

Earnings call transcript: Genomma Lab reports strong Q1 2025 growth

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Genomma Lab Internacional SAB De CV (market cap: \$1.16 billion) reported robust financial results for Q1 2025, showcasing a 5% year-over-year increase in net sales and a 15.4% rise in net income. The company’s strategic initiatives in product innovation and operational efficiency contributed to these positive outcomes. According to [InvestingPro](#) analysis, the stock appears undervalued based on its Fair Value calculation, suggesting potential upside opportunity.

Despite macroeconomic uncertainties in key markets, Genomma Lab's stock showed a modest increase, reflecting investor confidence in its growth prospects.

Key Takeaways

Net sales increased by 5% year-over-year, reaching MXN 4,406 million.

Net income rose by 15.4%, driven by a strong EBITDA margin of 23.8%.

The company identified 10 targeted growth projects, focusing on brand expansion and new product categories.

Strategic alliances and digital capability enhancements are key operational focuses.

Macro uncertainties persist in the US, Mexico, and Argentina, impacting market dynamics.

Company Performance

Genomma Lab demonstrated solid performance in Q1 2025, with significant year-over-year growth in both net sales and net income. The company's trailing twelve-month revenue growth of 13% and attractive P/E ratio of 10.7x highlight its strong market position. The company's strategic focus on expanding its product offerings, particularly in the Swirlux brand and OTC segments, has paid off. Furthermore, Genomma Lab's efforts to enhance its digital capabilities and strategic alliances with top customers have strengthened its competitive position in traditional and emerging channels, supporting its impressive EV/EBITDA ratio of 6.2x.

Financial Highlights

Revenue: MXN 4,406 million, up 5% year-over-year.

Gross profit: MXN 2,767 million, representing 62.8% of net sales.

EBITDA: MXN 1,048 million, with a 23.8% margin, up 12% year-over-year.

Net income: MXN 499 million, a 15.4% increase from the previous year.

EPS: \$0.50, up 17.7% year-over-year.

Free cash flow: MXN 2,678 million, a 62% increase year-over-year.

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Outlook & Guidance

Genomma Lab remains optimistic about its growth trajectory, projecting low to mid-single-digit growth in the near term and targeting low teens sales growth over the midterm. The company is committed to maintaining a 24% EBITDA margin and continues to invest in strategic growth projects, including the expansion of its product lines and distribution

channels. [InvestingPro](#) data reveals a "GREAT" Financial Health Score of 3.23 and a strong Piotroski Score of 7, indicating robust financial fundamentals. The company also offers an attractive dividend yield of 3.47%.

Executive Commentary

CEO Marcos Tarviari emphasized the company's confidence in its growth projects, stating, "We are confident that the successful execution of our growth projects will drive low teens sales growth over the midterm while maintaining an average of 24% EBITDA margin." CFO Antonio Zamora highlighted the company's financial strength, noting, "Our strong balance sheet enables Genomma an important capital allocation flexibility."

Risks and Challenges

Macroeconomic pressures in the US, Mexico, and Argentina could impact consumer spending and sales.

Market share loss in the US cough and cold segment poses a competitive challenge.

Supply chain disruptions could affect product availability and cost structures.

Inflationary pressures may impact profit margins despite current growth.

Execution risks associated with the company's ambitious growth projects.

Q&A

During the earnings call, analysts inquired about Genomma Lab's traditional channel expansion strategy and the company's approach to managing working capital transitions. Executives also addressed market share challenges in the US market and provided insights into the company's performance in Argentina. Additionally, there was a discussion on gross margin expectations and the strategic reinvestment of excess margins. For deeper insights into Genomma Lab's financial health and growth prospects, investors can access the comprehensive Pro Research Report available on [InvestingPro](#), which includes detailed analysis of key metrics, peer comparisons, and expert insights.

This comprehensive analysis of Genomma Lab's Q1 2025 performance highlights the company's strategic focus on growth and operational efficiency amidst challenging market conditions.

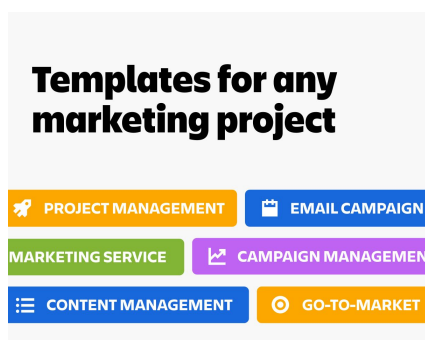
Full transcript - Genomma Lab Internacional SAB De CV (LABB) Q1 2025:

Conference Moderator: Greetings, ladies and gentlemen. Thank you for joining Genomelabs first quarter twenty twenty five 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 on the Investor Relations section of Genoa's website following the call.

I'll now turn the call over to Christiane Ibanez, Genoa's head of investor relations. Please go ahead.

Christiane Ibanez, Head of Investor Relations, Genomelabs: Thank you, and welcome, everyone. On today's call are Marcos Tarviari, 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 Genoa's business, assets, 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. Marcos Parlieri.



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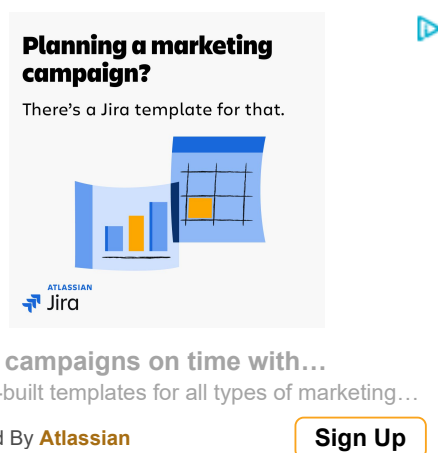
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Marcos Tarviari, Chief Executive Officer, Genomelabs: Good morning, everyone, and thank you, Chris. I would like to open the call by announcing we have identified 10 targeted projects where we will invest excess cash and profits to accelerate sales growth. We are confident that the successful execution of our growth projects will drive low teens sales growth over the midterm while maintaining an average of 24% EBITDA margin. As part of our growth strategy, we have identified a set of focused initiatives across key categories and capabilities where we believe targeted investment can unlock meaningful upside. In Swirlux, we are working to expand distribution, support its international rollout and enter a new segment to further scale the brand.

In skincare, we aim to revitalize the category through the relaunch of Asepsia and Cicatrocure. In hair care, we are repositioning Tionacho, relaunching Bernard and launching a new brand, expanding them in the international markets. In OTC, we continue to enhance our innovation pipeline to gain market share. While in infant nutrition, we are preparing to introduce NovoMil in Brazil and Argentina. We also see significant potential in supplements, and we are building the capabilities needed to support our entry into this category.

On the commercial front, we are intensifying efforts across high growth channels, including traditional trade, convenience, hard discounts and e commerce, while building a dedicated digital capability to accelerate sell out. We are also elevating the in store experience by investing in coolers for Swerox, OTC drawers for the traditional channel and strategic displays for pharmacies, leveraging manufacturing capabilities as a key visibility driver. Lastly, we're pursuing deeper collaboration with our top five clients to strengthen execution and unlock joint growth opportunities. Before turning to our first quarter results, I would like to highlight that together, these initiatives represent a disciplined approach to capital deployment aligned with our commitment to sustainable profitable growth. Turning now to first quarter results.



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Genoma sell in grew 5% in Q1 twenty twenty five, while sell out grew in the low teens. The sell in, sell out gap is mainly attributable to The U. S. And Argentina. In The U.

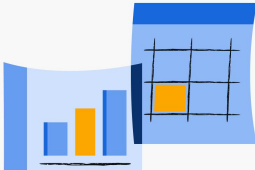
S, a weaker than expected flu season and related share loss in cough and cold impacted selling. In Argentina, lower inflation led customers to reduce inventories to improve productivity, reversing prior stockpiling behavior typical in a hyperinflationary environment. We delivered strong profitability this quarter with continued momentum across the P and L. EBITDA grew 12%, outpacing sales, and net income rose even faster, While gross margin was impacted by a higher mix of beverage sales, EBITDA margin expanded 149 basis points to 23.8%, driven by productivity gains. EPS increased 17.7 to \$05 to \$0.50 The cash conversion cycle increased by thirteen days, driven by a strategic inventory buildup for Xerox and shorter payment terms as we transition to in house OTC manufacturing in Mexico.

Free cash flow reached \$678,002,000 over the trailing twelve months, up 62.4% year over year. Our business remains healthy with 72% of our sales maintaining or gaining market share and

86% of sales outpacing inflation. The next chart highlights core category performance this quarter. Isotonix beverages are driving portfolio growth, while the Cecelia relaunch in Mexico is helping skincare return to positive territory. Derma OTC and analgesics remain strong performance, while cough and cold reflects the impact of a weaker than expected flu season in The U.

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S. And the same chart now shows country level performance where key markets delivered growth in the low to high single digit range. Our strong profitability gains begin at the gross margin levels, which has expanded by an impressive 5.9 percentage points. We have improved gross margin from 57% to 63 over the past couple of years, a testament to the impact of our productivity initiatives and manufacturing capabilities on the business. Let's now take a closer look at EBITDA margin improvements.

The chart shows we have expanded EBITDA margin by 3.9 percentage points over the same two years period. More than half of the gross margin gains translated into EBITDA growth, while the remainder was reinvested to accelerate top line growth in our core categories. Looking ahead, we will continue to strengthen core brands by reinvesting excess profits and cash into our growth projects while maintaining a 24% average EBITDA margin. The following chart highlights our accelerating momentum down the P and L with the EPS significantly outpacing sales and EBITDA growth, achieving a 23% CAGR over the past five years. This is resulting in a higher free cash flow where we have reached a 71% CAGR over the past five years while returning a healthy dividend to our shareholders.

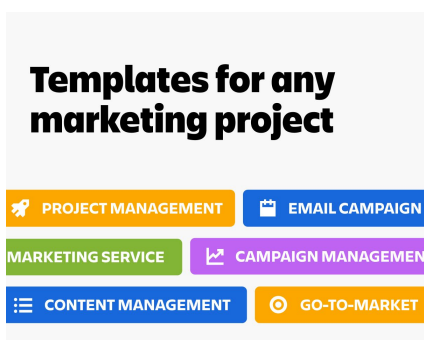
All this efficiency has resulted in a much better ROIC, a variable that is becoming a central focus of our leadership team. In the chart, you can see the evolution of Labs ROIC over the past four years. Our current business model is delivering 1.4 times more value for every invested peso than four years ago. ROIC will remain a key metric throughout investments in growth projects. Our cash conversion cycle increased in preparation for the high season.

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We have been building inventory of Swirls and limited aimed limited production capacity. Payable days also increased as we transition to in house OTC manufacturing in Mexico. The new SUEROX production line set for commissioning by the second half of twenty twenty five will enhance manufacturing efficiency and help reduce inventory days. The factory acceptance test has been successfully completed at the vendor's site, and shipment is in progress. We continue to capitalize progress in our productivity program and remain on track to reach COP 1,800,000,000.0 in accumulated productivity savings targeted by 2027.

Looking forward, we will reinvest productivity gains in our growth project as we maintain EBITDA margin in a 24% average. I would now like to provide an update on the progress we have made in our growth projects. A key pillar for Genoma is the expansion of the traditional channel, where we have already made significant strides. As you can see, we have sustainably increased sales through this channel over the past few years. Today, we reached over 600,000 points of sales across Mexico and LatAm out of our 2,100,000 stores addressable universe.

Our goal is to scale this to over 800,000 within the next three years, accelerating both reach and impact. Our skincare turnaround is advancing well. The Asepsia relaunch in Mexico is delivering encouraging sell out results, laying the foundation for further domestic growth and international expansion. As shown in this chart, sellout has grown significantly since the relaunch. We are also increasing digital content to support the Asepsia relaunch.



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This chart highlights a snapshot of our social media campaign in the Mexican market. Turning to our OTC innovation pipeline. We are seeing strong momentum with many of the registrations submitted since 2023 now nearing approval. As shown in the chart, submitted registrations have increased significantly, and we remain focused on further strengthening the pipeline. In The U.

S, we are also focused on expanding our distribution points. Today, we have reached over 400,000 distribution points with a three year targeted of more than 800,000 within a 13,200,000

addressable universe. The U. S. Represents our strongest progress in e commerce.

Where we are focused on strengthening core brand positioning and gaining market in the general market, we have a clear strategy to enhance our infrastructure and accelerate expansion in this channel. To close, I would like to share our short term and midterm outlook in the near term macroeconomic uncertainty around consumption, FX and global supply chains may result in softer growth, which is expected in the low to mid single digits range. However, looking ahead, we see meaningful upside. As our growth projects gain traction, we expect sales to accelerate toward low teens levels. In both scenarios, we remain confident in maintaining a stable EBITDA margin around 24%.

Before handing the call over to Tonio, I want to thank our team for our focus and dedication toward achieving our growth projects. I have no doubt that we have a best in class team capable of taking Genoma to the next level. I also want to thank our investors for your confidence, trust and support. We remain committed to delivering lasting value for all our stakeholders, and we look forward to the opportunities ahead. Please, Antonio, go ahead.

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Antonio Zamora, Chief Financial Officer, Genomelabs: Thank you, Marco, and thank you, everyone, for joining us today. I'm pleased to report strong first quarter results. And let's start by our first quarter financial review. Genoma delivered 4,406,000,000 in consolidated net sales for the quarter, a 5% increase with 86% of our sales outpacing inflation and 72% maintaining or increasing market share year on year. Sustained sales growth of our Swerox isotonic beverage drove this increase, which was partially mitigated by a weaker than expected U.

S. Flu season and related market share loss of cough and cold brands in this market. Gross profit reached MXN 2,767,000,000.000 or 62.8% of net sales, reflecting a moderate 1% increase. EBITDA for the first quarter of the year reached 1,048,000,000.000 with a 23.8% EBITDA margin. The 12% year on year increase, a substantial 149 basis points reflects the continuous results we are seeing of productivity gains and cost efficiencies through our operations, which underscores the fact that our strategies are indeed resonating as Marco described earlier.

First quarter twenty twenty five net income reached Ps. \$499,000,000, a 15.4% year on year increase resulting from higher operating income and a favorable FX during the quarter. EPS or

earnings per share increased by 17.7% to \$0.50 per share, benefiting from higher first quarter net income as well as Genomic cancellation of 20,000,000 shares in the second quarter twenty twenty four. Our first quarter cash conversion cycle was 116, largely related to strategic Swirlux inventory buildup, which is very typical in the industry. And we do this ahead of the spring and summer season, as we described in last quarter's discussion.

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And also by a decrease in payable terms resulting from GenoMa's transition to in house manufacturing production in Mexico. Finally, free cash flow increased 62% to reach MXN 2,678,000,000.000 during the trailing twelve months compared to the same period of the prior year. Moving to a brief overview of our results by region. Net sales for Genomaz Mexico operations increased by 3% year on year for the first quarter twenty twenty five, driven by strong traditional channel Suero's performance, which was partially offset by a milder winter season. It's important to note that our OTC brands continue to gain share of market during the quarter.

The EBITDA margin for Mexico increased to 24.3%, a significant 145 basis point expansion, again, due to the productivity gains we have noted. As you can see in this slide, the Mexican peso depreciated 20.3% year to date against The US Dollar. Remember last year, we have the so called Mexican super peso not anymore. It's in a more stable or normal range this year. Turning to The U.

S. First Quarter net revenue increased by 1%, which sales had some favorable effects and sustained strength from Swireup sales. During the quarter, the 15.2% net sales decrease in U. S. Dollar terms reflects a weaker than expected flu season also in The U.

S. Market and also a related market share of Genoa's coffin core brands. The EBITDA margin reached 16.9% for the quarter. This represents a two eighty two basis point expansion again, reflecting productivity gains as well as favorable ForEx. Genova's Latin America operation net sales increased by 8.2% for the quarter with notably strong performance in our Brazil, Peru and Central America markets and also with benefit of favorable foreign exchange effects that we mentioned earlier.



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The EBITDA margin for Latin America reached 24.8%. This is a 114 basis point increase due to productivity gains and again, a favorable ForEx. A few days ago, Genoma issued a press release detailing the effects of IFRS five on the company's audited financial statements related to our non controlling stake in Grupo Industrial and Commercial, Marsam, which as everybody knows is classified as a discontinued operations. I'd like to take this opportunity to briefly reiterate that Marzan's contribution to Genoma Labs' consolidated figures is not material and does not contribute to Genoma Labs' operational model. IFRS requires that a single line item with the amount for the total of discontinued operations pre presented in the profit and loss statement separate from the continuous operations.

Remember, continuous operations is Genoma lab. Discontinued operations is MarSan. Genoma, therefore, reported a non cash adjustment with a separate line in discontinued operations underscoring that recent events related to Marsam's twenty twenty four business performance as described in that press release had no impact on Genomas. Net revenues had no impact on Genomas. EBITDA had no impact on Genomas cash flow.

And what we see is a positive impact is that now performance metrics such as return on equity, ROE, or return on invested capital, ROIC, will show the true performance of the Genoma business. Going back to our results, Genoma ended our first quarter of the year with a leverage ratio of just 1.1 times net debt to EBITDA. It's important to note that although at the end of the quarter 58% of the company's overall balance of debt is related to long term liabilities, we are already in the process to refinance short term debt and we will provide information as it becomes available in the coming weeks and months. Finally, we made our eleventh consecutive dividend payment of MXN0.20 per share, totaling MXN200 million payable to shareholders at the close of 03/14/2025. Our ongoing dividend payment further demonstrates our company's commitment to shareholder value and confidence in Genoa's continued progress.

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Before moving into Q and A, would like to close with some key takeaways from the financial results that I just shared with you. We are pleased to inform that we are investing in the areas that drive the most value, which are the 10 strategic projects that Marco described earlier in his presentation and the investment and strategies we have implemented today, particularly our productivity and efficiency projects, which as everybody has seen are clearly gaining traction. This reflects our confidence in our plans and long term objectives. We continue to execute on our strategic road map with speed and agility in alignment with consumer trends, further capitalizing on our attractive categories across segments and driving category leaderships. Our plans are yielding results with margin resiliency, as Marco highlighted earlier.

We will continue investing in future sales growth, which we manage while we manage our cost to optimize our business. Our strong balance sheet enables Genomma an important capital allocation flexibility. With that, let us start to a Q and A.

Conference Moderator: Thank you, Antonio. We will now begin the question and answer session. To ask a question, you may raise your hand using the raise your hand icon 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.

One moment, please, while we hold for questions. Yes. Thank you. Our first question comes from, Alvaro Garcia with BTG Pactual. Alvaro, please turn your microphone on and proceed with your question.

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Alvaro Garcia, Analyst, BTG Pactual: Hi there. Thanks for the space for your questions. Hi, Marco. Hi, Antonio. A couple of questions.

One on the traditional channel. Marco, was hoping you could maybe expand on sort of how you're gonna go about increasing points of sale. Is that through you guys, through wholesalers? And I'm interested in how I'm assuming, obviously, to your best asset at that point of sale is, but how you successfully sort of cross sell into your other products in your portfolio. That'd be helpful to hear that sort of, strategy piece from you.

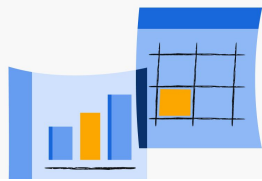
And on my second question is on on working capital. When you how should we think about working capital? I think it's fair to assume maybe a slight cash burn this year, and it's just tough to to wrap our heads around the transition. This transition to in house manufacturing in Mexico, how much longer that that might take from from a payable standpoint. Thank you very much.

Marcos Tarviari, Chief Executive Officer, Genomelabs: Yeah. Thank you, Alvaro. Good to hear from you. Let me address maybe both questions and then have Antonio add comments on the working capital piece. So on the traditional channel, I think the strategy is focused on three pillars that will allow us to aggressively expand distribution in the traditional channel.

Number one is the portfolio. Today, we have a lot of work to be done in terms of sizes and price points, for the different brands, for products that can be sold in the traditional channel. So, you know, today, we have successful brands like TioNacho that basically have no distribution in the channel, or very low distribution, and that's because we don't we still don't have the right size, at the right price point. So the product can accelerate distribution in the channel. So we're working on developing that size for for Tio Nacho to be sold in the in the channel.

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And the same goes for for most of the other brands. So what we have done today, in the traditional channel is mostly with the sizes that, you know, we've historically had in the company, but we are now intentionally going to make a big effort to develop the right sizes for the channel. Second, we are going to be investing, very intentionally in expanding our distribution capabilities throughout our distributors, not wholesalers, but distributors, adding more routes of sale in the different distributors. We are reengineering our trade terms for the for the channel as well. And, and then fourth, we are going to be investing in media that is more appealing, to these channels, say, digital.

We're going to significantly increase the investment that we're making in digital digital communication. That goes for traditional channel. I don't know if you that clarifies or you need more color on that.

Alvaro Garcia, Analyst, BTG Pactual: Just one follow-up there. Is it fair to assume that when you guys talk about sort of reinvesting some of the recent margin gains into growth that this would fit that that profile?

Marcos Tarviari, Chief Executive Officer, Genomelabs: Yes. We are going to reinvest excess margin over 24% and cash in in building these capabilities.

Alvaro Garcia, Analyst, BTG Pactual: Great. Thank you.

Marcos Tarviari, Chief Executive Officer, Genomelabs: And then on the working capital, what is happening is that in the past, the company used to contract manufacture all our products. And the payment terms to our small, quote, unquote, Makiladores, it's you know, it it was kind of easy to, you know, pay longer term periods to small than now that we are, you know, starting production in our facility, We are negotiating with APIs, suppliers, very large, suppliers around the world that, you know, we didn't have a relationship established in the past. So it's kind of, you know, harder to negotiate payment terms at the beginning. But we believe that as we, you know, prove to be a reliable customer for them and that we become bigger and more strategic for them, we're going we're going to be able to negotiate better payment terms. That that explains why, the payable days, have slightly decreased over the past quarters.



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I I don't know, Antonio, if you wanna add something on that.

Antonio Zamora, Chief Financial Officer, Genomelabs: Thank you, Marco. Just to, again, highlight, Marco's first question about expanding in the traditional channel, as we said as we have mentioned in, you know, in different one on ones in the calls, etcetera, we are reinvesting the excess margin beyond 24% to to basically expand distribution is one of the projects. You know, when you start a new route to reach new points of sale, initially, you don't reach breakeven. It takes some time to reach breakeven. We've seen that over the years when we started to expand our presence in the traditional channel.

And this is something that other companies, beverage companies, Beepo, etcetera, have always experienced and they always know. It takes some time for the new routes to mature to reach the break breakeven point. But once they reach the breakeven point, they start generating a lot of profits and you have built a new capability, a new strength for the future. So that is why, again, it's reinforcing what Marco mentioned. It's not that we couldn't record a higher than 24% EBITDA given the the the productivity projects and initiatives is that we are reinvesting that excess margin as you very well pointed out, Alvaro, in this kind of initiatives.

Again, it takes some time, but once you reach a breakeven point, you have built a new capability that stays there for the future and that is very hard to replicate by competitors. And on the working capital question, perhaps I just want to add a little bit of additional color to what Marco mentioned, which I totally agree with what he mentioned. Remember that we are also investing in the future, investing in the infrastructure for future growth. We've mentioned I'm just gonna give you one example of why payables shouldn't be an issue and actually the strength of our balance sheet is a capability that we have. We all know that there's been tariffs on steel and aluminum.

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We all know that we're gonna be investing in an expanded distribution center for the future. Right? So we decided to place a down payment on new racks. Racks are basically made of steel before the new prices with the new tariffs could take place. Why?

Because we have strong balance sheet, and it was the right thing to do. Again, we are working for the future. But when you put a down payment, that has an impact on your payables days of payables. But we're saving a lot of money by buying those racks at a very competitive very competitive terms. So besides the transition of having, you know, new kinds of suppliers for the manufacturing facility.

We're also gonna be taking advantage of this type of punctual opportunities that are there and given, again, the strength of our balance sheet and a low financial leverage, we can do that. But again, we're investing our money for future growth, which is again very consistent with the 10 strategic projects that Marco described at the beginning of this call.

Conference Moderator: Our next question will be from Alejandro Fox from Itau.

Alejandro Fox, Analyst, Itau: Thank you. Hola, Marco, Antonio, Christian, and team, thank you for the space for questions. I have already two quick ones on my side. First, wanted to talk about the top line for this quarter. You know, we saw that out of the nine most relevant categories, around six of them were decreasing the like for like revenues during the quarter.



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You mentioned some of the weakness related to cough and cold, right, and and and some of the initiatives, Marco, you presented for the medium term to revert this trend. But I wanted to see what is driving the the some of the weaknesses in in some of these categories like skincare or haircare and gastronutrition and so on in the short term, and which trends are you seeing in April? And the second is on gross margin. We saw a steep contraction year over year. Wanted to see maybe, Tony, if you could elaborate a little bit into what's driving that contraction now in the short term as well.

Thank you.

Marcos Tarviari, Chief Executive Officer, Genomelabs: Yeah. Thank you, Alejandro. Listen. Let me, provide very clear perspective on the top line, okay, for everybody. So when you look at our sell out for the quarter, we grew sell out in the low teens, so double digits.

Okay? And our sell in our sorry. Sell out sell out grew double digits in the low teens, and our sell in grew 5%. So that means that our business in general, with a few exceptions, remains pretty healthy from a sell out point of view, which is very important. I mean, you know, it's much better to have a problem where the sellout is growing and sell in was not, this quarter than the other way around.

So that's one point. We in the last few months, we've started to see a lot of uncertainty in The US, particularly in The US, a softening trend in Mexico and a situation in Argentina that has to do with the sell in where customers are, you know, starting a process of destocking and driving productivity behind lower inventories. Given that, you know, in Argentina, the inflation is is is slowing down significantly. So we I think that because of the uncertainty we are seeing in the short term, I am being very cautious on what to expect in the next in the next few quarters in terms of sell in. Now if everything goes great and we continue to see this sellout trend of double digits and, you know, things go great, we are going to exceed the numbers that I've just provided as, quote, unquote, guidance for the short term.

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But, unfortunately, you know, the last few months, we have seen a softening of of the business in general. And a lot a lot has to do with the uncertainty behind the tariffs in The US, the economic uncertainty in Mexico. And in general, you know, the the the whole context of doing

business, in in some of the largest customers is not extremely favorable, unfortunately. Okay? So that's kind of, like, the overall perspective that I have to share.

Do you want some more clear perspective by category, or is that good enough?

Alejandro Fox, Analyst, Itau: No. That that's very clear. Thank you, Marco.

Antonio Zamora, Chief Financial Officer, Genomelabs: Sure.

Marcos Tarviari, Chief Executive Officer, Genomelabs: And then in terms of gross margin, I think what you guys should expect for this company going forward is a gross margin that gravitates in the range of any anything between 6365%, so a very healthy margin. If you look at one quarter, like this past quarter in in the first quarter of the year, the slight contraction has to do with the loading that we did on Xerox for the season, preparing for the season in in in in The US and and in Mexico, But, but you should be very comfortable, you know, expecting anything between 6365%. So, like, in the first quarter, we do the loading for the summer season where Swerox plays a big role. In the third quarter, we do a big loading of the OTC brands preparing for the flu season. So in the third quarter, the gross margin is going to be much better, whereas in the first quarter, because we load a lot of product for for the summer season, the margins are a little bit, smaller.



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That helps?

Alejandro Fox, Analyst, Itau: That was very clear. Thank you very much, Marco.

Marcos Tarviari, Chief Executive Officer, Genomelabs: Sure.

Conference Moderator: Thank you. Our next question will be from Antonio Hernandez from Acting Ver. Please turn on your microphone and proceed with your question.

Antonio Hernandez, Analyst, Acting Ver: Hi. Good morning. Congrats on on your results. Just a quick follow-up on on Alejandro's questions question regarding, your overall performance. How much, was was competition a factor, and in which categories was that a factor regarding that slowdown in in sales?

Thanks.

Marcos Tarviari, Chief Executive Officer, Genomelabs: Yeah. It's a good question.

Antonio Zamora, Chief Financial Officer, Genomelabs: In

Marcos Tarviari, Chief Executive Officer, Genomelabs: so, you know, it it really varies by category. So for example, in Xerox, we we grew market share. In some of the analgesics categories, we grew market share. In coffin cold, for example, we lost market share in The US. Even though we, you know, prepare ourselves for a very strong season, we did a very strong loading of product in the last quarter last year.

We had, you know, good exhibitions in the point of sale. We had