



BeFra

Third Quarter 2025 Earnings Conference Call

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C O R P O R A T E P A R T I C I P A N T S

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C O N F E R E N C E C A L L P A R T I C I P A N T S

Eric Beder, *Small Cap Consumer Research*

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P R E S E N T A T I O N

Operator

Good afternoon. Thank you for joining us and welcome to BeFra's Third Quarter 2025 Earnings Conference Call.

Before we begin, the Company would like to remind participants that this call may contain forward-looking statements, which are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. Please consider these statements alongside the cautionary language and Safe Harbor statement in today's earnings release, as well as the risk factors outlined in BeFra's SEC filings. BeFra undertakes no obligation to update any forward-looking statements. A reconciliation of and other information regarding non-GAAP financial measures discussed on the call can also be found in the earnings release, as well as the Investors section of the Company's website.

Present on today's call are BeFra's President and Chief Executive Officer, Andres Campos, and Chief Financial Officer, Rodrigo Muñoz.

I will now turn the call over to BeFra's President and CEO, Andres Campos.

Andres Campos

Thank you, Operator, and good afternoon everyone.

I'm pleased to share our results for the third quarter of 2025, a quarter that once again demonstrates the strength, resilience and agility of our business model. Before we begin our review, I would like to note that we are conducting today's webcast with a slide presentation to help better convey the relevant information that we want to share with you in our quarterly results conferences.

Turning to Slide 4, let me begin by sharing some overall highlights for the quarter. Despite a softer consumer environment in Mexico and the U.S., we delivered another quarter of growth, solid profitability and strong cash generation. Our operations continue to be executed with discipline, focus, and passion, while driving efficiency and reinforcing the foundations of our long-term strategy.

During the quarter, revenue grew 1.4% year-over-year, and EBITDA grew 22%, with the margin expanding 362 basis points to 21.4% EBITDA. Our free cash flow conversion remained strong at 77% of EBITDA, reflecting our continued financial discipline and healthy balance sheet. These results were driven by strong execution across the group. Betterware Mexico maintained solid profitability, Jafra Mexico continued to lead growth, Jafra U.S. delivered sequential improvement, and our startup operations in Ecuador and Guatemala exceeded expectations.

It is important to highlight that we have continued to decrease inventories, freeing up space for future innovation, and our net leverage ratio decreased sequentially from 1.97 to 1.8 times. All of this confirms that our strategy is on the right track. We have built a strong and diverse business group, one that is not only positioned to capture long-term opportunities but also resilient in the face of short-term challenges.

To talk about our results and progress on Slide 5, I'm very excited to share with you what we have defined as BeFra's five strategic pillars, which will guide our growth and transformation over the next five years.

As you know, in the past four years, we have transformed the BeFra group from being one single company in one country to becoming a diverse group of companies with multiple brands and categories, and a diverse geographic footprint. Accordingly, these five pillars represent the next stage of BeFra's evolution through

which we will capitalize on opportunities that lay ahead us. For today's call and future ones, we will discuss our results in this context to explain the progress that we are making across these pillars.

On Slide 6, the first pillar is strengthening our leadership in the Mexican market. It is important to remember that both Betterware and Jafra hold around 4% market share in each of the home solutions and beauty markets, which means there is still substantial room for growth.

Turning to Slide 7, third quarter 2025 sales at Betterware decreased 5.3% year over year, as Mexico's softer demand has had a more significant impact on discretionary items in particular. That said, we remain focused on fine-tuning our internal strategies to mitigate these effects and to get Betterware back on track to consistent growth.

Our focus this quarter was on optimizing pricing, reducing inventories, which fell 17% versus last year's quarter, and refreshing our catalogue's merchandising techniques. These actions are strengthening the commercial fundamentals and set the stage for future volume recovery.

On Slide 8, we showcase some of Betterware's most relevant innovations during the third quarter 2025. Innovation remains an important driver for our success and this slide provides just a few examples. This quarter, we continued to advance product innovation across all of our major categories, ensuring our portfolio remains at the forefront of evolving customer needs, including stellar new innovations such as the limited edition Barbie Catrina we launched during the quarter with Mattel, which sold out in just two weeks.

On Slide 9, behind Betterware's revenue and profitability strength, we'd also like to point out three actions implemented during the quarter that showcase our continuous advancements.

First, we reconfigured our catalogue, decreasing our total SKU count to 370, including decreasing the products in our promotional portfolio. This move seeks to make our SKUs more productive and our products more visible with direct improvements in revenue, margins and inventory management.

Second, Betterware has launched a new VIP program for its associates, which segments them according to their performance level. The new program better motivates associates by rewarding top sellers with more benefits.

Finally, we launched an Ideas section in our proprietary Betterware+ app, which all associates and distributors can now use to send us product ideas or reviews. We expect this new feature to have a significant impact on ongoing innovation at Betterware.

Turning to Slide 10, the Jafra Mexico business continues to be one of our key growth engines. Revenue increased 8% year-over-year and EBITDA grew 31%, reaching a margin of 24%. Although we expect a run-rate margin of 20% to 21%, this reflects our ability to strengthen profitability while driving growth.

Our consultant base expanded 2% quarter-over-quarter, while the average order increased by roughly 10%.

We continue to show how our business model proves highly effective when applied to new brands and product categories.

Almost four years since its acquisition, Jafra is set to close the year with almost 50% higher revenues than the year before we had acquired it, which is particularly relevant when compared to its almost 15 previous years without growth.

Turning to Slide 11, we highlight several of Jafra's most relevant product innovations for the third quarter. We launched our first collaboration with Disney – the Evil Queen Splash Collection, which delivered outstanding consumer engagement and strong sales performance. We also continued to expand our successful new biolab dermo cosmetic brand with the introduction of our first dark spot removing product line, which performed exceptionally well from the outset. In addition, we completed the revamp of our

Royal body line, featuring updated packaging and a refreshed brand image, resulting in a more than 50% increase in volume compared to prior versions. Importantly, by year-end, we expect to have revamped approximately 80% of Jafra's portfolio under the new brand image, with full completion anticipated by the first half of 2026.

Finally, on Slide 12, we would like to highlight two relevant operational advancements for Jafra, mainly the success of the new printed Purple Guide for Mexico, which explains Jafra's incentive program in a much simpler way than it used to. Jafra also adopted Betterware's outbound messaging system to associates which we use to remind them of specific actions they can take to win more customers and orders, according to their individual context. We continue to make other advancements to Jafra's model to make it more modern and effective.

Please see Slide 13. Our second pillar is regional expansion, which we are executing by having BeFra's successful business model replicated across the U.S. and Latin American markets.

On the following slide, starting with the U.S., Jafra achieved a quarter of stability vs last year. After a couple of quarters of decline, we see the trajectory of Jafra U.S. continues to improve each quarter. While the third quarter usually has a seasonal decline in revenue versus second quarter, this year it remained stable, demonstrating the strength of the trajectory. It is important to highlight that in September, the business recorded its strongest month in the last three years, including 30% year-over-year growth in revenue.

With regard to profitability, Jafra U.S. losses reflect extraordinary legal expenses related to cases and issues that had begun before we acquired the company. Without those expenses, the company operates at a breakeven point and is getting close to generating profits.

On Slide 15, as we've mentioned before, we have implemented three main measures to achieve Jafra's U.S. positive trajectory. First, the adoption of the Shopify+ platform, which is now complete and an important source of growth for all associates and distributors. In addition, we implemented a profound change in Jafra U.S. incentive program, now called the Purple Guide, which we launched in May and which has started to kick in with good results.

Finally, on Slide 16, we redesigned the product catalogue to make it more attractive and yield higher sales conversion rates.

On the next slide, you will note that since its launch in May, Betterware Ecuador has exceeded expectations, reaching almost 6,000 active associates, 380 distributors, and revenue growing around 20% month-over-month.

In Betterware Guatemala, sales grew 32% year-over-year following the appointment of a new management team that has been in place since September of last year. Encouraged by the promising results in both countries, we are moving forward with plans to launch Betterware in Colombia in the beginning of 2026 with the aim of strengthening our presence across Latin America.

We thought it would be important to clarify the opportunity that Latin America represents for BeFra. On Slide 18, you'll note that the Andean and Central American direct selling markets are an estimated \$4.5 billion in total size, which is almost as big as Mexico's market. We are confident that our scalable business model and proven playbook will enable us to replicate our success in these markets, representing another significant level of growth for the group in the years to come.

Now, I'd like to jump into our third pillar, new brands and categories. While we will not showcase any specific progress in this quarter, I would like to mention that this pillar will be a major avenue for growth going forward. We are actively looking for potential acquisitions of new brands that can strengthen BeFra's position in our markets and enable us to expand into new product categories. With the huge success of Jafra's acquisition, which has demonstrated our ability to positively impact acquired brands, we are ready for possible new ones in the future.

Within this same pillar, we are also assessing new categories that could fall under the Betterware or Jafra brand umbrellas. This includes analyzing opportunities that would strategically broaden our brand portfolio in the coming quarters.

Moving to Slide 20, our fourth pillar, activating digital person-to-person selling, I am very pleased to announce that last month we formed a new digital transformation team, which will help us adapt more quickly to emerging consumer trends and digital capabilities. Led by LatAm digital commerce expert Maria Fernanda Gil, who reports directly to me, this digital transformation team will be crucial in adopting new technologies such as Generative AI and Agentic AI to further boost our successful person-to-person model. More to come on this front in the quarters ahead.

Lastly, on the following slide, our fifth and final pillar, which is one that underpins everything we do: financial strength, discipline and control. This has been a hallmark of our company throughout the years. It enables us to grow without compromising company health and has also made us resilient in the challenging times. We continue to operate with tight cost management, efficient working capital and healthy leverage ratios. Financial discipline isn't just part of our strategy; it's part of our DNA.

With that strategic overview, I'll now turn the call over to Rodrigo, our CFO, who will walk you through the consolidated financial results for the quarter.

Rodrigo Muñoz

Thank you, Andres, and good afternoon, everyone.

For starters, all figures I'll be referring to are in Mexican pesos, and all comparisons are year-over-year unless otherwise stated. Additional details are available in our earnings release published earlier on our Investor Relations website.

Starting on Slide 22, in terms of net revenue, we saw growth of 1.4% year-over-year, which means that despite softer consumer trends, our business model and strategies remain strong and efficient. For EBITDA, we had a great Q3, which saw an increase of over 22% versus last year's Q3. While year-to-date EBITDA is still below last year's level due to a difficult first quarter in 2025, we are recovering strongly and expect to achieve 1% to 5% growth over the year.

On the next slide it is also important to highlight that while maintaining a strong focus on profitability and continuous improvement across both Betterware and Jafra, we have continued to invest in our international expansion strategy. Thanks to the solid performance and financial strength of our home market in Mexico, we are in a good position to fund these investments. As Andrés mentioned earlier, our international strategy represents a significant growth opportunity for the future and a key pillar in BeFra's long-term vision.

Turning to Slide 24, our adjusted net income increased 71% vs third quarter 2024. This was mainly due to higher operating profits, but there was also a positive impact from lower net interest expenses resulting from lower interest rates in Mexico, as well as lower provisional income tax for the quarter.

Our income was negatively impacted by FX effects, due to the fact that FX this year is recognized in our gross margin under new hedge accounting guidelines, while last year we had positive financial effects from our hedge positions which used to be recognized under the EBITDA.

On Slide 25, you'll note that our free cash flow increased 32.6% year-over-year and is expected to reach an annual rate of 60% free cashflow to EBITDA by the end of the year.

We also remain consistent in our commitment to generating value for our shareholders through dividends, and the Board proposed a \$200M pesos dividend that was approved at our general stockholders meeting held on October 21st. This represents our 23rd consecutive quarter of paying dividends since we became

public in 2020. I'd like to highlight that the 2021 and 2022 dividends were positively impacted by the pandemic demand surge in relation to Betterware, and 2023 was negatively impacted following the post pandemic decline as well as the 2022 Jafra acquisition. As you can see, in the last two years, the 2024 and 2025 dividends have resumed, representing between 30 to 40% of EBITDA.

On the following slide, you'll see our total debt and our net debt to EBITDA ratio demonstrate our ability to manage debt for growth initiatives. It is important to highlight that BeFra normally operates without debt, as was the case before we invested in the new campus and in the Jafra acquisition. Since our debt peak in the beginning of 2022, we have reduced total debt from 6,700 million pesos to 5,200 million pesos at the end of third quarter 2025. During the same period, the net debt to EBITDA ratio fell from 3.1 times to 1.8 times. We expect to continue to drive down debt as quarters progress, including an estimate to close the year at around 1.6 times.

I will now pass the word back to Andres for final comments.

Andres Campos

Thank you, Rodrigo.

Before we open the line for questions, let me conclude with a few remarks on Slide 27.

While the external environment, particularly in Mexico and the U.S., remains challenging, our results this quarter confirm the resilience and viability of BeFra's business model. We are growing profitably, generating cash, expanding our footprint in the U.S. and Latin America, and strengthening our brands. We are executing our strategy with discipline and focus, and the momentum we're building gives us great confidence as we prepare to close 2025 and enter 2026. BeFra today stands as a stronger, more diverse, and well-positioned group with great brands, committed teams, and a clear roadmap for long-term growth.

I will now pass the call to our operator regarding any questions you may have. Thank you.

Operator

Thank you. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment while we poll for questions.

Our first question is from Eric Beder with SCC Research. Please proceed.

Eric Beder

Good evening. I want to talk about a few different things.

Andres Campos

Hi, Eric. How are you?

Eric Beder

I'm good. How are you?

Andres Campos

Good. Thank you.

Eric Beder

Cool. I want to talk about inventory. You've reduced the inventory by almost, I believe about 8% year over year, and the revenue went up, which is a great combination, even despite the fact that tariffs probably raised some of the cost of goods sold there. How should we be thinking about the potential inventory targets going forward? Will that provide extra free cash flow here to help drive expansion and pay down more debt?

Andres Campos

Yes. Thank you, Eric. I will pass that question to Rodrigo so that he can give you our projection for year-end on inventory, how it looks like.

Rodrigo Muñoz

Hello, Eric. Nice to hear from you. Remember that in Q3 last year, we were up in inventories in Betterware and we are aiming through the year to get it down. We do believe that the expectation to close 2025 will be around 2.1 million pesos to 2.2 million pesos in inventory from the 2.5 million pesos that we initiated the year. That would be the aim and the future for inventories in the Company.

Andres Campos

And just to clarify the exact number, it's 2.1 million pesos, where we aim to finish.

Eric Beder

Okay. Well, that would be impressive.

When you look at the Betterware catalog, I guess there are two things here. One is, how are you taking advantage of the stronger peso in terms of ordering and to be able to maximize margins? Obviously, you've already done part of that. What should we be thinking about is a more, are what we're seeing now, kind of the focus on returns, lower inventories, kind of what we're going to see going forward? How should we be thinking about the ability to drive potentially top-line growth from the Betterware catalog?

Andres Campos

Thank you, Eric. That is a very good question. As you say, we are benefiting now from a strong peso at around 18.50 to 19 pesos per dollar. Then at the same time also, the freight costs have come down again near the lowest levels that we have seen. So, this is, you know, coming together to benefit Betterware Mexico and we are, obviously, our first line of attack is to pass these benefits on to the consumer to drive more demand, obviously, all while protecting the profitability that we aim for, but it obviously allows us to be a bit more aggressive with consumer prices.

At these moments, where consumption is sluggish in Mexico, to have this benefit is very good so we can be more aggressive with prices.

Eric Beder

One more question about Jafra. You've talked about moving the business into new areas where consumers are continually buying them – skincare, you mentioned dark spot remover – and that takes time. It also has taken some of the changes you've done there. Where are we in that kind of movement there in terms of that? And in terms of expansion, is the preference to do it as direct ownership? Joint venture? How should we be thinking about the new expansion like Colombia and the other potential countries in South America as how you want to structure that? Thank you.

Andres Campos

Thank you, Eric. Your first question from the Jafra side, still, fragrances for Jafra Mexico, fragrance is still the main category. But in the last year and the years to come, the other categories, we expect the other categories to start growing at a faster pace than fragrances and start building on that mix of the revenue.

Now, on the second question about expansion, we are doing the expansion directly ourselves, 100% owned by us. We are hiring management, professional management on site that has experience in the country or the region, that lives in the region, and we're bringing them on board to manage the expansion to those regions. But it's by the moment and for the foreseeable future, 100% owned by us.

Eric Beder

Great. Thank you. Good luck for the holidays.

Andres Campos

Thank you, Eric.

Operator

As a reminder, it is star, one on your telephone keypad if you would like to ask a question.

Our next question is from Cristina Fernandez with Telsey Advisory Group. Please proceed.

Cristina Fernandez

Hi, good afternoon. A couple of questions. I wanted to see if you can talk more about what you're seeing with the Mexican consumer and your categories. It's been a pretty volatile year with a soft first quarter, but then the second quarter it seemed like the consumer was spending more and now it backtracked. So, I guess, what do you think is driving that and how much outperformance are you seeing in your businesses versus the overall market?

Andres Campos

Yes. Thank you, Cristina. Andres here. The Mexican consumer has been pretty sluggish, I would say. We're seeing consumption growth lessen and we're seeing consumption trends to come down. As you said, exactly now, we saw a pretty rough first quarter, then it picked up again in the second, and then by the end of August, beginning of September, it came down again. So, very volatile with what we're seeing with the Mexican consumer and it's obviously not easy to operate in these conditions.

We believe that this may be temporary, as the Mexican economy as a whole, we think, stands strong. But obviously, these are very uncertain moments. We try to operate in these moments with I would say two things in mind. One is to maintain strong profitability and cash flow. When we attack difficult times, we try to make sure that our cash flow and profitability is very well positioned and that we remain as a healthy company. And the second one, obviously, is to keep attacking growth and keep trying to gain market share even in these tough times. This will be how we will maintain our mindset in the coming months and quarters.

Cristina Fernandez

Another question I had was on the profitability, the pretty strong EBITDA margin we saw this quarter. You mentioned a couple of factors, like FX and lower transportation costs, that might be sustainable and continue to see those benefits going forward. But I guess, how should we think about this level? I mean, if it's a level you want to stay at or you want to reinvest back in the business to drive growth? Were there any one-time benefits that skewed this quarter higher?

Andres Campos

No, there is no relevant one-time benefits. Nevertheless, we obviously saw a pretty strong gross margin, especially in Jafrá Mexico. We saw a 76-plus gross margin in Jafrá Mexico, which is not the normal margin we have in Jafrá Mexico. The normal gross margin we shoot for is like 74.5% to 75%. So, we did have a little bit of a high margin in Jafrá Mexico, which we do not expect to sustain, but reinvest that to continue driving Jafrá's growth. More or less, that's where I would say our mindset would be at.

Cristina Fernandez

Then the last question I had was, on the technology transformation that you call out, if you look across the businesses, where do you see the most opportunity to embed greater technology or make it more efficient as you look out over the next couple of years?

Andres Campos

It's a very good question. As you know, we have been investing in technology and in technology advancement for quite a while. It's one of our pillars of growth. Today, we are at, I would say, a pretty good spot with our own proprietary app and the new Shopify+ platform that we launched in all of our businesses and all that, but technology continues growing.

We see going forward with the whole surge of Generative AI, Agentic AI, there will be a lot of transformation that we can use, and we want to be at the forefront of these technological advancements. This department, one of the things that's going to be working at is our evolution within AI.

We're also looking at the fact that person-to-person selling is also evolving towards a more and more digital landscape, where you see platforms such as social selling starting to explode, live shopping starting to explode in the U.S. with TikTok Shop or with others. So, all these spaces, we need to move very fast and be at the forefront of all these technological advancements.

Those are some of the ones I would mention. It's become so relevant and so important that that's why we decided to make a specific department of this and bring a specialist to help us drive everything we do with the commercial technologies in order to evolve our channel.

Cristina Fernandez

Thank you.

Andres Campos

Thank you, Cristina.

Operator

With no further questions, I would like to turn the conference back over to Andres for closing remarks.

Andres Campos

Thank you, Operator. Thank you, everyone, once again for your trust and continued support. We look forward to updating you on the next quarter. Thank you.

Operator

Thank you. This does conclude today's conference. You may disconnect your lines at this time and thank you for your participation.