4 billion pesos in debt throughout this year. Second, shareholder returns. We will propose to the ordinary shareholders meeting an extraordinary dividend of 15 pesos per share. Third, strategic growth. We will maintain a cash reserve to capitalize on inorganic growth opportunities that align with our core strengths.



In terms of reporting, starting this year, we will reflect our 25% stake in McCormick de Mexico under Equity in Results of Associates. Also, we will recognize (inaudible) service fees from the commercialization, distribution, and services provided to McCormick. As a result of all these changes, majority net income will become a relevant financial metric since it will capture the proportional profitability of the group.

Please consider that our 2026 results will include significant accounting one-offs. We will recognize extraordinary income from the sales of the 25% stake alongside the fair value recognition of our remaining interest. For a better understanding of our performance, at least at the operating level, Grupo Herdez recommends that the investment community utilizes proportional EBITDA as the primary valuation metric. This approach proportionately integrates 25% of the results from MegaMex and McCormick, along with strategic and service income, reflecting the Company's actual stake in operating cash flow.

We conclude 2025 with the confidence of having laid a solid foundation. Twenty twenty-six will be the year to capitalize on every strategic decision made during this period.

With that, we are now happy to take your questions.

Operator

We will now begin the question-and-answer session. To ask a question, you may press star, then one on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then two. At this time, we will pause momentarily to assemble our roster.

The first question is from Alvaro Garcia with BTG. Please go ahead.

Alvaro Garcia

Hello, Andrea. How are you? Thanks for the space for questions. Congrats on the transaction, the announcement on the dividend. I was wondering if you could give a bit more color on how you plan on paying down these 4 billion pesos in debt. Just from a timeline standpoint, where do you feel comfortable for the new resulting entity, where do you feel comfortable on a net debt-to-EBITDA basis for the long term, and how do you measure that? I'll stop there for now.

Andrea Amozurrutia Casillas

Thank you, Alvaro. In terms of the leverage during this year, we will actually go with the calendar of the debt for this year. We have paid a significant portion already in the first quarter and the 1.5 billion pesos coming from the local bond will be the latest in the year. But it's according to the actual amortization calendar that we have.

I would say that it is starting in 2027 that we will face the challenge of matching actual cash flows to the amortizations going forward because all of the debt starting in 2027 will be coming from the long-term



issuances. We will visit that during the second quarter of this year and start the refinancing plan as soon as possible.

Alvaro Garcia

Cool. Then, how you're thinking about, I guess, debt rating agencies and yourself, so how you're thinking about net debt-to-EBITDA considering you've got a pretty chunky dividend from McCormick de Mexico, and how to think about leverage long-term for the NewCo on the net debt-to-EBITDA basis or maybe net debt-to-EBITDA plus dividends from McCormick and what levels you think are sort of appropriate long-term.

Andrea Amozurrutia Casillas

One of the key priorities with the new structure is to free as much cash flow as we can because we know that the cash flow will change going forward. At this point, and with no major restructuring on our debt, we feel comfortable with a ratio between 2X and 3X. But the commitment is to deleverage as soon as possible. It is very clear this year how we will do that 4 billion deleverage, but it is going forward that we will have to restructure accordingly.

Alvaro García

Yes, super clear. Then I guess one last one. How should we expect to, or will you report McCormick de Mexico results, kind of like we get it from MegaMex? I guess, what color will we get from McCormick de Mexico going forward from a financial standpoint?

Andrea Amozurrutia Casillas

At this time we are working with the auditors to determine which detail we will have to release from this joint venture. If you give us some time, we will have it obviously clearer once we approach the end of the first quarter.

Alvaro Garcia

I'll get back in the queue here. Thank you very much.

Andrea Amozurrutia Casillas

Thank you, Alvaro.

Operator

Again, if you have a question, please press star, then one. The next question is from Regina Carrillo with GBM. Please go ahead.



Regina Carrillo

Hello Andrea, Gerardo. Congratulations on the results. I wanted to ask about 2026 guidance. Can you give us a little bit more color on what the assumptions are by business? Also, if you have a similar guidance for majority of EBITDA, if you have any idea how much MegaMex and McCormick would grow, that would be useful. Thank you so much.

Andrea Amozurrutia Casillas

Thank you, Regina. At this point, let's say that since we are working with the auditors in terms of how the information will be presented with a new consolidation structure, the 7% to 9% range of sales growth that we guided considers half growth coming from volume and the other half from tactical price increases.

In terms of EBITDA, let's say that on a pro forma basis, we are expecting a similar margin to what we registered in 2025. It is the consolidation that can move the numbers, but if you consider apples-to-apples, we are expecting a stable margin performance.

Regina Carrillo

Perfect. Thank you so much.

Andrea Amozurrutia Casillas

What we offer is that while we approach the close of the first quarter, we can get with all of you, the analyst community, in order to work on your models so we make sure that we all have the same numbers there and you have the correct information to make your valuation calculations.

Regina Carrillo

That would be super useful. Thank you so much, Andrea.

Andrea Amozurrutia Casillas

You're welcome.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Andrea Amozurrutia for closing remarks.



Andrea Amozurrutia Casillas

Thank you very much to all of you for getting onto the call. Let's stay in touch because of all the changes that the financials will have. Any doubts? Please feel free to contact us.

We hope you have a great day. Thank you very much.

Operator

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.

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ABOUT GRUPO HERDEZ

With over a century of history, Grupo Herdez is a worthy representative of Mexican gastronomy globally. Since 1914, the company has brought the best of its cuisine to Mexican families and the world, building a legacy of flavor and innovation. The company is a leader in the processed food sector and a key player in the ice cream category in Mexico. Its exceptional portfolio of more than 1,500 products, under brands like Herdez®, Doña María®, Del Fuerte®, Barilla®, McCormick®, and many more, offers practical and delicious solutions for its consumers' various lifestyles. Grupo Herdez operates with a solid infrastructure that includes 15 production plants, 29 distribution centers, all driven by the talent of more than 10,000 employees. It has been listed on the Mexican Stock Exchange since 1991, and its sustainability vision is aligned with 7 Sustainable Development Goals of the UN's 2030 Agenda. Additionally, through its participation in MegaMex Foods, it is a leader in the guacamole category and other Mexican foods in the United States. For more information, you can visit www.grupoherdez.com.mx or follow its social media channels on LinkedIn and Instagram.

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