

Grupo Rotoplas

Virtual AGUA DAY 2020

- [ROTOSIRI 1]

@9am Rotosiri: Hello, welcome to our Virtual AGUA Day 2021: Rotoplas 2025, a sustainable growth story, Flowing for a better future. We'll start the event in three minutes. Grab a drink while we get ready to chat with you about our progress and plans to continue providing you with more and better water.

- [ROTOSIRI 2]

@9:03: Thank you for waiting. Let's get started.}

Host Daniela Madrazo:

Good morning everyone and welcome to Grupo Rotoplas' AGUA DAY 2021. Please note that today's call is being recorded, and all participants are in listen-only mode to prevent background noise.

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 risks and uncertainty associated with the following statements. The Company has no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Today's agenda is as follows:

We will start the day with comments from our keynote speaker, Matt Rogers regarding Global Sustainability Trends, followed by remarks from José Luis Mantecon about Rotoplas' ESG Strategy and Targets. Next, Mario Romero will give an update on the five-year business plan; and finally, Carlos Rojas will talk about the future of Rotoplas.

We will then close with a Q&A session.

I would now like to introduce today's speakers:

1. Matt Rogers

Matt Rogers is a global energy expert, focused on sustainability and the role technology and innovation play in restructuring markets.

He recently retired as a Senior Partner from McKinsey & Company, where he led the Sustainability, Oil & Gas, and Electric Power Practices.

From 2009-10, Matt served as the Senior Advisor to the US Secretary of Energy, leading the implementation of the Recovery Act.

Matt graduated magna cum laude from Princeton University and he holds an M.B.A. from Yale University's School of Management.

He is a member of the Council on Foreign Relations, the US National Petroleum Council, and serves on the Board Directors for the United Way of the Bay Area and St Mary's College Business School.

2. José Luis Mantecón

José Luis Mantecón is Rotoplas' Vice President of Sustainability and Human Capital. He joined the Company in 1993 and held the International Operations Director position for a number of years, where he was responsible for the Southeast Mexico and Latin America expansion. In addition, as Vice President of Sustainability he leads the execution of the ESG strategy.

Before joining Rotoplas, José Luis founded several companies in the construction sector.

José Luis holds a Bachelor's in Business Administration from Saint Michael's College in the USA and a postgraduate executive degree in marketing from Anáhuac University.

3. Mario Romero

Mario Romero is the Chief Financial Officer and member of the Board of Grupo Rotoplas

He has long been recognized by his innovative approach and execution skills in his professional practice, having led a wide range of projects including: a transformation program, strategy design & delivery, various cross-border M&A transactions, Rotoplas initial public offering and the issuance of the first Latin-American Sustainability Bond.

He is an advocate for Sustainable Investments and serves in the following advisory councils & boards: CCFC (Consejo Consultivo de Finanzas Climaticas | Mexico), LAGREEN (Latin American Green Bond Fund | Germany), B37 (technology VC Fund | Silicon Valley), Narval Investments (food, water & wellness PE fund | Mexico), HJB (chemical business | Mexico) and actively participates in Funed, a non-for-profit organization that offers Mexican students financial support to pursue graduate studies overseas.

He has been awarded multiple times by Institutional Investor including best CFO and ESG metrics.

Mario holds a bachelor's degree in Economics from the Instituto Tecnológico Autónomo de México (ITAM) and a graduate certificate in Business Administration from Harvard University.

4. Carlos Rojas Aboumrad

Carlos Rojas Aboumrad is the Chief Executive Officer and Board member of Grupo Rotoplas. Carlos joined the Company in 2014 and since then he has held various positions; he was part of the international expansion and responsible for driving forward the Innovation and Development department. Before being appointed as CEO he was the Vice President of Services.

Carlos holds an undergraduate degree in Industrial Engineering from the Instituto Tecnológico de Estudios Superiores de Monterrey and an MBA from Babson College.

We would like to take this opportunity to thank all our speakers for their contributions today and hope you all find the following discussions insightful and valuable.

I would now like to hand the mic over to Matt Rogers to kick things off with his Keynote Speech.

MATT ROGERS

Thank you for that introduction, and good morning. If you can flip to the first chart, the core message for today is that the race to sustainability on a global basis is accelerating. And there's some good news in the market today that we can build on as we look forward. The first piece of good news is that the global economy continues to grow quite rapidly, and the resource intensity of global economic growth has slowed markedly over the last 20 years. We can now grow GDP at something like 3% or 4% a year on a global basis, but we only need to grow resource intensity by 1% or 2% a year at the same time, to continue global economic growth. That's because we're getting older, we have a more service-oriented economy and the innovations that are coming allow us to be dramatically more efficient in our use of all resources: energy resources, water resources, mineral resources. And that ability to grow efficiently is a core capability to make the global economy more sustainable over time.

The second broad theme is the rate of technological innovation that has been accelerating quite markedly over the last 20 years. I wrote a book in 2014 where we argued that this was in fact the most exciting time in the last hundred years, and what we're seeing is that smaller, more modular technologies that are digitally enabled are taking share from the mega-projects that dominated the 20 years prior. And that ability to digitally enable and scale quickly a set of these smaller technologies really increases the sustainability of the global economy quite considerably. There are expanding regulatory pushes for sustainability as well, and whether that's a renewable portfolio standard for energy, or whether it's ending once through cooling for power plants, the requirements for innovation in order to meet those regulatory standards continues to grow. Part of this, and an important part of this, is that customers are looking for more sustainable products. So, when a large retailer like Wal-Mart says to their suppliers that

they want cleaner supply, whether it's from a carbon intensity standpoint or a water intensity standpoint, the response from the supply chain is quite strong. The reason that those retailers make that commitment is because they have a set of customers who are looking for more sustainable products, and this push for sustainability from the customer back ends up driving a lot of the investment in the market today. If we talk about investment, we have to recognize that something like 20% of the funds under management on a global basis today have an ESG label on it, and on current course, we're headed to 50% of the funds under management globally, having some sort of ESG label by 2025. So this is moving very, very rapidly. And that reallocation of capital to sustainable businesses and to sustainable technologies is core to the acceleration that we're talking about today.

If you flip the chart, what we see in the core fundamentals, are driving in the direction of some of the technologies we'll talk about today, there is an increasing demand for some high-water intensity production methods across industry groups. The oil and gas fracking is a simple one, five million gallons per well. Lithium mining is another one that is going to where you're seeing a growth, something like 10x over the next decade, very water intensive. Biofuels, meat substitutes, all of these are requiring significant amounts of high-quality water, and there are real questions about where that water is going to come from. There's increasing concerns about the climate change impacts on water, increasing drought frequency, big questions about water infrastructure when storms come in and then water issues causing conflicts often across from the residential consumer to the industrial consumer to the agricultural consumer. Where I live in California, this conflict is real every day. And there's a broad regulatory push for higher water quality. The U.S. Infrastructure Bill puts an unprecedented amount of money into redoing the United States infrastructure for water and pushes like eliminating once through cooling, driving down effluent allowances is driving industrial and technology companies to rethink how they manage water throughout their processes from end to end. It no longer is just a once through, it's a: 'How do I manage this precious resource on a continuous basis?'

One of the most exciting stories overall in sustainability is this question about green hydrogen and where hydrogen is going to come from? And the

drive to take hydrogen costs down to a dollar a kilogram, because of what that does in terms of unlocking many other parts of the energy equation. But it all depends very heavily on water, something like 20 to 24 kilograms per kilogram of hydrogen, we need of water and where the hydrogen and the green hydrogen can come from isn't usually the places where there's an abundance of water, and so how that water system gets managed and hydrogen, is one of the core questions for scaling this core technology. And an exciting part, as we look forward, are a set of regions that are now saying: 'How do we create sustainability hubs?' There was a piece that, you know, Houston is trying to become a sustainability hub that integrates things like hydrogen, things like carbon capture and integrates the water supply in that system in order to minimize the requirements and maximize the quality as you work through there. And that is being repeated around the world, and the opportunities to support those kind of hub developments, both drive down the cost and increase the efficiency of those projects. So hopefully, this is an exciting story about where sustainability is going and how important it is to begin to scale some of these technologies across the next several years.

And with that, I'll transfer it over to José Luis.

José Luis Mantecón:

Thank you, Matt. Good morning, everybody, thank you for being here. And thank you very much for your presentation Matt.

It is always very important to hear about the latest trends shaping sustainability efforts, as they are an integral part of our DNA: Rotoplas is and has always been committed to improving peoples' lives by providing them with more and better water.

In fact, as some of you may remember, in the previous Agua Day I talked about what we achieved with our 2016 to 2020 sustainability strategy as we announced our new Sustainability Strategy for 2021 to 2025, which is a key component of our sustainable growth plan towards 2025.

In order to develop our new strategy, we updated our materiality analysis. We also relied on methodologies such as GRI, SASB, TCFD and others,

integrating a diverse array of approaches into our analysis. This allowed us to identify the existing synergies between the material and the emerging issues, and based on them, we defined the pillars and actions for the new strategy, which is focused in three dimensions: people, profits, and planet.

Each of these dimensions is divided into two pillars and is associated with an ESG component.

The planet dimension comprises two pillars: first, circularity and climate change and, second, water availability.

The pillars for the people dimension are: Improving the quality of life of the people who use our solutions and promoting and developing our team members' talents.

Finally, for the profit dimension the pillars are: corporate governance and ethics and ensuring access to our solutions and the benefits they provide.

In addition to these dimensions our sustainability strategy also focuses on other key issues, such as:

- a) Climate change.
- b) Extending our collaboration with the value chain.
- c) Maximizing our contribution to the Sustainable Development Goals.
- d) Creating 360degree value.

Our sustainability strategy is already delivering concrete, measurable results in all ESG dimensions:

Regarding environmental issues, for example, this year we increased the use of recycled resins by 20%, launching new solutions with recycled content that have the same quality as those made with virgin resins. Likewise, the growth of Bebbia translates directly into more than 300 million liters of purified water without plastic bottles. We also started an initiative that will reduce the use of gas in our productive processes.

Furthermore, we undertook the CDP evaluation for the second year in a row, obtaining a B grade for our performance regarding climate change and we joined the Climate Ambition Accelerator.

As for social, regarding to the current pandemic, we continue to focus on the wellbeing of our team members, both by applying the strictest safety measures in our manufacturing plants and through remote work schemes for administrative staff, in order to protect them and their families.

Also, we registered improvements in both, the Employee Engagement survey and the Organizational Health Index. The Employee Engagement went from 79% to 80%, and The Organizational Health Index went from 68 to 72 a great improvement considering this challenging times.

We also continue to be committed to diversity in all its forms. We redesigned our diversity and inclusion policy and we launched initiatives on gender, disability and sexual identity, including dialogue sessions with the staff and company-wide talks. We also subscribed the United Nation's Women's Empowerment Principles, which provides a clear guide for businesses to promote gender equality.

More specifically, we have leveraged our remote and flexible working capabilities to reach a more diverse talent pool, and as a result, we have hired more than 300 new female collaborators, and 20% of our STEM positions are held by women. We have also recruited from a wider pool of nationalities, 9% belong to ethnic groups, and have increased the percentage of self-identified LGBTIQ+ collaborators to 5% and the percentage of people with disabilities in the US, rising to 2%.

Finally, I think it's worth highlighting some of our governance results. For starters, we have incorporated sustainability metrics as well as impact measurements in the allocation of capex. In the context of the innovation and execution discipline of Flow, which Charlie and Mario will further discuss, this is a very significant step to ensuring that our new initiatives contribute to our sustainable growth story. This is supported by an awards program for initiatives that have an ESG impact.

We have also increased the number of independent board members and we have certified a group of internal auditors for our Integrated Management System, strengthening our corporate governance.

And last, but not least, we continue working with external evaluators. We have improved our ESG scores in the Corporate Sustainability Assessment of S&P and our MSCI ESG rating. This is also the third year we have incorporated the recommendations of the Taskforce on Climate Related Financial Disclosures, TCFD, and we have now become a Supporter, cementing our commitment to providing transparent and reliable climate-related financial information.

So, what's next? Well, as in the case of our growth and profitability objectives, we have set specific and ambitious ESG targets for our company towards 2025 in each of the three dimensions previously outlined.

First, the profit dimension. In terms of our corporate governance by 2025, we aim to evaluate a 100% of our suppliers with ESG criteria. Also, regarding the access to our solutions, we are targeting a compound net promoter score of 80 points for our products and services.

With regards to the people dimension, improving the quality of life of our users, we have set the target of impacting 1 million people with products and services that improve sanitation and access to water, including drinking water solutions. And in the second pillar, promoting talent, we are set to increase to 30% the percentage of women in our workforce by 2025.

Finally, for the circularity and climate change pillar of the planet dimension, we will reduce the intensity of scope 1 and 2 CO₂ emissions from 0.51 to 0.41 and We have set the target to achieve carbon neutrality by 2040. As to the second pillar, access to water, we will increase the number of liters purified by our solutions to more than 1.7 million cubic meters.

It was an honor sharing our progress and vision for the coming years. It is a challenging path, but every single team member of our company is ready to be part of our sustainable growth story to help us build a better future for us and future generations.

Now, before Mario tells us about the progress of our growth plan, we'll hear the strategy that each country where we operate will follow to sustain

Rotoplas' evolution. You will hear the strategy from each regional manager responsible for specific geographical areas. Please play the video.

video country managers

Mario Romero Orozco:

Good morning everybody. It's great to have you all here. Thanks to all our country managers for sharing. Jose Luis has already discussed our ESG targets and we have heard from our regional managers about the key priorities in each of our markets. I would now like to talk to you about where we stand with regards to our 2025 goals and the status of our transformational program, Flow. But first, let me take a few minutes to talk about the trends and challenges we registered during 2021, including, most importantly, the Big Supply Crunch.

2021 marked the beginning of global recovery, with economies reopening and demand reactivating. However, it also highlighted the vulnerability of global supply chains, as the Big Supply Crunch of 2021 curtailed output and affected margins across a wide variety of industries, forcing companies in all sorts of industries to change and adapt so they could ensure their customers get the products they need. And of course, we were not an exception, we faced increased raw material and logistics costs throughout the year as a result of these disruptions.

Since the beginning of the second quarter we developed a strategy that leverages our internal strengths, and which allowed us to both gain market share and maintain an order fill rate above 99%, while maintaining our sales and EBITDA growth targets for 2025. That is to say, even though the Big Crunch compressed our margins, we were still able to serve our customers and gain new ones, while staying on course with our longer-term goals.

How did we do it? For starters, we relied on our strong balance sheet and increased our working capital to ensure that we would have the necessary raw materials to fulfill orders at all times. And then we adopted different pricing strategies throughout the year to increase our market share and, eventually, ensure we can meet our sustainable growth path towards 2025.

All of this, of course, taking advantage of the new efficiencies and innovation that we have introduced in the past two years through our transformational program, Flow, and which I'll talk about in further detail later.

Let me do a brief recap of how the crunch played out for Rotoplas and how we adjusted to it. During the first quarter, we started seeing the reactivation of global demand, as well as shifts in the market patterns. We also detected signs of a tight supply chain and the effects of the Texan energy crisis. At the time, we implemented price increases aligned with the inflation rates in each market, and in line with our annual budget.

By the second quarter, however, the Big Crunch had started, and with it, significant increases in raw material prices and logistic costs. At the time, we decided to absorb some of these costs to increase our market share, which resulted in double digit sales growth and strengthening of our leadership position. This strategy had an estimated negative impact on our EBITDA of about \$130 million pesos.

That said, we estimate that our expanded market share will increase our annual growth rate by about 5%. This will generate a long-term value almost five times greater than the absorbed cost.

The external factors I mentioned before continued in the third quarter, so we decided it was time to adjust our pricing strategy. During this quarter we increased our prices across all the markets where we operate to offset some of the impact on our margins and EBITDA. During the first nine months we were able to offset 34% of the effect of higher input costs, which had an estimated net impact on EBITDA of a negative \$340 million pesos.

We are now focused on bringing our margins back to previous levels, to "normalize" them, if you will, by the second half of next year. To do so, we will continue to leverage the leadership position of our brands across our markets. We will also continue to adjust our pricing strategies as necessary, and we will continue to manage our working capital to guarantee that we have enough raw materials to meet the demand for our solutions and to continue growing at an accelerated pace. We expect that our working

capital will also be normalized by second semester of 2022, when it should amount to about 17% of sales.

This strategy will ensure sustainable growth while continuing to guarantee the level of service, availability and quality that our customers and business partners expect from us.

Now, as some of you may remember, our 2025 objective is to double our 2020 total sales and achieve an adjusted EBITDA margin equal to or above 20%. This means sales above \$17 billion Mexican pesos and close to \$3.5 billion EBITDA. As I mentioned, this goal remains firmly in place, but we have made some adjustments to our growth expectations for some of our markets to account for the dynamics we have observed this year.

The adjustments we made to our sales and EBITDA growth expectations are linked to macro dynamics, the water situation in each country and the global warming impact, which translates into meteorological phenomena, water shortages, and poor water quality. We have also incorporated adjustments aligned with our capital allocation strategy and the launching of new solutions or sales channels. In the table below you can see what we presented last year on the left side and the adjustments on the right side. The update considers a 4-year compound annual growth rate.

As you can see in the slide, we now expect faster growth in Mexico and Argentina, with slightly slower growth in Central America and Peru that are in the “others” line. This means that by 2025, Mexico will represent 60% of our total sales, whereas Argentina and the United States will each comprise about 15%.

The US operations and services platform expected growth pace remain the same. Group wide EBITDA CAGR increase a little as the margin compression affected our 2021 numbers and the base is lower, but 2025 estimates do not change at all.

We are also now expecting that our solution breakdown by 2025 will change slightly from what we discussed here last year, with products representing 90% of our revenue and services 10%, as we have seen a strong traction on our products portfolio. We still believe, however, that there will be a strong recovery in the demand for services, a market in which we have a

well differentiated, sustainable, data-based value proposition and which is benefitting from new tailwinds, such as the changes in the regulatory framework for water treatment in Mexico.

In any event, we continue to expect an average annual CAPEX of 5% of total sales, with 1.5% for maintenance and 3.5% to 5% focused on growth and strategic development. We continue to look for investment opportunities that can strengthen our solutions portfolio and help us accelerate our innovation, with a particular emphasis on the North American markets. This is the case, for example, of our recent investment in Banyan Water, which will help enhance our digital and analytics capabilities towards water digitalization and which Charlie will discuss in further detail.

Also, it is important to consider that government sales will remain under 10% of total revenues and the expense recognition associated with the implementation of Flow will end in this quarter, as we forecasted last year.

How are we going to achieve these goals? We will continue to rely on the external but most importantly on internal sustainable growth drivers we have talked about in the past and all the capabilities we developed during our transformation.

Despite the disruptions that the world has experienced in the past two years, we continue to see very favorable macrotrends for our industry and for our solutions offerings. The demand for smarter, decentralized water solutions is poised to grow due to water scarcity and by climate change. The simple fact is that the only way to sustainably meet the demand for quality water as our societies continue to grow and consumer habits continue to change is through innovative water solutions across the board, solutions that will enable people and companies to make the most efficient use of water and reduce their footprint.

Now let's move on to Flow's progress. For those of you who are new, Flow is our organizational transformation program that started in 2019. Now this program has become an essential part of our day-to-day and now, more than a program, it is part of our culture and the way we operate. It works through value-creating initiatives and is supported by control bodies that help ensure that the initiatives are carried out and perform well.

Let me briefly recap some of Flow's achievements:

- ❖ Out of a total of 1,100 initiatives, 250 are now in the money step. Remember that the initiatives go through 5 stages from the idea creation to the money step where their impact is reflected in the P&L.
- ❖ In the 9 months of 2021, 45% of EBITDA comes from initiatives within the Flow program. We have deployed \$188 million pesos of capex related to these initiatives.
- ❖ In the 26 months since August 2019 that we have been operating under this new scheme, more than 740 employees have been directly involved as initiative or milestone owners.
- ❖ This year we have managed to de-risk initiatives by sectioning major initiatives with minor ones, testing their performance in an agile manner while correcting failures in a timely basis, which has led to an increase in the success rate of initiative execution from 60% to 65%.

In the coming years we will focus on executing those initiatives that have not yet reached profitability. Also thinking of Flow as an ongoing process, each year we will continue with sessions for new initiatives and thus keep up the pace of innovation and renovation.

It is very important to mention that, after 18 months, this will be the last quarter in which we will recognize Flow's implementation costs and adjust our EBITDA to account for them. However, even though we have been recognizing expenses for 18 months, the program's benefits will be fully realized in a 5-year period. We estimate that Flow will provide a cash-on-cash return of about 6x.

About Rotoplas valuation, the following table shows the current Rotoplas multiples compared to other players in the water industry. These companies are focused on different businesses and geographies in which Rotoplas participates, but we believe they can be useful as benchmarks.

On average, Rotoplas' pace of growth in both sales and EBITDA is higher than the peers and valuation is at a discount of above 50%.

The average target price assigned to us by our analysts is \$43 pesos per share, meaning a 60% upside. By the way, last week BTG Pactual initiated coverage of AGUA with a buy recommendation.

Over the past two years, we have sought to reward our investors' loyalty through capital reimbursements in cash and in kind, maintaining a yield of over 7% for each year. We intend to continue this practice using between 30% and 50% of the free cash flow to equity as shareholder's return, apart from capital appreciation.

To conclude. As you have heard, Rotoplas offers investors a great growth and consolidation story in an industry – water solutions – that is every day more relevant and important to society. Further, Rotoplas is a transformational story, by successfully becoming a sustainable company that creates 360° value with a conscious capitalism approach.

Thank you very much for your time. I look forward to your questions. I will now turn the presentation over to Charlie.

Carlos Rojas:

Good morning everybody. It's great to have you all here for this year's AGUA Day. We are very happy that you have taken the time to join us and hear about what our team and our company have been up to and our perspectives for the future. We greatly appreciate this opportunity to reach out and hear your perspectives and thoughts.

Matt, José Luis and Mario touched on many of the core components of our vision not only for our company, but also on the future of the water industry and, to some extent, of water itself. As I pointed out last year in this same forum, Rotoplas aims to provide the best and most innovative water solutions, to promote the wellbeing of all our stakeholders and sustain double digit growth while creating economic value. We understand the water challenges our societies are facing and are continuously

assessing how to best tackle them, always from a 360° perspective focusing on people, planet, and profits.

A year ago, I outlined our strategies and guidelines towards our 2025 goals, some of which Mario had already mentioned earlier: Namely, we aim to duplicate the sales from 2020, reach an EBITDA margin of 20% or higher, maintain our debt to EBITDA ratio below 2x, and ensure a return on investment of around 20% above our cost of capital. In order to achieve these goals, we have focused on the evolution of our organizational culture as established by Flow, including a relentless pace of innovation and disciplined levels of execution, as well as a deeper and more comprehensive focus on the best ESG principles and practices. We are also leveraging, as Mario mentioned, macro trends that have a direct and positive impact on the water industry, and which have proven to be both a boost and a welcome challenge for us.

Over the past months, we have launched new products and sales channels, strengthened our synergistic cross-selling and businesses strategies, and highlighted two promising growth avenues: the United States market and our water-as-a-service platform. And through these actions, we have managed to continue to grow sustainably.

But all of this, as they say, is just the beginning. I would therefore like to take advantage of this opportunity not only to talk about some key aspects of what we have achieved but also, and perhaps more importantly, to talk to you about the next steps in our evolution.

Let me start with the launch of our new solutions and sales channels, which are very concrete examples of our innovation drive. Since the start of Flow we have launched 20 new solutions that address specific needs across our markets, such as the dual tank; Tuboplus Ultraflex pipes related to waterflow; and water softeners related to improvement. Every new solution we launch aims to tackle different water related problems in different regions whilst continually focusing on our portfolio expansion strategy.

We have also developed 13 new sales channels, which bring us closer to our customers and improve their experience as well as, of course,

strengthening our brand across markets. These new channels showcase our focus on leveraging technology to improve the customer experience.

The launch of these new solutions and channels bring us closer to our 2025 objectives, and we still have more than 50 initiatives in the pipeline – all related to further launches and products upgrades with an estimated sales and EBITDA run rate of \$1.7 billion and \$0.5 billion pesos respectively.

And we are not only providing new solutions through new sales channels, but we are strengthening our cross-selling strategies and continuing to leverage the synergies between our businesses. As a result, Tuboplus, our Mexican water pipe business is available in Central America and Peru, and Acuantia, our water treatment business has officially launched in Brazil. Going forward, we expect to take advantage of more opportunities like this.

And speaking of Acuantia, I would like to share really exciting news: after many months of hard work, today, we are officially launching Acuantia in the United States.

The new Acuantia will merge our e-commerce operations in the United States with our septic systems business in that country, enabling us to deploy additional resources in a key, high growth-potential market.

Through Acuantia, we will provide a better user experience and deliver end-to-end solutions to solve current needs. Nowadays, there are many challenges in the septic and ecommerce business and our main objective is to provide an optimal solution.

For example, this means increasing the available water for households, turning one gallon of water into three gallons through circularity, suitable for different sorts of uses before returning it to the environment, as you can see in the slide. After gathering potable water from different potential sources, the grey water is filtered for reuse and the black water is treated. And eventually, it is all given a final use, before it is returned to nature.

We have high hopes for the future of Acuantia, as it combines the strength of our operations in the United States with a clear value proposition for our customers, helping our customers reduce their water footprint.

This is also the case of our other water treatment operations. Even though the pandemic has limited the growth of our water treatment plant business, we have continued to work on introducing more efficient technology and processes to ensure that our clients are able to make the best use of water. Let me give you a few examples of plants in our portfolio:

An automotive industry plant has become a zero liquid discharge facility through employing 10 different processes and technologies, reusing 100% of the water for industrial processes and other uses.

A mining facility is also zero liquid discharge, using 5 processes and technologies to recover and treat a 1,000 cubic meters per day and safely discharge them to the environment, contributing to the recovery of a nearby lagoon.

A mining operation that consumes 250 cubic meters of water per day is now able to use desalinated water for its processes and others uses.

And finally, and perhaps most interestingly, a beverage company, one of the most water-intensive industrial activities in the world, in which water is both a key component of the final product and essential to its production. And in this particular case, the water is not only treated to ensure compliance with environmental regulations but is actually being reused in the production process.

These are just four examples of how our water treatment solutions have a real, positive impact on our customers' water use, which is why we will continue to invest in growth and innovation in this business.

Our focus on innovation and improvement of our customer's experience is also exemplified in our drinking water platform, Bebbia. Over the past few months, we fully automated the sign-in process through our website, while adding a door-to-door sales channel and training new sales

representatives. We also introduced on-line maintenance and communications via instant messaging, making it faster and more convenient for our customers to keep their systems up to date.

We have invested more than 100 million pesos in bebbia over the past 2 years so we can sustain accelerated growth and expand the platform.

As a result of this and other initiatives we aim to reach around 350 thousand users by 2025, turning bebbia into the leading provider of drinking water as a service in the country.

All in all, throughout this year we have been able to leverage our strengths, innovate and pursue the growth avenues we identified, and we will continue to do so in the coming years. We will:

Execute on Flow initiatives and focus on priority business like the US and bebbia

Applying our Agile methodology, we will also continue focusing on the customer, delivering accelerated and scalable value creation and empowering and developing talent. Agile is now being implemented in bebbia and Acuantia septic systems business, helping to improve our understanding of our customers and stakeholders and accelerating the development of new solutions, all through multifunctional teams that set ambitious, results-driven goals. Eventually, we expect that the methodology will be applied across other businesses, strengthening our capacity to evolve and take advantage of new opportunities.

In line with our goal to design the Rotoplas of the future, maintain high growth while promoting the best ESG practices to help water conservancy, we recently acquired a minority stake in Banyan Water, a tech company in the United States that uses data and analytics to provide water saving services and metrics to its clients since 2011. As part of the agreement, Banyan Water and Rotoplas will develop a joint innovation program that will greatly bolster our next generation of solutions. And, in line with our market leadership strategy, Rotoplas will have exclusivity in commercializing water management software and digital solutions in Latin America.

With this we move a step closer to water digitalization.

What does water digitalization mean? Well, at its core, it means a data-driven approach to ensure the best use of water across industries and households. A smarter use of water through data-derived insights and metrics that can help improve water consumption patterns and processes. And one that can be scaled for massive consumption. It is, in other words, a strategy to develop a fully integrated water solution ecosystem that relies on data and analytics to ensure the most efficient use of water so we can protect this precious resource.

Like in many other aspects of our lives, smarter devices and data analysis can provide new opportunities and tools to improve our relationship with water. This means, for example, building new digital solutions for leak detection, rate tracking, usage projection, scheduling, flow anomaly detection, alerts, valve control, etc. It also means, crucially, for us to move from a conventional approach to products and services to becoming a data-driven solutions provider, strengthening and deepening our use of technology across all our operations, both client-facing and back-office.

Before we go to the Q&A section and have a chance to hear from you, I would just like to reiterate what Jose Luis and Mario remarked and I have mentioned myself: our commitment to ESG best principles and practices is unwavering and strengthens as we move forward. Every strategy and initiative we implement aims to create value and to contribute to the wellbeing of our stakeholders. In short, we seek to ensure that our evolution is a Sustainable Growth Story, providing cutting-edge solutions that improve human relationships with water.

Moreover, we have defined two targets that we consider key aspects of ESG:

Firstly, we are committed to be a carbon neutral company by 2040.

Second, we will increase the percentage of women in our workforce from the current 23% to 30% in 2025.

Thank you very much again for your time. We look forward to your questions and thank you for being a part of our Sustainable Growth Story. but before we open the floor for questions, we have another poll for you.

Host Daniela Madrazo:

That's right Carlos, a poll will come up on your screen with the question: Which of the following do you think is the biggest driver for the demand of water solutions in the Americas? Please select one of the following options:

- a. Water scarcity and poor water quality
- b. Lack of sanitation
- c. Population growth
- d. Climate change and natural disasters
- e. Regulation

The poll is now closed. The most popular answer was a. Water scarcity and poor water quality.

Thank you all for answering.

We will now conduct a Q&A session. If you would like to ask a question, please press the "Q&A" button located at the bottom of your computer screen and type your question, as well as your full name and the name of your company.

We will now pause for questions.

Carlos Rojas Aboumrad (CEO): By the way, very interesting to see that government regulations was the least popular answer, and I'm happy to see that what's really driving this is not government regulation and that it's the general population's conviction for needing to do this.

Operator: Thank you. Our first question comes from Marimar Torreblanca from Miranda ESG. Will Rotoplas establish science-based targets?

José Luis Mantecón (Sustainability VP): Oh, thank you for your question. Yes. As the SBTi methodology is robust, the process for establishing these targets requires many reviews. But as we are committing to become carbon neutral by 2040, this will be a key initiative to achieve this result. Thank you.

Operator: Thank you. Our second question comes from Miguel Medina from ArmanexT. One financial question. What is the exchange rate assumption underpinning the contributions from Argentina to sales and EBITDA going forward? Do you need to repatriate cash flow from Argentina to the parent company? Or are you happy to deploy and redeploy cash generated in Argentina and new investments in Argentina?

Carlos Rojas Aboumrad (CEO): Mario, would you like to...

Mario Romero Orozco (CFO): Well, thanks for joining us this morning, Miguel. Well to your first part of the question it is, the way we project Argentina and the exchange rate is through inflation differential rates. So there's the inflation differential rate from Mexico to the US, and that's how we project our FX. And then there's the inflation differential from Argentina to Mexico, so that's the way we project exchange rates and the Argentina contribution for Mexican pesos. To your second question, there is no need to repatriate cash flow from Argentina to Mexico, but there's also no need to send cash from Mexico to Argentina. The way we manage is, first to have Argentina on a sustainable cash position and then with the excess cash, then the decision is: shall we redeploy the cash if there is an interesting growth opportunity in Argentina? And if not, then repatriate that to Mexico. That's the way we discuss and manage our Argentina operation.

Operator: Thank you. Our next question comes from Liliana de León from GBM. What are the main reasons for reducing service contribution in the long term? Could you please give us more color on that?

Carlos Rojas Aboumrad (CEO): Well, just to start, Liliana. To be very honest with you, our goals for 2025, are goals that are set on initiatives with which we are very comfortable with in terms of the certainty of the results that will be delivered. And in terms of where we have the highest

level of certainty, is related to products. So these goals do not include the full potential for Rotoplas. And we do see services growing in a very aggressive rate to conserve that contribution level, and to be around a 10% contribution level. But it could very well be much higher than that, not necessarily by 2025, maybe by 2025, or maybe just a little bit after that. But in services, we have higher levels of uncertainty as there are new businesses that are not only new to Rotoplas, but they are new to the market. We're disrupting the way water is consumed with these services, and we have very high expectations for services, but they have also higher levels of uncertainty. So it's not that we do not feel very enthusiastic about it, we are very enthusiastic about it, and we're being very aggressive in our efforts in developing these businesses. And hopefully it will be above that. Mario, anything to complement?

Mario Romero Orozco (CFO): Yeah, sure, Charlie. If I may complement, the other thing is, through the pandemic as you know, services were the mostly hit in Rotoplas for a couple of years. So, on the other hand, we found different venues for the growth of our products segment. So that delay is also affecting why the mix by 2025 changes.

Operator: Thank you. Our next question comes from Martín Lara from Miranda Global Research. Good morning. I have two questions. When do you expect the supply chain disruptions to improve? And the second question is, where do you see your EBITDA margins in the next few quarters? Do you expect an improvement compared to the third quarter of 2021?

Mario Romero Orozco (CFO): Yeah, well, there's three questions in one, I like this. Well, to the first one, you know, we're starting to see a more stable environment of supply chain management, and raw materials are now stabilizing, starting to drop. I don't know if you, I think a couple of weeks ago came the Bloomberg Commodity Index, and just started to see that drop, so we believe that's normalizing. But then again, 'omicron' shows up and volatility starts to surge. So, we're sort of like in an in-and-out volatility marketplace, but not as in the second quarter or third quarter. So I think surprises on the UPS forecast, I think is going to be less, and it's going to be the same levels or better off in the coming months. As for margin, as I mentioned, we're starting to see, we believe we're going to be

seeing margin normalization by the second half of 2022. We're still in the process of catching them, catching up on pricing so we can return to those margins. And on the third one is for sure, you know the third quarter was the worst margin quarter wise and we'll see an improvement going into the fourth quarter, that's for sure.

Operator: Great. Thanks, Mario. We have another question coming from Mariana Cruz from BTG Pactual. Hello, everyone. Very interesting presentation. Can you please elaborate more on the sustainability metrics that AGUA uses for capital allocation, according to the ESG strategy mentioned in the first section of the presentation?

Carlos Rojas Aboumrad (CEO): José do you want to take a first stab at it? I think we'll have something to say.

José Luis Mantecón (Sustainability VP): All right. Thank you, Mariana. Well, it depends on.

Carlos Rojas Aboumrad (CEO): José Luis you are on mute, you muted yourself.

José Luis Mantecón (Sustainability VP): I'm sorry. Thank you. Depends on the purpose of the initiative. Not all CapEx initiatives have the same ESG levels. I would tell you that, for example, in Environmental, we would use greenhouse emissions, scope 1, 2, 3, water efficiency, circular economy, waste management. Regarding the Social: employee safety, employee training; and on Governance, we would go for: customer satisfaction measurements. I don't know if Charlie and Mario want to...

Mario Romero Orozco (CFO): Yes, and well, thanks for joining us this morning, Mariana. You know, the way we operate, as José Luis just mentioned, is every week we have a CapEx review where initiative owners present their CapEx needed to make his initiative happen, and this initiative owner that can be from a different area, country or different project, he needs to present the project using the economic value that the project is going to deliver, but also the sustainability value that the project is going to deliver. So we are being as precise on metrics as economic, let's say margins, IRR and so on, for also the sustainability perspective. So then,

the sustainable team grabs all the data coming from those CapEx deploy to build their metrics, as well as the financial team we pull out those metrics to account for the financial performance. So that's the way we are operating. And we do that on a weekly basis, when all the products are presented.

Carlos Rojas Aboumrad (CEO): And just one final comment to this is that most of our capital allocation is allocated towards where we find the biggest opportunities in business development, and the biggest opportunities are really around businesses that create tremendous impact in terms of sustainability, such as water treatment and *bebbia* like I mentioned. So we see tremendous opportunity in transforming the way people drink water, going from bottled water to onsite purified water, with water as a service model, on a subscription model. And that eliminates a lot of waste, all the way from driving water around the wheels to eliminating the bottle altogether. And then the water trim, like I mentioned, reusing water saves a lot of energy in pumping water. And so we allocate our resources most aggressively in businesses that have tremendous alignment to our ESG strategy.

Operator: Great. Thank you. We have a follow up question from Liliana de León at GBM. What are the opportunities and challenges of a decentralized water system in Mexico? What could be the opportunities for AGUA?

Carlos Rojas Aboumrad (CEO): The matter of the fact is that the traditional model of centralized water, the centralized water approach with centralized infrastructure is not sustainable anymore. So it's not only that it should be the right way to consume water, but it will also be the only way to get access to water in some of the cases. So for those high consumers of water, such as, you know, sites where you have high density of population or sites where you have manufacturing or industrial processes, which do happen to be taking place in cities such as Mexico City, the most obvious thing would be that you capture rainwater and that all of the water that you get from the grid and from rainwater to treat it all, to use it multiple times and you go towards zero liquid discharge. It's not only the only way to get access to enough water, it'll also be the cheapest way to get water. So it's going to make sense, you know, from all of the different perspectives to go after the decentralized approach where

you take more control over the water that you consume and you do it in a responsible way. So we see tremendous opportunity in the business-to-business approach, and hopefully each household will end up doing the same, end up taking responsibility for their own water as solutions allow for that to happen. Any other comments?

Mario Romero Orozco (CFO): And if I may add on to your comments, we're seeing a couple of additional tailwinds, as Matt mentioned during his intervention, regulation is making a push for better water management. And if you see the updated norm 001, it took 25 years to update that regulation in Mexico. And if you read that regulation, it's going to be more stringent on industries, companies and so on. So that's going to create opportunities for water treatment and recycling at the point of use, so I think that's something that we're going to be seeing in the coming years play into Mexico. On the second one, the sustainability footprint in terms of guaranteeing water access for the processes, also Matt mentioned that in part of his presentation, companies need to secure water for their products and services, and as water is becoming more scarce or more variable throughout the year, the companies will need to buy technologies to manage their businesses. So those are the two things we believe. One, regulatory; second, companies being affected by climate change, that will create opportunities for AGUA in Mexico.

Operator: Great. Thank you, Mario. Our next question comes from Rodrigo Salazar from AM Advisors. Good morning. Could you expand on how the impressive growth in the U.S. will be achieved in the next four years?

Carlos Rojas Aboumrad (CEO): Thank you, Rodrigo. First of all, we did have very, very interesting growth this year, we are already on a track of high growth rates for the United States. But what's very important is the opportunity that we see in the United States, it's a very large market that is servicing traditional needs with very, very antique solutions such as concrete septic tanks, and maybe Matt might have an opinion, please feel free to comment Matt, but the U.S. has very, very old infrastructure, it has tremendous challenge because of the population growth and consumer habits, where they consume water more and more every day, and they're having to renounce the things that they like, now we see that happening today, such as having a green lawn in their backyard where there's not

enough water to irrigate your garden anymore. And we're seeing tremendous regulation changes in terms of water treatment for reuse for larger buildings or larger consumers of water in states such as California. So between the water scarcity and the regulation changes, we see tremendous, tremendous opportunity. Now the companies that are servicing this in the United States are very, very small companies. If you look at the very large companies that are servicing water in the United States through the decentralized approach, the big companies, they don't add up to, you know, much over 15% of the market share, so there's tremendous opportunity for newer designs and better approaches in servicing customers and to end in a much better user experience. And we started already with that business, and we've seen tremendous reception from consumers.

Operator: Thanks, Charlie. Anybody else on the panel, or should I step on to the next question?

Matt Rogers: The only thing I would add is that the pressure on corporates to, for example, the tech players in California have all now committed to zero water use campuses. So, you have an employee campus of a thousand or 3,000 or 5,000 people, and you have to find a way to deliver that with zero net draw on the water resources that become, you know, that's a very high bar standard and requires much more distributed model of technology than historically has been the case. I think the second one is there was a real realization over the last several years about the, Charlie talked about it, is the antiquity of the U.S. water system. When it was built in the 40s and 50s, it was state of the art, but it's showing its age, and it's showing its age in whether it's lead issues or other contaminant issues, and what that's creating is more customer draw for more innovative and distributed solutions. I can't rely on the central system to deliver the kind of quality that I expect, and so consumers are now, particularly small and medium businesses are saying: 'I need a different kind of solution to make that happen'. So I think, you know, there's some very strong tailwinds in the U.S. market.

Operator: That's very interesting Matt, thank you. Our next question comes from Steven Bryce from Arisaig Partners. He has a question about the *bebbia* outlook, 350K households by 2025, should we view those

figures as just the start of the *bebbia* business? Why not be more aggressive with the outlook? And is this due to competition or driving user uptake?

Carlos Rojas Aboumrad (CEO): Thank you very much for your questions, Steven. I would definitely look at it as the start of *bebbia*. It does take quite a bit transforming consumer habits. In Mexico, where this business is currently operating in only, we have such a big habit on consuming bottled water for such a long time, Mexico is one of the top countries in terms of bottled water consumption per capita and also consumption as a total country. So changing that habit takes a little bit of time. It is a business that does grow in an exponential rate, and to get to 350 thousand, we would be growing at very aggressive rates. But it wouldn't mean that the next year after that one, those 350,000 couldn't look like 500,000, and getting to a million very quickly, just a few years after that. So we are expecting this business to grow very aggressively beyond 2025, and hopefully we will beat these numbers by 2025. But like I mentioned, it's a newer business to us, and it's not only new to us, it's new to the market, so there is higher uncertainty on that, and we just want to make sure that we commit to goals that we will definitely deliver on.

Operator: Thank you. Our next question comes from Camilo Hernandez from Solhidrica. What types of companies is Rotoplas seeking to make M&A within the future to complement your technology offer?

Carlos Rojas Aboumrad (CEO): Mario, do you want to take that one?

Mario Romero Orozco (CFO): We are mainly focused in North America and what we're trying to achieve with an M&A strategy is to find businesses that complement within our water strike strategy, either in products, services on itself or on the water digitization that serves to both segments. So that's our main focus, the market is still very fragmented in the U.S., Canada and Mexico, so I think put it together, combination of businesses can create an interesting overall strategy for M&A.

Carlos Rojas Aboumrad (CEO): just complement in terms of our strategy, I believe there is almost enough technology to solve most of the world's water problems, the thing is implementing those solutions and hopefully

getting better technology will make this easier. But I think that the biggest opportunity is the digital technologies that offer better capabilities to connect existing solutions with existing needs. So Rotoplas' approach is more of a platform approach where we are at that company that has access to all of these capabilities and to all of these customers. And so Rotoplas is the one that connects the supply and the demand side in the most successful way, that's the way we see it. For that, there's a lot of opportunity in terms of digital technologies to make that happen. So that's where we're focusing a lot of our resources in.

Operator: Thank you. Our next question comes from Michael Birkel from Zenon Investments. He would like to know in which business area, product or which products and services you currently see as the strongest that there is more demand you could fulfill, but face bottlenecks? What are the bottlenecks and how do you intend to tackle them?

Carlos Rojas Aboumrad (CEO): So, in terms of bottlenecks in servicing customers, I think maybe you have a better understanding of the question Mario, but I think that the biggest opportunity is water scarcity and servicing both that water scarcity and also water quality. But Mario, would you like to compliment?

Mario Romero Orozco (CFO): I would say that, going back to the supplier's crunch that we all faced starting on the second quarter or third quarter, we saw a lot of supply chain disruptions, mainly in raw materials and logistics. And that was affecting our delivery for raw materials because of lack of availability or logistics wise. And on the other hand, we're enjoying of strong demand in different markets. Right now, we are not seeing bottlenecks in the future, but we're still going to be playing on the safe side on inventories to serve our customers. Today and for us, 2021 has been key to manage inventory well and have some excess of inventory, secure raw materials and logistics, no matter if you're paying a premium price. And with that, the end strategy is to gain market share and to have a better penetration of our products and services with our end consumers. Once everything comes back, that that will return in a higher market share and margin.

Carlos Rojas Aboumrad (CEO): So sorry I didn't understand your question well, Michael, and hi, thanks for joining. I think we took the biggest impact in margins and in cash flow, increasing our inventories, and I hope that normalizes very soon. But I think that the team did just an incredible job getting us all of the materials that we needed to service our customers and we saw tremendous drive in volume. And obviously with lots of challenges, but I just would really congratulate our team for being able to get access to everything that we needed in the best way possible.

Operator: Great, thank you. Our next question comes from Regina Carillo from GBM. This one is for Matt actually. Of the five central themes that you mentioned earlier, which one do you think is the most crucial for Latin America? And how can water solutions companies like Rotoplas solve them?

Matt Rogers: If I reflect on that said, I might highlight three sectors. One is the mining sector and the conversation that Charlie had earlier in terms of the solutions there, it is super important the growth rate that's going to come out from lithium, from copper, from graphite in Latin America is tremendous, and the resource that, water is so central to the production, how do you make sure that the solutions are in place to make that scale in a sustainable fashion? That's the first one. I think the second one is the industrial effluent management and the auto example that was there earlier, the pressure on any export producer to have both low carbon intensity and low water intensity to their output from major consumers around the world has increased dramatically. And I think providing a solution for those industrial customers who need to find ways to dramatically reduce effluent, and again, there's some really good examples already in the Rotoplas portfolio. And then the last one, I would say is hydrogen, and there are key places in Latin America that are intending to be major global producers for hydrogen and the water management challenges that are coming are, there's a set of: 'how do I design in to a green hydrogen project, appropriate water management technologies?', and that designing process is occurring currently and the growth rate there, we're talking about 30 to 40% growth for the next decade and that area, with Latin America being a key center to supply the globe. And so I think that's the third one I would look at.

Operator: Thanks, Matt. That's really good insight. Our next question comes from David Seaman from Alpha Cygni. Can you please discuss the Plomerísimo strategy? How does this initiative add value to the whole ecosystem? Meaning Rotoplas, to the plumber, to the client? And what are your future plans in this area?

Carlos Rojas Aboumrad (CEO): Hey, David, thanks for joining, thanks for the question. I think it's a very, very interesting opportunity for Rotoplas. I would say that in the markets that we have played for, for the longest time, such as Argentina, Peru, Central America and Mexico, the level of loyalty that plumbers have to Rotoplas is very high. And the connection, the access we have to these plumbers is very high. And we see them as our customers. And on the other hand, users have tremendous regard for Rotoplas, the brand recognition in our markets is huge, and we have very high levels of loyalty to the Rotoplas brand. And while we were treating them both as just customers, I think there's an opportunity to structure the way these customers, these end users are being serviced so they can have a much better experience, and so that we can have the best plumbers, with the best capabilities, getting the best opportunities for work and reducing in a very relevant way waste. A plumber, I would say on average, might spend 80% of their time finding a customer, getting to the customer and to see what's needed, going to the shop, buying the products, driving them back to the customer's home, and then just 20% of the time doing the actual work. So there's tremendous amount of waste with these traditional services. So if we can have customers tell us what they need and we can structure that workload in a way that plumbers can find a more efficient way to service those customers, they'll most likely be on delivering a better service, at a better cost, with better margins. And consumers, on the other hand, might be seeing better prices, getting a much better experience and from the best talent available. So we're very excited about what this might mean for additional businesses such as *bebbia*, or our traditional products business, and our distributors, because we would obviously leverage that distribution channel that we have to better service these needs. So it's integrating in a better way for increasing efficiency, to service the traditional services that are implemented. Mario, do you want to comment something?

Mario Romero Orozco (CFO): Well, good afternoon, David, for you. Good morning for the rest, just to, in a nutshell, try to explain. Part of building an ecosystem, is creating the connections, sometimes between vendors and users, and Plomerísimo can fit nicely on this ecosystem that Rotoplas will start building using technology and data. So the endgame might be to build an AI based marketplace for service and installation, so there people can connect and help Rotoplas and our products to have them, the consumers and plumbers, connect in a different way and make it more efficient for everyone. So that's one of it. And then, I saw in the Q&A about the metaverse and technology, you know, that's a very new thing. But, generating ideas, you can end up using the metaverse to build communities and connect the plumbers community there, and help on this ecosystem strategy. So that's the kinds of things we're thinking. More to come in the coming years.

Operator: Thank you. We have another question from Mariana Cruz from BTG Pactual about *rieggio*. Can you please give us an update on this business unit?

Carlos Rojas Aboumrad (CEO): Mario, would you like to comment?

Mario Romero Orozco (CFO): Sure. Well, the business is starting to gain traction, we've been building a very healthy pipeline and connecting with a lot of customers. We believe that this business will start to bring interesting results late next year or going into 2023. But so far, the test is there. We're happy with what we have achieved so far.

Carlos Rojas Aboumrad (CEO): And maybe just to add to that, I think that what's most relevant is that we have been able to validate a lot of our assumptions. First of all, there's a need for services on 'technified' irrigation, and so that's very interesting to see. Secondly, our offer, our unique value proposition is one that is very well regarded and we have also been in the stage of optimizing our business design, and I think that *rieggio* is now going towards a scalable part of that business. Thank you.

Operator: Thanks, Charlie. Our next question comes from Paulina Pérez from Miranda Partners. What are the main challenges to achieve your ESG goals?

José Luis Mantecón (Sustainability VP): Thank you, Paulina. We see a set of both internal and external challenges. Internally, the objective is to create an ESG mindset, so we will all operate within our sustainability framework, regardless of position, geographical location or role. Externally, we think the main challenges are the macro trends in countries where we operate, such as the transition to renewable energies, social unrest and sustainable business models and consumer expectations of sustainable companies.

Carlos Rojas Aboumrad (CEO): Maybe additionally, with our strategy of 360 degrees, focusing on people, profit and planet. Also, I'm just trying to balance between planet and the other two, particularly planet. So fortunately, we've seen that the right approach to managing water is the most known, the most sustainable one, but the most economical one and the one that offers the best reliability. And so that is really driving our strategy. But a little bit of the challenges is that that still needs to be understood by the customer side. It's very new. Customers tend not to be experts around water, so there is a lot of education that needs to be taken place for that to happen.

Mario Romero Orozco (CFO): And if I may add something else is on the other side of the equation, as you saw, José Luis disclosed one of the metrics that we're going to be chasing is to certify our vendors on ESG metrics, and that will give us a lot of education to our vendors network, because we need to explain them what the importance of ESG is. Some of them might be very well prepared, but for some of them it will be a completely new theme for them. So that's one of the challenges the company will be facing forward. We'll try our best to make it happen.

Operator: Thank you. We have one more question from Mariana Cruz in BTG. Can you please tell us more on what countries drove the cut down on the expected growth in EBITDA for other countries from 22% ranging to 24, all the way to 15 and 17%? Thanks a lot.

Mario Romero Orozco (CFO): Thanks Mariana, for your question. Mainly, it was driven, as I was explaining, the services segment of the business was delayed because of the pandemic, and in others, you have SYTESA

Brazil. In others, you have the Central American products, the Peruvian products and the water service that we're starting in Brazil. That business has been delayed in performance, so that's the reason we dropped the speed of growth.

Operator: Thank you. Our next question comes from Humberto Cortés. You are launching innovative initiatives to growth. What R&D expense are you expecting for coming years?

Carlos Rojas Aboumrad (CEO): Mario, do you want to maybe answer that one?

Mario Romero Orozco (CFO): Well, the target is always to do anywhere between 1-2% as a percentage of revenue. And we are pushing hard the company to make that happen. And as we move, the transformation and the innovation needs of the company, that is happening. A lot of energy and money is being placed into, I would say, not only Research and Development, but I will also include the word Innovation, and that's what will be anywhere from 1-2% of the revenues of the company.

Operator: Thank you. Our next question comes from Jorge García. What is the comparative consumption between bottled water and the *bebbia* service? My question is focused in asking if you see a change in the uses of the people for water consumption itself.

Carlos Rojas Aboumrad (CEO): Thanks for your question, Jorge. Very interesting question. So one of the biggest benefits that the *bebbia* service offers is practicality. The difference for all of those who have ever used these big bottles of water at homes, four-gallon jugs or 20-liter jugs of water, it's not very convenient that once one of these is finished you need to change this bottle, which is heavy and you don't necessarily have one at home, and you need to go out and buy one or need to wait for the delivery service to get you one. And when you have water in the way we offer it, which is purified at the point of use and there is no lack of it, people start using much more of it, they use it for other purposes than they were used to, such as maybe cooking, washing vegetables and other purposes, some brushing their teeth. And so we do see that water consumption increases very much once the service is hired. One of the

benefits is the practicality of the service, even above the sustainability of it or the economics of it. That's the feedback we get from customers, and that's what really drives very high net promoter scores in the service.

Operator: Thank you. We have another question requesting if Matt Rogers can give us some insight on the poll question.

Matt Rogers: I'm happy to talk about the poll question. The poll question came out and said that, you know, scarcity and water quality were the key determinants, and I think that's right. That's how customers experience the challenge. I would say that the poll question, though, that's a compound answer. It's a compound answer because one of the reasons for scarcity is because of things like climate change and the increasing droughts in particular and the unpredictability of water supplies in major markets. The other climate change impact is the impact when a major storm comes through on the central water infrastructure in many markets. The ability to return to a centralized solution after a major event, has turned out to be much longer than consumers are comfortable with, I can't wait two or three days to have potable water, you know, after a hurricane comes through. And, you know, the U.S. alone experienced something like 20 events over the last year that had major impacts on that kind of infrastructure. So I think really understanding the climate change and how that's really pushing, it is quite important. I think the corollary is the population growth obviously is part of increasing water demand, but where that population growth is occurring is often in areas that are already highly water stressed. I'm in a small community in the mountains outside of San Francisco right now and we have a lot, we have a giant lake and we have apparently plenty of water, but there are so many people that are trying to come into an area where the water infrastructure just can't handle the quantity of new population coming in. And so there's a big need to develop alternative models in, you know, small communities like that and then large communities like Los Angeles, where the fight is between the urban and the agricultural demand for the same water source. It's, you know, it's still coming out of the Colorado River and there's just not enough to go around to all of the different. So population growth, where it's occurring, that ends up increasing the stress on the system. And then I would say government regulation, you know, is tightening. I think the customer side of this equation is perhaps more important to pull from

large industrial customers, large technology customers, to be able to provide very low water impact solutions in their core operations, has gone up dramatically over the last decade and really over the last two or three years come into focus in terms of the ESG commitments that those companies need to make. And so if we missed one on the pull, the whole roll of customers and changing customer expectations for water is actually quite important.

Operator: Thank you. Our next question comes from Mariana Cruz at BTG. And finally, to understand more, what drove the minority stake acquisition on Banyan Water, can we expect more acquisitions on the smart water management sector in the USA? Thanks again.

Carlos Rojas Aboumrad (CEO): Mario, would you like to start with this one?

Mario Romero Orozco (CFO): Yeah, sure. We can complement this very interesting thing for everyone within the company. Well, the thesis behind doing that acquisition is to accelerate Rotoplas into the water digitization trend and to complement with the very interesting skills, with our very interesting platform. And really to co-create the first massive data collector and player on water digitization. The second component of your question, which is, should we be doing more on that water technology space? There's not that much more, there are just a few players, the trend and opportunity are just starting and we want to be a front runner on this water digitization. And as any other business, when you do it well, a bunch of different opportunities to monetize that digitization can be very interesting. Charlie, do you want to complement? Because you're very passionate about this.

Carlos Rojas Aboumrad (CEO): We're very passionate about technology, and the reason is that the only way to service a massive amount of users with water solutions and being part of the solution is using digital technologies. And so I think I mentioned this even on this same forum, it would have been impossible to see a right service business, such as a taxi business, grow as much as Uber did without technology and managing all of these drivers over a radio like they used to happen before, it would have been impossible. It's only the availability of this technology that enables

something like Uber to happen, right? Or Amazon. So what I have mentioned that Rotoplas aims to play the role of the platform that connects the solutions, availability with customers and consumer needs. And so it is really with this kind of technologies that we will be able to service lots of customers and make sure that their systems are running optimally. And so this is one of the different efforts we're doing in being able to have optimal solutions where we implement them and we service them for our customers in a massive scale. Small solutions in huge quantities.

Mario Romero Orozco (CFO): And if I can, Charlie, I can give the audience some data points and that can build back to David Seaman question around the ecosystem and Plomerísimo. Today Rotoplas' ecosystem is composed of these stakeholders. We have more than 35 hundred suppliers, we are in 14 countries, we have 27 different product segments. In the value chain, and distributor's part and installer's part, we have more than 29,000 points of sales, we have close to 20,000 plumbers in our loyalty programs. And then in the end users, we have more than 50,000 *bebbia* users, we have more than 30,000 e-commerce clients and we sell roughly, more than one and a half million units for water storage. So connecting all those, into a common platform. That's the ecosystem we will be trying to build with technologies such as the Banyan Water technology. And obviously, when you create all and connect all these different parts of the Rotoplas' ecosystem, different businesses and opportunities will come by.

Operator: That's great, and actually our next question from José Carlos Coello, it's kind of, I think you've both tapped into this in a certain way, but what kind of software use to reach water digitalization will AGUA be using, whether it's the metaverse environment or any other sort of software?

Carlos Rojas Aboumrad (CEO): So definitely we will be using software and the metaverse environment, and it is to precisely this point, users anywhere from business users to household users, are not experts on water solutions, and they don't really want to become an expert for a solution that they'll purchase once in their lifetime and they would really rather not have to be concerned with the operation and maintenance of

that solution. And so we see tremendous opportunity for those customers wanting to rely on Rotoplas and all of our partners on the supply side to help them diagnose their issue, and design a solution implemented and operated, rather than do the maintenance. And so like I mentioned, since we're going after a decentralized approach, which is a much more sustainable approach and the more obvious approach in terms of the way nature works, water is nature very decentralized., the only way that we will be able to accomplish this is using this software and this metaverse environment to both develop capabilities, even train service providers, to deliver and even if necessary, train users, well deliver to users and if necessary train users.

Operator: Thank you. Our next question comes from Luis Miguel Alcalde. In your view, what are Mexico's main challenges in terms of water management and how Rotoplas could take advantage of it?

Carlos Rojas Aboumrad (CEO): Well, like we mentioned on the poll, again, the question was which of the following do you think is the biggest driver for the amount of wider solutions? And the most popular answer was water scarcity. So unfortunately, Mexico's water management, like even in the U.S. water infrastructure is very old and it's not enough for the rate at which population grew and the consumer habits, water consumption habits rule. So it's really water scarcity that's driving a tremendous opportunity for Rotoplas. And so the way we'll take advantage of this is developing these sustainable solutions, that are decentralized sustainable solutions such as rainwater harvesting and water treatment and reuse. So we see very, very interesting opportunities in Mexico. And again, it's not only something that happens in countries like Mexico and Latin American countries, but also in the U.S., which is a huge, huge market.

Operator: Great, thank you. We have a follow up question from Paulina Pérez for Matt, actually. Do you think investments and new fund creations focused on ESG can lead companies to make positive changes or lead them to more sustainable operations?

Matt Rogers: I think (inaudible) sustainable pricing and around the world. The basic equation is quite important, which is if you're an ESG fund, there's a set of funding projects that you can't fund anymore and you have

to find a place to put that money, and the net effect is great competition for sustainable projects from ESG funds trying to be able to deploy their money and put it to work. The net effect is that a set of the most ESG oriented projects around the world are seeing very, very low cost of funds, including some very highly decentralized and technologically enabled kinds of solutions. And so the opportunity as these funds begin to think about what kind of asset classes qualify for ESG funding, what you're seeing is very attractive funding opportunities that accelerate the ability to scale up those kinds of solutions around the world. And I think as we see more and more funds show up in the ESG category, that puts more and more opportunity in the market. For those who have solutions that meet that need and really allow those funds to deploy capital and get it to work to scale up.

Operator: Thank you, Matt. That concludes our question-and-answer session. If we were unable to answer your questions today, please reach out to our investor relations team and they will be happy to help.

We would like to take this opportunity to thank all our speakers again for their contributions and to thank you all for joining us virtually today. We hope that next year we will be able to meet in person.

As a 'thank you' for your time and interest, we would like to offer everyone on the call today 2 months free when you subscribe to bebbia with the code aguaday2021. Please visit bebbia.com for more information on this product.

Thank you all again for joining us today. Please don't hesitate to reach out if you have further questions. We appreciate your interest in Rotoplas and look forward to speaking with you again soon.

That concludes today's event, you may now disconnect.