

# #WhatWeHaveWithin

creativity that transforms

# INNOVATION

At Grupo Herdez®, we aim to create value through innovation, strengthening the relevance of our brands. Over the past five years, we have developed a business architecture that enables us to create products that respond to today's consumer needs and anticipate tomorrow's expectations.

By strategically leveraging data, we make agile, informed decisions that allow us to maintain our industry leadership. More than a concept, it's what we have within.

Adaptability is part of our identity. For over 110 years, we at Grupo Herdez® have been defined by the determination to evolve—and, in doing so, reinvent ourselves.



# Technological Evolution

Digital transformation is at the core of our strategy to meet market challenges with agility and a forward-looking mindset. In recent years, we have made key investments to upgrade our business architecture.

One of the most notable breakthroughs occurred in the tomato purée category, where AI optimized the formula and reduced costs by 15% without compromising quality. This approach has laid the foundation for a steady flow of innovation.

We also implemented AI in strategic idea generation, becoming pioneers in Mexico by using this technology not only to identify opportunities but also to design formulas.

### Cloud migration

Grupo Herdez® has migrated 70% of its processes, data, and systems to the cloud, with a projected 90% by 2026. This improves efficiency and resource use while allowing for faster solution development and more agile business strategy execution.

### Data-driven decision-making

We have consolidated one of the largest big data platforms in Mexico’s consumer goods sector, integrating information from all digital and transactional touchpoints. Thanks to our business architecture, decision-making is data-driven and supported by artificial intelligence (AI) tools that predict demand with up to 95% accuracy—ensuring we reach store shelves at the right time.

### Process automation and disruption

The implementation of AI, Internet of Things (IoT), robotic process automation (RPA), and growth hacking has driven operational efficiency. These strategic investments maximize ROI without replacing our human talent; instead, they enhance capabilities to support a model of continuous evolution.

At Grupo Herdez®, we ensure an efficient supply chain that delivers reliable, competitive service aligned with the needs of our customers and the market.

### Artificial Intelligence in Action

We have embraced a model of innovation driven by artificial intelligence—the scientific discipline that develops programs capable of performing tasks typically carried out by the human mind, such as learning or logical reasoning—alongside automation and RPA. These efforts have led to tangible cost savings and enhanced product development and optimization. Our goal is to make every business area fully data-driven and self-reliant.

### Supply Chain Evolution

In manufacturing, we reinforced our processes with a focus on safety, quality, and food safety to strengthen standards at every stage of production. Investments were directed toward relocating production to Mexico and expanding into new markets such as Europe.

### Cybersecurity: protection in a digital world

Technology adoption also brings security challenges. That’s why we’ve implemented a vertical cybersecurity layer to safeguard critical data and processes across the organization.

At Grupo Herdez®, innovation is more than a strategy—it’s our competitive advantage. We are ready for the future with cutting-edge technology, trained talent, and a clear vision: to connect with consumers in intelligent, efficient, and sustainable ways.

# New and Better Products

IP: 7, 9

In 2024, we reinforced our commitment to product innovation by increasing investment in Research & Development (R&D), reaching \$44.2 million pesos a year-over-year increase.

This investment supported both the creation of new products and significant enhancements to existing ones across our brands. These efforts contributed to a 2.8% sales increase and the optimization of 83 products to better meet market demands.

Research & Development Spending

|   | 2022         | 2023         | 2024         |
|---|--------------|--------------|--------------|
| Total R&D expenditures                          | \$48,282,880 | \$36,772,283 | \$44,210,328 |
| Number of modified products                     | 90           | 81           | 83           |
| R&D expenditures as a percentage of total sales | 0.15%        | 0.10%        | 0.90%        |

Product improvements rose 18.9%, and related revenues grew over 2.4%, signaling an exponential commercial impact.

Type of Innovation

|   | 2023          |                 |              | 2024          |                 |              |
|---|---------------|-----------------|--------------|---------------|-----------------|--------------|
| Type of Innovation                            | # of products | Sales generated | % of revenue | # of products | Sales generated | % of revenue |
| New products or services launched in the year | 633           | \$3,184,052,516 | 8.7%         | 182           | \$1,096,193,678 | 3.2%         |
| Products with significant enhancements        | 58            | \$31,425,815    | 0.1%         | 69            | \$774,388,760   | 2.2%         |
| Unchanged or minimally modified products      | 9,028         | N/A             | 91.1%        | 355           | \$2,549,348,529 | 13%          |



# Nutrition-Based Innovation

From our Technical Subdirector, we ensure every formulation complies with current regulations and our internal standards. This area is responsible for verifying that each product contains only permitted ingredients in the appropriate quantities. It also defines the front-of-pack nutrition icons to provide consumers with accurate and transparent information.

Our nutrition and health advisory panel, in coordination with the R&D Center, leads the product reformulation and development strategy, grounded in scientific evidence. Through these efforts, we drive health-focused categories and optimize the nutritional profile of our portfolio.



## Nutrition-Based Innovation in 2024

In 2024, we introduced two new categories: **Temperatures:** expanding our portfolio with products across different thermal ranges. **Ready to eat:** a line of foods that require no preparation.

We also restricted the use of ingredients such as partially hydrogenated fats, industrial trans fats, and titanium dioxide.

## Boosting learning and continuous improvement



We constantly monitor new products, innovations, and reformulations to improve their nutritional profile.

We use a nutritional matrix to evaluate regulatory impacts, particularly regarding the number of front-of-pack warning labels.

This approach helps identify and reduce critical nutrients, artificial preservatives, sweeteners, and flavorings that could impact health.

Reformulation efforts aim to reduce the number of warning labels across our products.

# McCormick®: Launches and Expansion

In 2024, we fueled innovation through the launch and strengthening of key brands across multiple categories. With new presentations, line extensions, and differentiated commercial strategies, we expanded our market presence, diversified our portfolio, and connected with more consumers through multiple channels.



## Liquid Condiments Category



### Frank's RedHot® Sauce

In 2024, we expanded our presence in the Mexican market with two major launches: Sauce BBQ Spicy and Frozen Cauliflower Bites. These innovations allowed us to enter new categories and expand our distribution. The outstanding performance of our sauce portfolio for wings led us to reach a 39.4% market share by volume and 45% by value, driving a 6% increase in net sales.

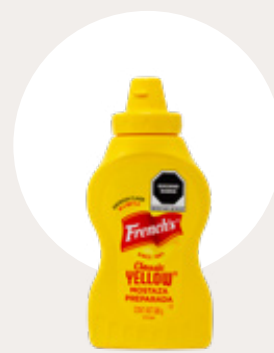
## Sauces Picantes Category



### Cholula® Sauce

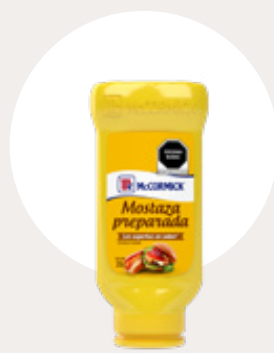
We strengthened brand recognition and expanded distribution in the wholesale channel. Following our Awareness & Trial strategy, we partnered with our Chilim Balam® stores, becoming the only sauce brand featured in their mixes. This brought high visibility at point of sale and across social media platforms.

## Mustard Category



### French's® Mustard

The launch of the Match Pepinillos version in May 2024 marked the debut of our new innovation platform. In just three months, it matched the sales rate of our well-positioned Stoneground variety. We achieved a 15.8% market share by volume and 17.2% by value, with a 70% increase in the wholesale channel.



### McCormick® Mustard

We remained category leaders with a 57.7% share by volume and 51.3% by value. We introduced more practical packaging and consolidated our leadership in flavored mustard with a 61% share.





We launched the Breakfast Solutions Pallet, combining Miel Carlota®, McCormick® Tea and Jam, and Betty Crocker® Flour (from General Mills®), reinforcing internal partnerships and offering practical consumer solutions.

Marmalade Category



McCormick® Marmalade

We reaffirmed our leadership with a 44.3% market share by value. Our Sabores de México line grew 21%, reaching 2.6% market share, driven by cultural promotions and point-of-sale activations. Red berries jam grew 43%, reaching 7.7% share.



Honey Category



Carlota® Honey

With the launch of Carlota Kids, we entered the children’s market with ergonomic packaging and the Masha and the Bear® license. The campaign included park activations, digital strategies, and in-store displays to reach a wider audience.



Spices Category



McCormick® Spices

We posted 7% growth in net sales, reaching 15.8% market share in the modern channel and 29.1% in wholesale. Our 2024 strategy focused on:

Light consumers: new “mini bags” at accessible price points.

Medium consumers: bundle offers such as “3 spices + frying pan,” driving 24% growth.

Heavy consumers: expanded larger formats, reaching 10 total SKUs.



### Mayonnaise Category



#### McCormick® Lime Mayonnaise

We reached a record 76.3% national share and 41.3% in northern Mexico, also increasing penetration to 72.3%. We boosted our presence through sponsorships with Tigres and Rayados soccer teams, as well as the Mexican Football Federation.



#### McCormick® Flavored Mayonnaise

We redesigned our squeeze line with ergonomic packaging and launched a 360° campaign highlighting the transformation of flavor through our different varieties. In six months, volume rose by 3.1% and market share by 3.8%. The new 100g mini version reached an 83% rotation rate in Walmart in just three weeks.



#### McCormick® Dressing Mayonnaise

We expanded regional distribution, increasing market share by 8.1 percentage points in just eight months.

### Tea Category



#### McCormick® Tea

Volume grew 2.3%, reaching a record 33.2% market share in early 2024. We launched the Alice in Wonderland edition—the first licensed product in the category—further reinforcing our market differentiation.

The growth of our canned goods lines has been a positive driver for the company's innovation and commercialization efforts. Building on this strong foundation, we continue to strengthen our Impulse segment products, further expanding our presence across additional categories.



# Innovation from Helados Nestlé®

As part of our commitment to strengthening our brands, this year we focused on portfolio innovation by introducing more than 20 strategic new product launches.

These innovations currently account for 16% of total business sales, and they also deliver higher profitability, reinforcing their importance within our growth strategy for the category.



Among these launches, three products stood out for their outstanding performance: Cono Carlos V®, Mega Nuts®, and Cono Crunch®, which together generate approximately 50% of innovation-driven sales. At the same time, we continue to expand our Mega® platform through new extensions that have solidified its market presence. Today, this line accounts for 38% of the total sales volume within the innovation portfolio.



In terms of availability, approximately 80% of these new products are distributed through the Direct Store Delivery (DSD) channel, strengthening their reach and availability for the consumer.





# International Markets

Territorial expansion and the adaptation of our products to new markets represent not only a strategic opportunity, but also a way to create long-term value for our brands. The growth potential in these regions—combined with the high profitability of our products—has become a continuous driver of value.

In the United States, the Grupo Herdez® product portfolio holds the #1 position in the authentic Mexican food segment, while in Canada we rank third in consumer preference. This trend goes beyond borders, which is why we have focused on offering authentic products adapted to local tastes and preferences in various international markets. Guided by this vision, we have developed product launches that strike a balance between tradition and innovation, tailoring recipes and formats to appeal to new palates. This process has posed important challenges, especially in areas such as product density and consistency, requiring us to optimize formulations to align with the expectations of global consumers.

Thanks to this effort, we have achieved strong acceptance abroad, reinforcing our international expansion and reaffirming what we have within: the ability to evolve without losing our essence.

## Our Launches



New flavor of Herdez® pre-cooked Mexican dishes



Three new Chunky Dips® flavors



Sliced jalapeños

At Grupo Herdez®, we believe in the power and authenticity of Mexican cuisine. We are proud to share its rich culinary and cultural heritage.



## The Future →

We continue to strengthen our presence in Europe and Canada, with plans underway to expand into Australia.

The international expansion of Grupo Herdez® is a reflection of what we have within: authenticity, innovation, and a global growth mindset. Every market entered, every new product launched, and every challenge overcome is an opportunity to strengthen our brand and continue bringing the flavor and tradition of Mexican cuisine to the world.