Grupo Rotoplas — Earnings Call Script Q2 2026

Thursday, July 23, 2026 | 10:00 a.m. Mexico City Time

OPERATOR

Good morning and welcome to Grupo Rotoplas' results conference call. Please note that today's call is being recorded and all participants are currently in listen-only mode to prevent background noise. The host will open the floor for questions later.

Today's discussion contains forward-looking statements. These statements are based on the environment as we currently see it and as such there may be certain risk and uncertainty associated with such statements. Please refer to our press release for more information on the specific risk factors that could cause actual results to differ materially. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, further events or otherwise.

Please allow me to remind you that the company issued its earnings press release yesterday after market close. It can be found in the investor's section of its website. Also, the presentation for the call and the webcast link are in the investor's section.

Today's call will be hosted by Mr. Carlos Rojas Aboumrad, Chief Executive Officer, and Mr. Andrés Pliego, Chief Financial Officer. I will now turn the call over to the speakers.

Carlos Rojas Aboumrad — Chief Executive Officer:

Good morning, everyone, and thank you for joining us today.

Before I walk you through the quarter, I want to take a step back. Almost five decades ago, Rotoplas began with a simple purpose: to improve people's lives through better access to water. That purpose is the reason we exist today, and it is the lens through which we make every decision. In a demanding environment, returning to those roots, being a company that creates real, positive impact in people's lives, is what continues to guide us. I say this because it is what keeps us focused on the long term.

This was another quarter of steady, sequential progress. We delivered top-line growth, double-digit EBITDA expansion, margin improvement, and a meaningful reduction in leverage — all while continuing to invest in the businesses that will shape the Rotoplas of the coming decades.

Andrés will take you through the numbers in detail, but the message is simple: the recovery we have been building is taking hold, and it is broadening across our geographies. We are not yet where we want to be, but we are moving in the right direction.

We achieved these results despite currency volatility and higher raw-material costs. That speaks to something more structural: our ability to execute. Pricing discipline, innovation, cost management and capital allocation are becoming competitive advantages that allow us to perform even in challenging environments.

We strengthened our financial position. Leverage came down to 2.3x, cash generation remained strong, and we refinanced our sustainable bond, extending our maturity profile and giving us greater flexibility to invest for the long term. This is the solid foundation we have been patiently building.

Let me now share how we advanced our four strategic priorities this quarter.

Our first priority is profitable growth and core expansion.

During the quarter, we continued to grow while maintaining disciplined pricing across our portfolio, protecting margins despite higher resin and freight costs. In Mexico, category-level demand was mixed, but our commercial execution more than compensated — the progress we made reflects the strength of the capabilities we have been building over the past several years

At the same time, we continued strengthening our portfolio across the entire water cycle by embedding technology into the products that made us market leaders. When we think about water, we think about how we can continue improving every step of that cycle for our customers.

Today, our storage solutions incorporate smart level sensors. Our smart pump improves water pressure and performance inside the home. And bebbia completes the cycle through water purification. Together, these innovations allow us to better serve our customers while continuing to build on the business that has defined Rotoplas since the beginning.

Products like the vertical tank and the smart pump are still in the early stages of adoption, but we're encouraged by the progress we're seeing. They are already improving our commercial mix, expanding the markets we can serve and helping us reach new customers. For example, our new vertical tank is compact enough to fit inside a residential elevator — a small detail, but it's opening up multi-family and urban apartment buildings as a new use case for a product category that used to be limited to houses with space for a rooftop tank.

Our smart pump is also creating new opportunities to offer more integrated water solutions inside the home.

For us, innovation is about continuing to improve the products our customers already trust and making them even more valuable over time. But a better product only creates value when people really understand its benefits, and know how to install it. So we stepped up the work around adoption: sharing our products more actively, including a smart-pump demonstration on social media, which I'd like to share with you now.

[Play video]

And, just as importantly, we are investing in the people who bring our solutions into the home. We are expanding training for our sales force and for the plumbers who install our products, and reinforcing our plumber loyalty program. Making our products easier to choose, easier to install, and easier to trust is how we continue reinforcing the leadership we've built over many years.

Another encouraging aspect of the quarter is how our different markets continue to improve while navigating a challenging environment. The United States remained on a positive path, while Argentina continued narrowing its losses through disciplined pricing and operational efficiencies. Andrés will walk you through each market in more detail, but together these results reinforce our confidence that we're building a more balanced and resilient company.

Our second priority is water innovation and market disruption.

bebbia continued its expansion, with record subscriber additions and continued improvement in unit economics. Having completed our platform migration, we are now well positioned to accelerate growth. This is exactly the kind of recurring, resilient and higher-value business we set out to build, and it continues to validate our long-term strategy.

Our third priority is technology and talent.

We continued strengthening our digital capabilities through better data infrastructure and AI-enabled tools that improve customer experience and commercial execution. At the same time, we continue investing in specialized capabilities across analytics, automation, AI and e-commerce. Technology combined with the right talent is what will allow us to scale more efficiently in the years ahead.

Our fourth priority is sustainable impact and operational efficiency.

Sustainability remains inseparable from our business — it is, and has always been, part of our DNA. This quarter, our teams across the region continued moving that commitment forward. We celebrated Sustainability Week, with more than 300 employees participating across the organization. We were once again recognized as a CDP Supplier Engagement Leader for the second consecutive year, and we continued strengthening our transparency by reporting our contributions to the UN Sustainable Development Goals. In Peru, our operation earned its sustainable management distinction for the ninth consecutive year while joining the country's national carbon footprint program for the first time.

What makes me most proud is not the recognition itself, but what it represents. It reflects the commitment of our people to create a positive impact on water, our communities and the environment.

Taken together, these four priorities reflect how Rotoplas continues to evolve. We are strengthening the business while remaining true to the purpose that has guided us for more than four decades.

To close, I'd like to return to where I began.

Behind every number we discussed today are real people, families, schools and communities gaining better access to water. That's what gives meaning to the work we do every day.

Almost fifty years ago, Rotoplas was founded with a simple purpose: to improve people's lives through better access to water. Today, that purpose remains exactly the same. What continues to evolve is how we fulfill it. Through innovation, technology, stronger execution and, above all, the commitment of our people, we're building a company that is better prepared for the future while staying true to who we are.

We're encouraged by the progress we're making, and we remain confident in the opportunities ahead. Thank you for joining us today, and I'll now turn the call over to Andrés.

Andrés Pliego Rivero Borrell — Chief Financial Officer:

Thank you, and good morning, everyone.

As Charly walked through our four strategic priorities, I'll focus on our two financial ones: sustaining our EBITDA margin expansion, and strengthening free cash flow. This quarter we made progress on both, and you'll see it in the numbers.

Net sales reached $3 billion pesos, a 3.4% increase year over year, with Products up 3.2% and Services up 4.7%. Growth was broad-based — Mexico, the U.S. and our other countries all grew, more than offsetting the ongoing pressure in Argentina.

Gross profit closed at $1.3 billion pesos, with a 42% margin, a 70-basis-point expansion year over year. This reflects agile pricing management and cost discipline, which allowed cost of sales to grow below the rate of sales.

Operating expenses grew 5.0%, reflecting continued investment in our digital platforms; even so, gross margin expansion more than offset that, and operating income reached $217 million pesos, a 4.8% increase versus last year.

EBITDA closed at $409 million pesos, with a margin of 13.4%, a 90-basis-point expansion and an 11% increase year over year.

At the net income line, we reported a loss of $201 million pesos, compared to a profit of $42 million pesos a year ago. I want to walk you through exactly where this comes from, because it is not an operating story — operating income actually grew this quarter. The swing comes from two places below the operating line: our net financing result and taxes.

Net financing cost was $334 million pesos, versus $154 million a year ago. Of that, $133 million corresponds to interest, commissions and leases — the more "normal" part of our financing cost. The majority of the remainder, around $164 million, relates specifically to Argentina: the combined effect of ai-ei-es [AS] 29 hyperinflationary accounting, which requires us to restate monetary assets and liabilities to current purchasing power each period, together with the peso's movement. This can create meaningful swings from one quarter to the next: in the first quarter, this effect moved in our favor; this quarter it reversed.

On taxes, we recorded $84 million, which also weighed on net income this quarter. This reflects the derecognition of certain deferred tax assets in Argentina.

So while the headline net income number looks weak, I want to be clear: these are largely non-cash, accounting-driven items tied to Argentina, and they don't reflect the underlying strength of our operations — which, as I mentioned, continued to improve this quarter.

In Mexico, sales grew 4% and EBITDA grew 15%, with a margin of 21%, 200 basis points above last year. Growth was broad-based across categories, led by strong flow volumes and continued momentum in our strategic product lines — particularly the vertical water tank and the smart pump — alongside continued growth in our services platform.

Argentina's sales declined 13% in Mexican pesos; in local currency, sales actually grew. We saw a gradual volume recovery across all three categories, particularly water heaters on seasonal winter demand. EBITDA remained negative, but the margin improved meaningfully versus last year, reflecting better cost absorption and more disciplined pricing.

In the United States, sales grew 2% in pesos and 15% in dollars, driven by the continued mix shift toward B2B channels — industrial, construction, H-V-A-C and septic — and the ramp-up of our two new branches, Pompano and Phoenix. EBITDA margin reached 8%. This is our fifth consecutive quarter of positive EBITDA in the U.S. — the structural turnaround we've discussed for several quarters continues to hold.

Peru, Central America and Brazil together grew 24%, with solid performance across every country. Peru delivered strong volumes on an extended summer season — a boost for storage, though it slightly softened demand for water heaters. Central America continued its strong commercial momentum, and Brazil, while still a small business for us, kept steadily building out its water treatment platform.

EBITDA in this segment declined, but that's almost entirely explained by a one-time impact of $74 million tied to a resolved client dispute in Brazil's wastewater treatment business. Excluding that item, EBITDA in the country would have been positive, and margins would have improved, both for the quarter and year-to-date.

Products grew 3%, with EBITDA up 22% and margin expansion of 280 basis points to 18%, supported by cost efficiencies in Mexico, solid performance in the U.S., Peru and Central America, and an improvement in Argentina.

Services grew almost 5%, driven mainly by bebbia, which surpassed 193 thousand active subscribers and continues to strengthen its unit economics. Growth was softer than usual, mainly due to the timing of contract signings at RSA in Mexico. Services EBITDA was negative $92 million pesos, versus negative $41 million a year ago — but as I mentioned, most of that swing is the one-time litigation impact in Brazil. Excluding it, the Services EBITDA margin would have been around negative 6%, an improvement versus negative 14% a year ago. The underlying trend keeps improving, and the path toward Services breakeven remains intact as bebbia and RSA continue to scale.

This quarter we took a concrete step on our capital structure. As we told you last quarter, the Board and shareholders approved a senior credit facility to refinance our sustainable bond. We've now executed on that: we fully prepaid the AGUA 17 dash 2X bond and closed a new 7-year loan with Bancomext, priced at 28-day TIIE plus 195 basis points.

We also focused on protecting that structure from interest rate volatility. This month we hedged 50% of the notional through a 4-year interest rate swap, fixing our rate at 7.5% through June 2030. The remaining 50% stays floating. That gives us a current blended cost of debt of 8.96%, with much greater visibility and protection against future rate movements. This extends our maturity profile, gives us more financial flexibility, and locks in rate certainty on half of the balance — giving us a stronger foundation to keep funding the growth priorities Charly mentioned, like bebbia and RSA, and our digital platforms, without adding refinancing risk.

Cash and cash equivalents closed at $1.2 billion pesos, 64% above a year ago — I want to highlight that this figure comes after returning $82 million pesos to shareholders during the period, equivalent to 17 cents per share in cash. Our cash conversion cycle also improved, a direct result of the working capital discipline we've sustained over the past several quarters.

On the debt side, our current structure is straightforward: the new $4 billion pesos Bancomext facility we just discussed, plus $431 million pesos in short-term working capital lines in Mexico. Net financial debt closed at $3.2 billion pesos, down 16% year over year. Net debt to EBITDA improved to 2.3 times, from 3.2 times a year ago — continuing the deleveraging path we described last quarter, when the ratio stood at 2.6 times. We're getting closer to where we want to be, though there's still work ahead.

Cap-Ex for the first half totaled $194 million pesos, or 3.4% of sales, 8% below last year — reflecting the same selective, return-oriented approach we've discussed before. As usual, most of it, concentrated in Mexico, went to the continued expansion of bebbia.

Overall, this was a quarter where the operating trends we care most about right now kept moving in the right direction. We'll keep prioritizing three things going forward: margin discipline, deleveraging, and executing on Services' path to breakeven.

We're ready to take your questions. Thank you.

Q&A

Operator: Thank you both. I'll be reading the first question that comes from Regina Carrillo from GBM. Good morning. Congratulations on the results. Given a strong cash flow generation in the first half of the year, what are the main drivers needed for free cash flow generation to continue in the second half?

Andrés Pliego, CFO: Thank you Regina. Thanks for the question. We will continue with a strong focus on generating cash. It starts with operating results, so we will continue to focus on EBITDA expansion, and a lot also comes from working capital discipline, so the expectation is to continue through that path, continue investing, continuing the CapEx program that we have, Capex should be in line with what has been for the past quarters between 3 and 4 percent of the total revenues. So with CapEx disciplined approach, working capital discipline and EBITDA focus, we think we can continue to generate free cash flow in the coming months.

Operator: Thank you, Andrés. So, the second question is from Regina from GBM again, and Orlando Alcántara from BTG because both have similar questions. How do you guys are assessing el Super Niño phenomenon affecting Southern versus Northern Mexico. Can we expect, if droughts increase, similar products acceleration such as in 2021 and 2022?

Carlos Rojas, CEO: Hey, thank you very much for joining, Orlando and Regina. I think just another factor that brings tremendous volatility. It has been the standard for us, the VUCA environment. And I think what's important is that we have the capacity to respond with agility. It will bring for certain, scarcity of water in some areas. In some other areas, it will bring storms and, I understand you're asking about Mexico, but it also has a different impact in the US. It has a different impact in Peru. I think between the US and Peru geographically all the way as far North as the US and as far South as Peru, that's where we see the main impacts. Our solutions will likely be needed for different situations. In terms of water scarcity, whether El Super Niño will bring, you know demand similar to 21 and 22, I don't necessarily see that because dams in Mexico, are at high levels, which were really replenished by the rains we had last year, and this year has been a good year as well. But one more thing is that we do anticipate more storms than usual. I mean, like devastating storms. So we're also preparing to see how we can support those areas of likely disaster in our different markets. Again, I cannot tell whether the net effect is going to be increased demand or not. We do know it's going to bring tremendous volatility and what's going to be required is capacity to respond with agility. So we will be preparing for that. Thank you.

Operator: Thank you, Charlie. The next question comes again from Orlando Alcántara from BTG. Can you give us more sensibility on gross margin for the next half of the year? How have you guys been negotiating with your suppliers, and have terms been settled for raw materials for the next 12 months?

Andrés Pliego, CFO: Thank you. Orlando. As we mentioned in our remarks, one of the things that we've been working on is pricing agility, and Charlie was mentioning it with El Niño effect, and we've been working on that given the recent price volatility as well. As you know, oil has been very volatile, hence resin prices have been volatile as well. So, I guess the main action that we're implementing or that we have been implementing is pricing agility. On top of that, we've been very disciplined with our cost management and I mean, we do expect movements and volatility, but we don't see big impacts in our gross margin as for today. I don't know if Charlie wants to add something.

Carlos Rojas, CEO: No. That's good.

Operator: Perfect. Thank you. So, the next question and comment comes from Michael Birkel from Zenon. Good morning, and congrats on the continued path and strengthening of core business. Mr. Vesey leaving the U.S. operations, who seemingly was instrumental to the U.S. turnaround. Please explain what measures you take to make sure that profitable operations there continue and grow. What capabilities will you be seeking with the internal candidates to succeed Mr. Vesey?

Carlos Rojas, CEO: Thanks for joining Michael and thanks for your question, Joe Vesey … he is a great leader, great talent. We're very proud to have had him in the Company. He was very instrumental for transforming the business. We had a very good recuperation of profitability. But not only that, we had tremendous transformation also in terms of work environment, developing the strategy and developing talent. And it was a very fluid transition from Joe Vesey to Rebecca Cap Mertens, who's now our leader in the US. Rebecca has been in the Company for four years, she knows the business very well. She is a tremendous leader. We're very proud to have her as part of our leadership team. And we're confident she will continue to deliver profitability and growth in the business. So, I'd like to congratulate Rebecca and wish Joe the best going forward.

Operator: Thank you, Charlie. So, we, until now, we have no further questions, but if you want to share some other question, you can click on the question button on your screen. We'll give you one more minute. And, if we don't get any more questions, then we can already close the webinar.

Thank you we're not getting any more questions, but if you want to make some closing remarks Andrés or Charlie, and then we'll close the conference call.

Carlos Rojas, CEO: Well, maybe the closing remark is macroenvironment is volatile, challenging times ahead, but we're super confident that we've developed the capabilities to face this variability. We're happy to see how new businesses, new services, new products are contributing in a very positive way with tremendous adoption from customers. So, we really appreciate you participating in this call and your continued support of our purpose to serve people with water solutions and with positive environmental impact. Thank you, guys.

Operator: Thank you. So, we'll meet again next quarter and thank you for joining. And you may now disconnect.