

AGUA Day 2022

**Rotoplas, a Sustainable
Growth Story**

Forward Looking Statements

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Today's Agenda

- Aaron Bielenberg, Infrastructure Bill: Implications on the Water Sector
- Carlos Rojas, Water TAM & Growth Opportunities
- José Luis Mantecón, Sustainable Value Creation
- Mario Romero, Economic Value Creation
- Carlos Rojas, Rotoplas' Future & CEO Priorities
- Q&A session

Today's Speakers



Aaron Bielenberg
Partner at McKinsey & Company



Carlos Rojas
Chief Executive Officer



José Luis Mantecón
Sustainability & Human Capital VP



Mario Romero
Chief Financial Officer



Aaron Bielenberg
Partner at McKinsey & Company

Infrastructure Bill: Implications on the water sector

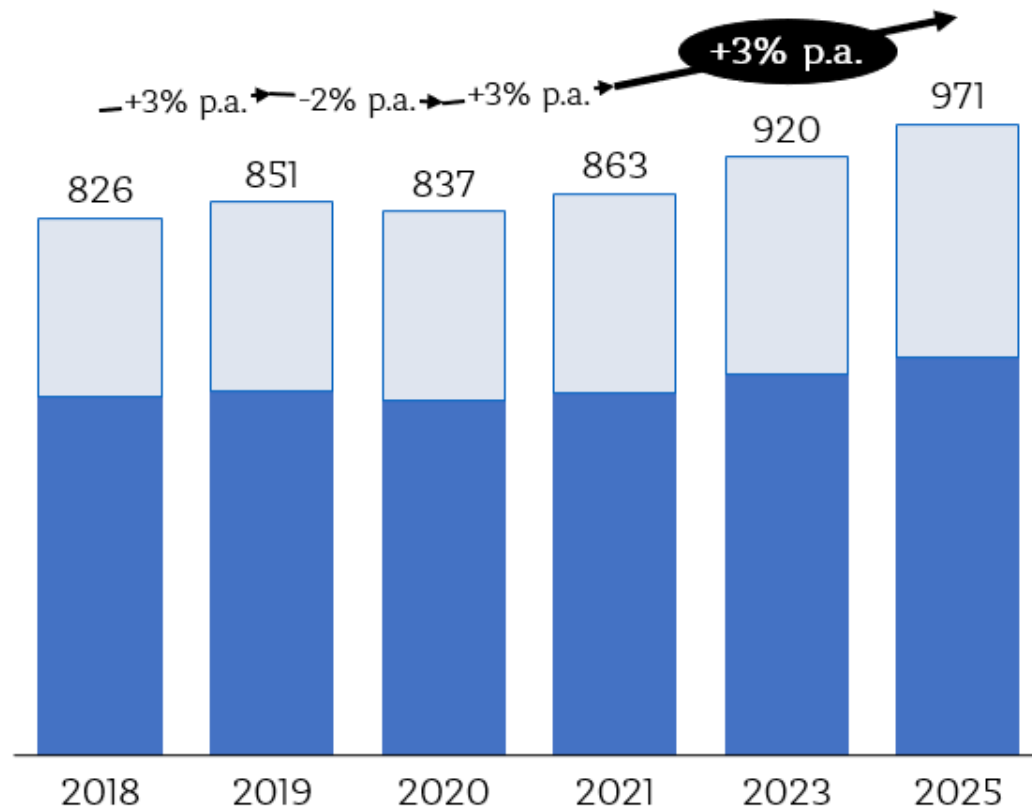
The global water market is expected to grow by 3% p.a.

Global water market¹ has robust growth driven by real fundamentals



Market size, USD Bn

CAPEX OPEX



A Growing water scarcity- by 2030, 40% of needs will not be covered by accessible resources

Water scarcity is stimulating investment in efficiency and unconventional water technologies

B Pro-privatization change in the sources of financing

Public sector budgets are unable to meet required water investment leading governments to invite more private participation in water

C ~68% of population will live in urban areas and will demand water infrastructure

By 2050, ~68% of the world's population will live in urban areas requiring greater investments in water infrastructure

D Stringent regulation on utilities leads digital solutions' development

Pressure utilities are facing to meet even more stringent regulations with fewer employees and a tighter budget is driving growth of smart digital solutions

1. Includes both water and wastewater capex and opex; excluding agriculture

Water market: Growth is expected across all areas of the water value chain



↑ 3%+ 5-yr CAGR

Services	Description	Global water market ¹ , 2020 CAD\$ billion	EBIT margin, %	Outlook
Engineering, procurement & construction (EPC)	Engineering, procurement, & construction of treatment facilities and water networks	196	5-10	↑ Growth driven by infrastructure capex, esp. in emerging markets
Equipment systems	Water treatment equipment (e.g., valves) & systems (e.g., disinfection system)	206	10-15	↑ Technological advancements in treatment equipment will fuel growth
Operations & maintenance (O&M)	Performance and operational responsibility (incl. reactive & preventative maintenance)	637	5-20	↑ Focus on operational efficiency, asset mgmt., and investment in maintenance
Chemicals	Chemicals and consumables for regular operations	36	10-15	↑ Growth driven by increased demand from industrial sector, esp. in emerging markets
Digital & data solutions	Sensor, monitor, & data analytic systems and tools for process optimization	43	15-30	↑ Tech investment to comply with regulation and optimize efficiency and asset mgmt.

1. CAPEX includes EPC and portion of equipment (new parts); OPEX includes O&M, portion of equipment (repair parts), chemicals, and digital & data solutions

While being attractive from a size and growth perspective; the water market is fragmented, and innovation can take time to be adopted by utilities



Positive drivers...

Large market with niche's of high growth and margin

- \$620 billion market that has historically outpaced inflation and exceeded GDP
- Attractive niche's of high growth and margin (e.g., membranes, efficient desal, smart networks)

Scarcity driving market opportunities

- Scarcity challenge becoming real – depletion of ground water, economic impacts in drought areas
- Prevalence of water re-use technologies and closed-loop water systems (e.g., cooling circle)

Evolving regulatory environment

- More strict regulations (e.g., US EPA driving nitrogen reductions, China enforcing strictest water regulations)
- Use of unconventional sources (e.g., brackish water, sea water)
- Introduction of water re-cycle technologies (e.g., ZLD systems)



Potential detractors...

Fragmented and nuanced market

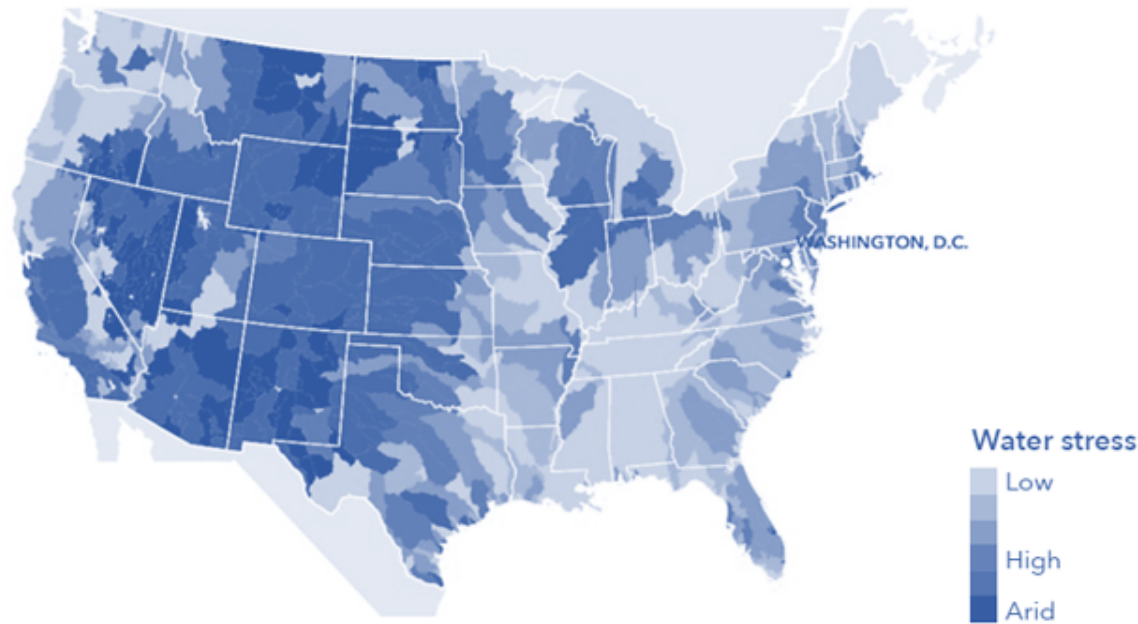
- Nearly infinite permutations require real expertise to navigate market (e.g., industry, application, technology)
- One-stop solutions typically fail as small independents with superior solutions find pathways to customers

Traditional business models fail to place innovation

- While technological innovation is widespread, traditional business models fail to create maximum value
- Risk averse in the industry, especially in municipal water

Water scarcity is an ever-increasing challenge, particularly in California, Texas and the Midwest, but cities are stepping up their response

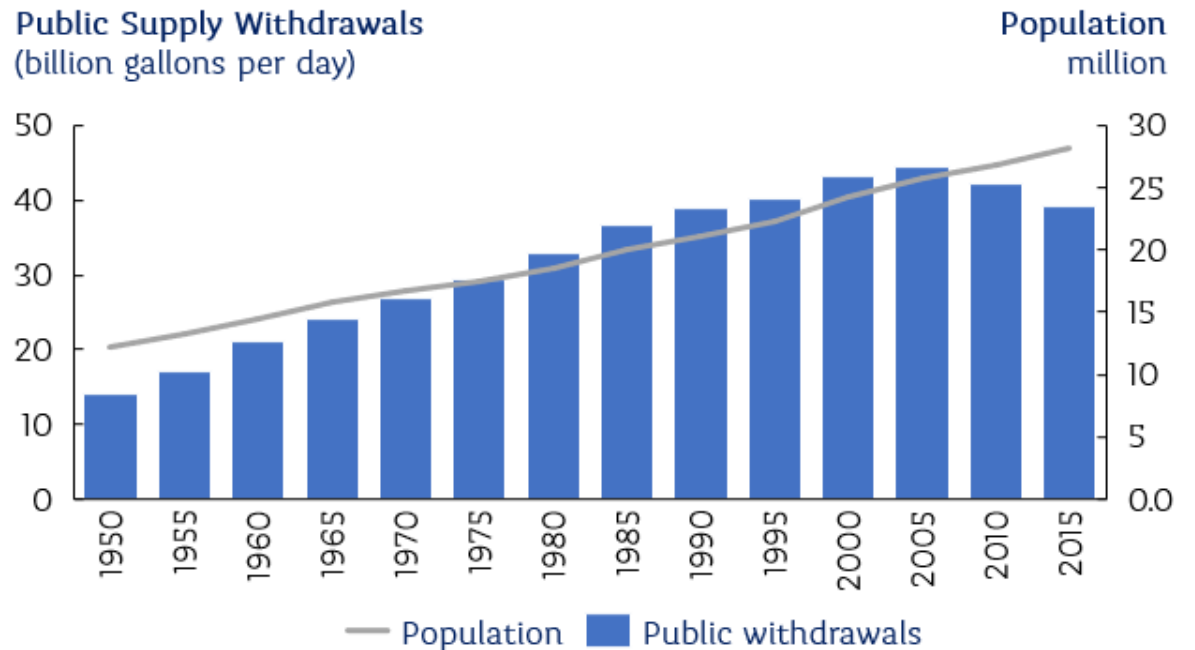
Projected Change in Water Stress by 2020



Water Stress: the inability to meet human and ecological demand for fresh water.

Cities are responding to the challenges

US Public supply withdrawals and population



- Municipalities have taken some drastic measures to control usage
- Shortfalls are still expected, with Texas expecting a 70tr gallon shortfall if no additional action is taken.

Potential solutions to increase quantity and resilience of water supply



Increase inflows

- Desalination (e.g., saline aquifers, from Gulf of CA)
- Transport / pipe-in more
- Stormwater capture (i.e., for recharge, reservoirs)



Increase storage

- Existing groundwater recharge
- Reservoir volume (e.g., via capital investment, partnerships with nearby municipalities)



Increase recycling

- Beneficial reuse of wastewater (e.g., municipal, industrial, residential)



Reduce consumption

- Evaporation in supply, treatment, and use phases
- Targeting pipeline losses (non-revenue water)
- Modulation of demand (e.g., incentives, regulation)

There are tradeoffs to consider when prioritizing water balance initiatives (e.g., greater reservoir storage could increase evaporative consumption)

Water BIL Funding

Water investments from BIL provide opportunities to improve drinking and wastewater nationally with a focus on:

- lead service line replacement
- emerging contaminants
- PFAS

Key highlights

- 1. Significant increase in overall water utilities investment**
~ 5X annual spending from previous years' average for each of the next 5 years to projects through local water authorities

- 2. >25% of funding for Lead Service Line Replacement**
\$15B of funding to identify location of pipes and replace

- 3. Focus on emerging contaminants and PFAS**
\$5B directed for projects related to emerging contaminants & PFAS

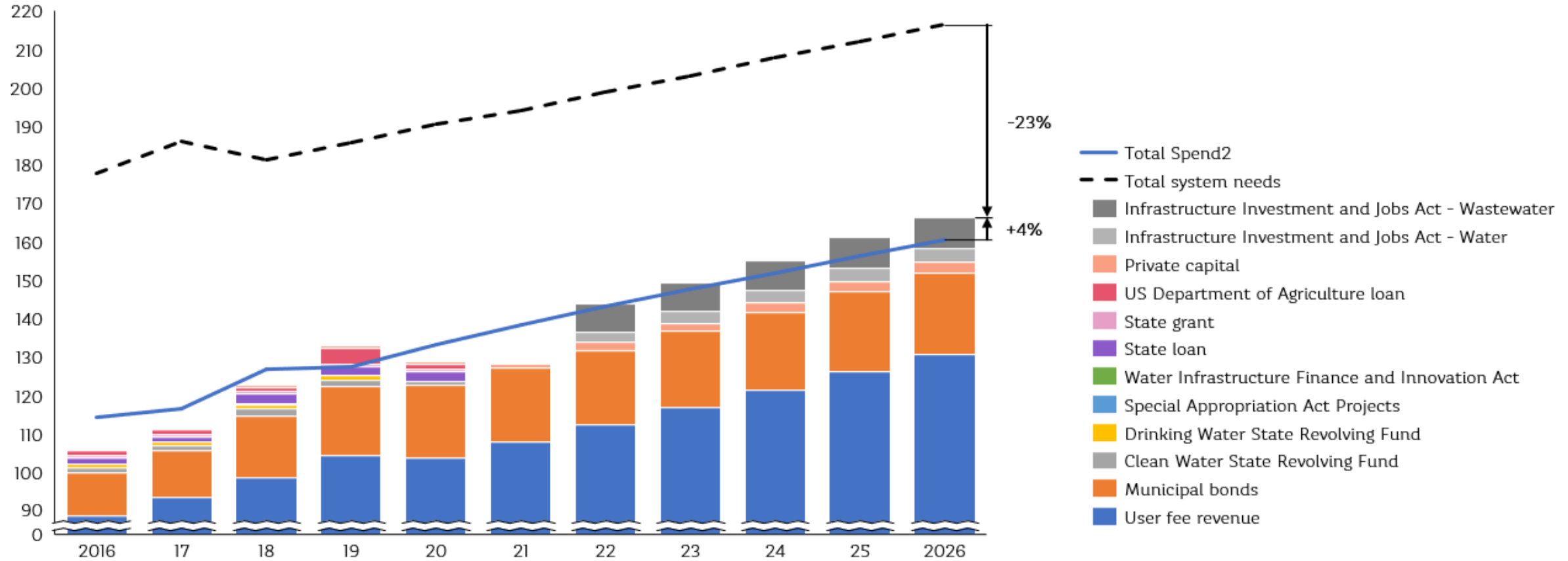
- 4. Funding distributed by DOI and EPA**
Most funding distributed through EPA and State Clean and Drinking Water Revolving Funds

- 5. Targeting resources to disadvantaged communities**
States are encouraged to distribute grants to disadvantaged communities; EPA will provide tech assistance for applications

A 5X increase in federal funding would increase total funds in the industry by 4% for the short term, but still falls 23% short



W&WW funding sources by year¹, \$Bn




1. Graph does not include Western Water Infrastructure Federal funding of \$8.3 awarded during fiscal years 2022-2026
 2. Projection of total spend without Federal stimulus

Significant investment with a net zero focus in process across all types of water infrastructure



NOT EXHAUSTIVE



Value chain source	Net-zero levers
Water resources	<ul style="list-style-type: none">• Smart credit systems to better manage intake in water scarce regions
Water treatment	<ul style="list-style-type: none">• Real-time monitoring of feedwater• Smart dosing through advanced analytics
Water networks	<ul style="list-style-type: none">• Replacing old pumps and optimizing pressure• Leakage reduction
Consumers	<ul style="list-style-type: none">• Enhanced digital usage (e.g., AMI metering)• Enhanced customer reporting and demand management
Wastewater networks	<ul style="list-style-type: none">• Optimization of pump usage• Efficient network design
Wastewater treatment	<ul style="list-style-type: none">• Primary- and side-stream enhancements for nutrient removal• Digitally- assisted aeration
Sludge treatment	<ul style="list-style-type: none">• Gas harnessing from AD for energy generation

Increasingly, utilities are pulling energy-efficient levers, including on-site power generation (e.g., solar and gas harnessing) to lower energy costs; and finding opportunities to enhance wastewater treatment decarbonization

Though adoption has been slower in utilities than other industries, **digital “smart” water solutions are providing the most common levers**



Carlos Rojas
Chief Executive Officer

Water TAM & Growth Opportunities

Water Challenges

People affected by **floods** 

1.2 bn in 2022 $\xrightarrow{+30\%}$ 1.6 bn by 2050

People affected by **water scarcity** 

1.9 bn in 2010 $\xrightarrow{+70\%}$ 3.2 bn by 2050



We are a company that not only **operates** in a **sustainable** way but also **supports** its **clients** to **become more sustainable** with solutions for..

Adapting to climate change

Products



Instalamos
confianza
AGUA, GAS Y DESAGÜE



Acuantia.

Mitigating climate change

Services



Acuantia. bebbia®

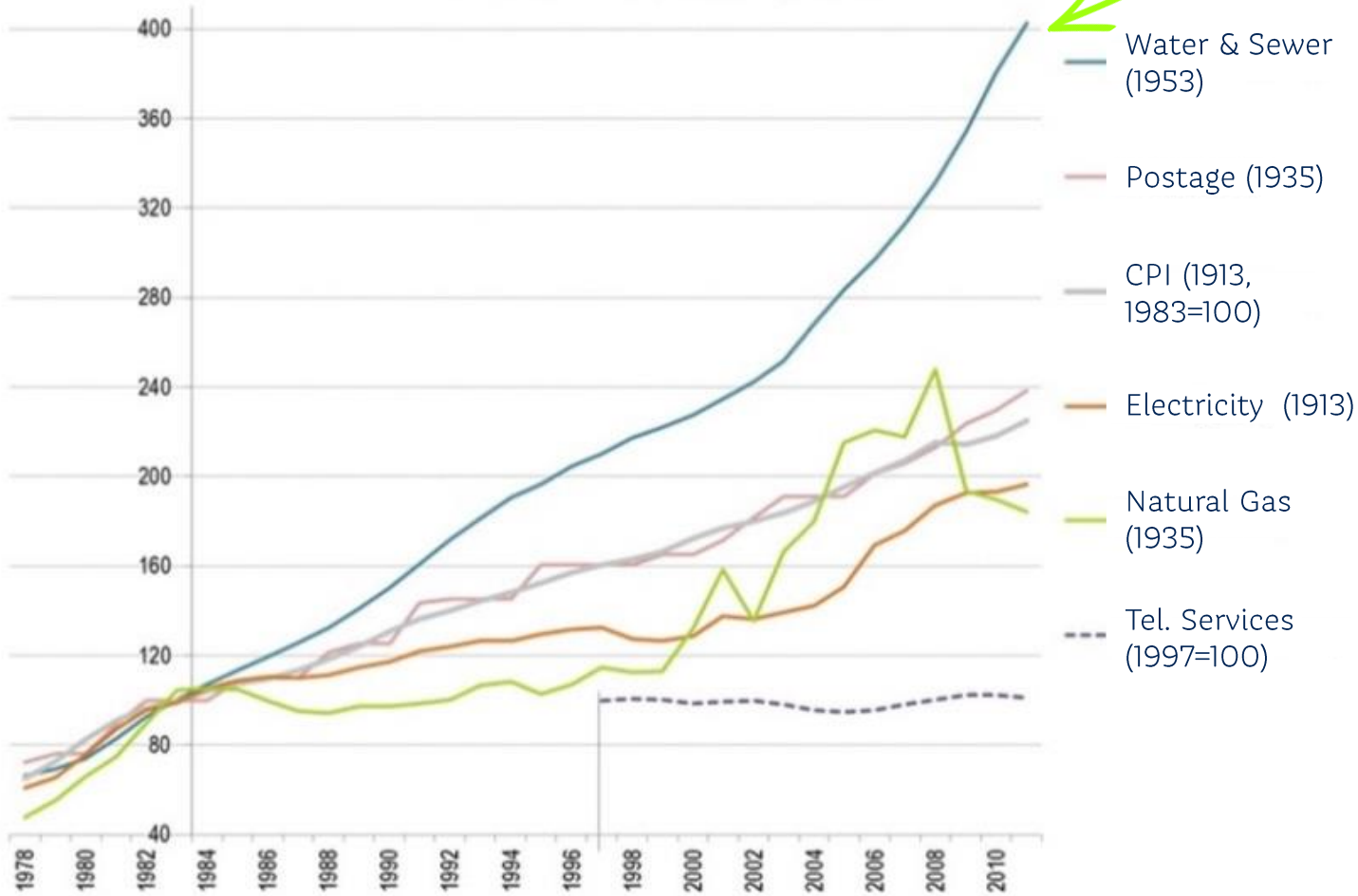


Servicios
de agua

rieggio®

Water Cost Evolution

Trends in consumer prices (CPI) for utilities



Mexico needs a ~4Bn USD annual investment for the next 50 years to close the infrastructure gap

Total Addressable Market

We are focused on creating:
Economic value | $ROIC > WACC$
Sustainable value | People and Planet

US\$225 bn

Americas' water market value

US\$50 bn

Value of the market where Rotoplas operates

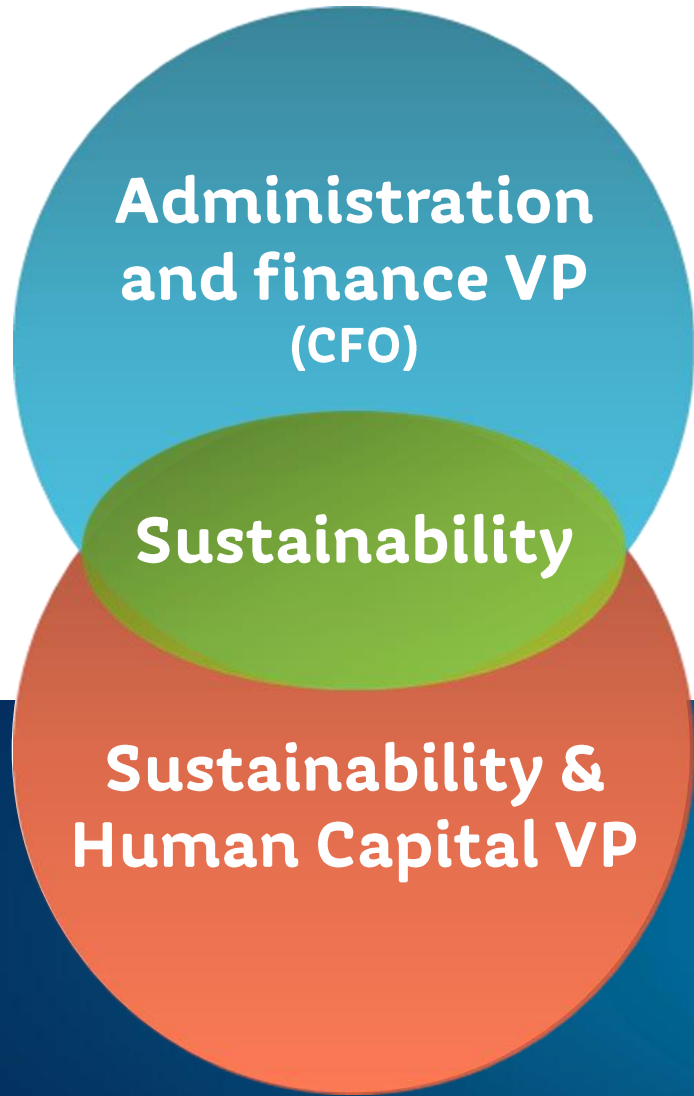
Rotoplas' market share = 1%.



José Luis Mantecón
Sustainability & Human Capital VP

Sustainable Value Creation

How Sustainability is executed



The **Sustainability area** and the **working groups** are composed of **multidisciplinary teams** to keep **Rotoplas** at the **forefront** as a **best-in-class** company on **ESG** topics

Progress on ESG targets

Profit

Suppliers evaluated with ESG criteria

Customer Satisfaction (NPS Score)

Planet

CO₂ intensity - Scope 1 & 2 per Ton of processed resin

m³ of water purified by our solutions (cumulative)

People

People with access to water and sanitation (cumulative)*

Women in the workforce

	Target 2022	Progress 2022	Target 2025
Suppliers evaluated with ESG criteria	20%	21%	100%
Customer Satisfaction (NPS Score)	68	Measured annually	80
CO ₂ intensity - Scope 1 & 2 per Ton of processed resin	0.5	0.42 (June)	0.41
m ³ of water purified by our solutions (cumulative)	314K	583K (November)	1.7 M
People with access to water and sanitation (cumulative)*	549K	631K	1 M
Women in the workforce	24.0%	24.2%	30%

Indexes & Awards



Now a Part of S&P Global



*Includes sanitation, rainwater harvesting & purification

ESG initiatives progress

Diversity & Inclusion

3 pillars of our **D&I Strategy**



Gender



LGBTQIA+



Disability

2022 Progress



Establishment and **publication** of definitions and **declarations**






Training sessions and **leadership** team **commitments**






Awareness-raising campaigns for employees

Recycled resins

-  **+14%** of total **resins used** are **recycled** resins
-  **+24%** increase **vs. 2021**
-  **Products** with **+20%** **recycled material**

Technological substitution

-  Increases **water use efficiency** by more than **80%**
-  **Saves 13%** in **energy costs**
-  **Substitutes** the use of LP **gas** with **electricity**

 **Decreases GHG Emissions**
More sustainable process



What's next? | Carbon Neutrality by 2040



2016 | Measure Scope 1, 2 and 3 GHG emissions

2019 | Report CO₂ Communication on emissions

2021 | KPIs & OKRs CO₂ Disclosure of targets

Carbon Neutrality
(scope 1 and 2)



2022

Commit & Develop

Announcement of **commitment** to the initiative

Develop science-based objective



2023

Submit & Communicate

Submitting targets for validation

Announcement of the targets and **communication** to stakeholders



2024

Disclose

Communication on progress

Net Zero Target
(scope 1, 2 and 3)



Mario Romero
Chief Financial Officer

Economic Value Creation

2022 Execution Progress



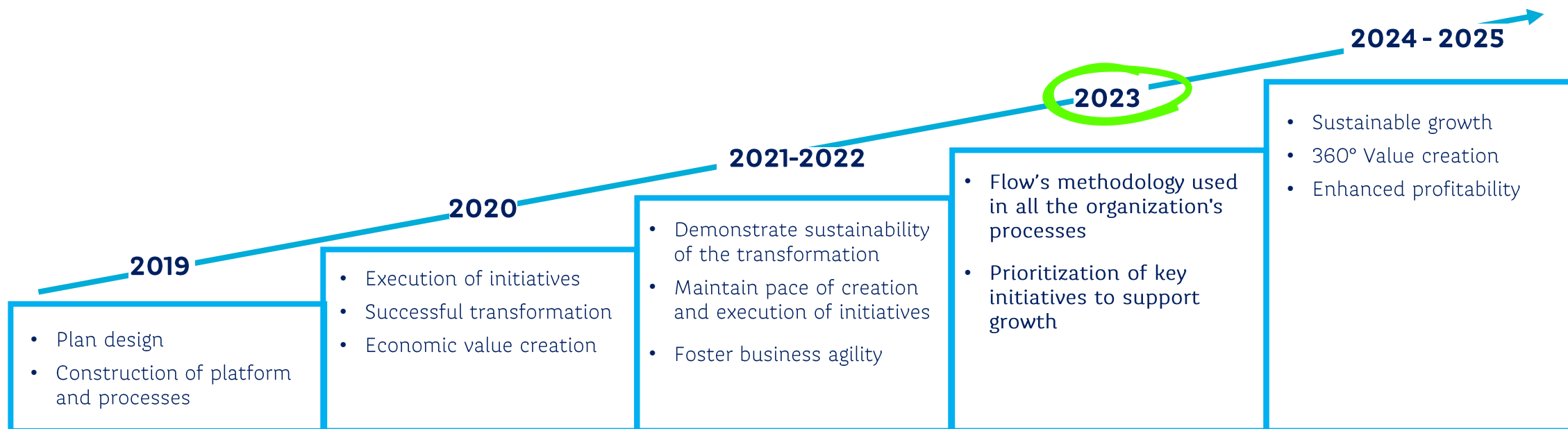
	Guidance 2022	9M22 Results
Sales	≥ 15%	18.9%
EBITDA	15.5% ~ 16.5%	14.8%
ROIC	WACC + 100bps	WACC + 230bps
Leverage	≤ 2x	1.6x



- **Record sales** and **EBITDA**
- **Disciplined pricing** strategy
- **Recovery** in **margins** | sequential and year-over-year
- **Update** of **traditional** product **business** to maintain brand **leadership**, **profitability** and **cash flow generation** in order to continue with new **business development**
- **Maintain ROIC** vs. **WACC spread** despite increased cost of capital and investments in new businesses

	CAGR 2017-LTM22
Sales	13%
Adj. EBITDA	13%

Flow | Progress & Follow-up



2022 Business agility and adaptation, new businesses development & digital platform to support future growth

2023 Flow's culture spreads throughout the organization & prioritization of key initiatives in different scenarios

 **+800 Flow** Initiatives

 **35%** of total **employees** directly **involved**

 **+16,000** completed **Milestones**

 **\$1 out of every \$3 Mexican pesos** of total **EBITDA** comes from **Flow**

Economic Value Creation



Value

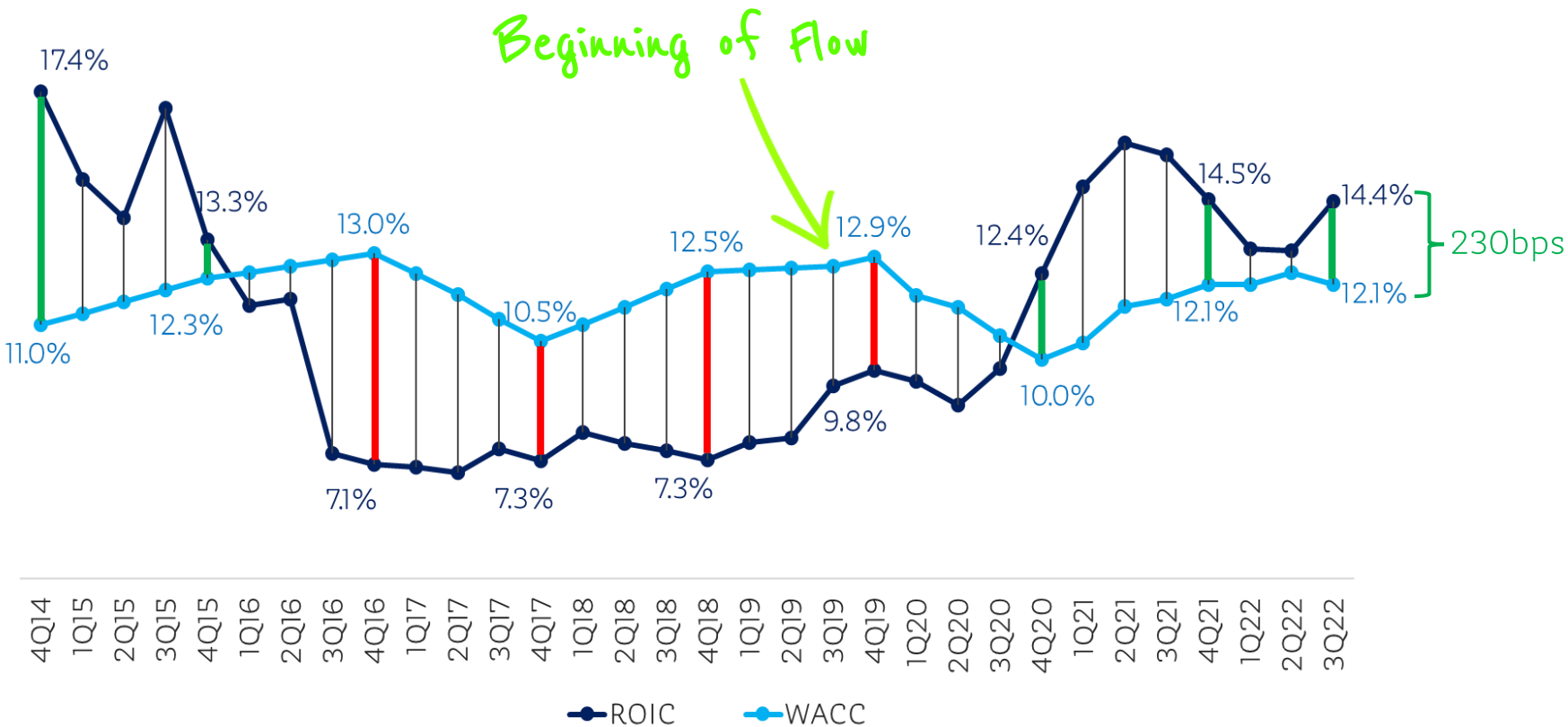
Adaptation Solutions Traditional Businesses

- 🏠 Leading brands
- 🏠 Strong market share
- 🏠 Strong cash flow
- 🏠 Steady EBITDA – YTD \$1,668
- 🏠 Dividend payment

Growth

Mitigation Solutions New Businesses

- 🏠 Development phase
- 🏠 Negative EBITDA – YTD (\$236)
- 🏠 Strong earnings potential
- 🏠 TAM 10x legacy business



2025 | Expected growth



	Growth CAGR 21-25		Updated growth CAGR 22-25	
	Revenue	Adj. EBITDA	Revenue	Adj. EBITDA
PRODUCTS	12 – 14%	12 – 14%	12 – 14%	20 – 22%
Mexico	10 – 12%	10 - 12%	10 – 12%	18 - 20%
Argentina	12 - 14%	9 - 11%	12 - 14%	14 - 16%
USA*	29 – 31%	44 – 46%	29 – 31%	margin > 7%
Other	15 - 17%	15 – 17%	15 - 17%	17 – 19%
SERVICES	30 – 32%	margin > 20%	30 – 32%	margin > 0%
TOTAL	14 – 15%	16 - 18%	14 – 15%	25 - 27%

■ Adjustments

*USA includes the e-commerce platform and the septic business

Growth drivers

- Transformational Program **Flow**
- **Water risks** across our markets

Ahead of plan in sales
22% CAGR vs. 14-15% planned

2025

- 2x revenue (vs 2020)
- Adj. EBITDA Margin >20%
- Net Debt/EBITDA ≤ 2x
- Double digit **ROIC** > WACC (20%’s Neighborhood)

2022-2025

- CapEx 5% of sales
- Government sales < 10%

AGUA* | Peers & valuation

Peer	EV/EBITDA 2022e	CAGR Revenue	CAGR EBITDA
Rexnord	9.1x	3%	6%
Watts	14.2x	2%	1%
Veolia	6.6x	3%	6%
Xylem	24.0x	5%	10%
Coway	4.0x	5%	2%
Flowserve	17.6x	4%	14%
Evoqua	19.28x	5%	8%
Pentair	12.0x	3%	6%
Mueller	9.58x	4%	5%
Primo	8.8x	4%	4%
Lindsay Corp	14.54x	8%	9%
Hayward	8.4x	1%	3%
Fluidra	7.6x	1%	1%
Toro	17.9x	8%	12%
Badger Meter	28.4x	4%	6%
Ecolab	18.7x	6%	12%
Franklin Electric	13.2x	3%	2%
Mean	13.6x	4%	6%
Rotoplas	9.8x	14%	26%

- AGUA* trades at **28%** discount
- **+3x** faster growth in Revenues
- **+4x** faster growth in EBITDA

Source: Bloomberg

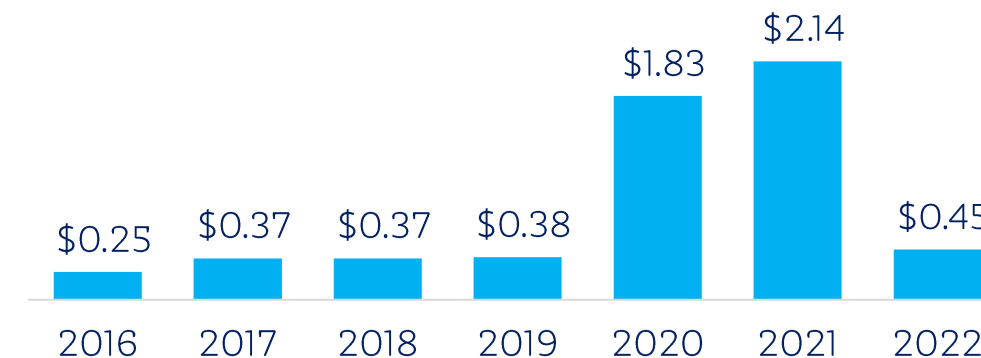
	AGUA*	AGUA* + reimbursement	IRT	Var. AGUA + reimbursement vs. IRT
YTD	16.8%	18.4%	(0.2%)	18.6%
12M	23.4%	25.1%	6.6%	18.4%
Flow (Jul.2019)	138.5%	167.8%	30.4%	137.5%

+600K USD in November

	11M22	Δ vs. 11M21
Avg. daily traded volume (shares)	244 K	28%
Avg. daily traded amount (USD)	\$335 K	23%
Marketability Ranking	52	+8 positions
# Analysts	5	+1 analyst
Consensus Target Price	43.56	33% upside*

*Compared to closing price on November 30th, 2022

Dividends history



2020 & 2021

Include capital reimbursement in shares



Carlos Rojas
Chief Executive Officer

Rotoplas' Future & CEO Priorities



Sustainable growth of the traditional business



Growth and development of **new businesses**



Digitization of the water ecosystem



Commitment to look after all **stakeholders**

The evolution of Mexico's most famous Tinaco



Tinaco +

iNew!
Tinaco Plus+



Benefits by target



End User

- New Threaded Cap that will prevent detachment and contamination of water
- New Design
- Antibacterial coating



Plumbers / installers

- Lifting rings for easier installation
- Vertical supports for increased strength



Distributors

- Lifting rings for better mobility
- Vertical supports for greater strength and ease of stacking
- Rotoplas' brand recognition as a high quality and safe product

New Businesses Growth



Market Opportunity

Main Initiatives 2023

bebbia®

- 3 M households (B2C)
- 1 M institutional clients (B2B)
- 500 M USD annual recurring revenues

- Process automation
- Development of digital platform
- Optimization of field services
- Grow B2B

Acuantia.

- 6 Bn USD (septic business)

- Optimization of online platforms
- Create strategic alliances
- Development of field services capabilities

rieggio®

- 350 M USD

- Create success stories
- Strengthen strategic alliances with farmers and other market players



- 1Bn USD

- Generate bookings
- Focus on water intensive industries: Textile, Food & Beverage, Paper, Mixed Use, Aquiculture, Automotive, Hospitality

Acuantia.

- 800 M USD

- Continue to build capabilities
- Generate bookings
- Focus on water intensive industries: Commercial, Food & Beverage, Chemicals, Automotive

A few things we could discover through water digitization



understand our clients' behavior, improve service offerings & reduce costs



How much water you consume



How much water you have available



The quality your water



Leak detection



IoT features in **products** and **services**



Smarter use of water

- To being driven by our **Company's purpose**; to best serve our customers and communities
- To having the **best ESG practices**, in line with our stakeholders' interests
- To **creating value** for our shareholders through sustainable growth
- To promoting **the well-being of society** and **protecting the planet** we all share

Q **É** A

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service

-PET
+bebbia
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See you next year!

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