



# Grupo Rotoplas S.A.B. de C.V.

## Corporate Presentation

Second Quarter 2021



## Forward-looking statements



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### ADDITIONAL INFORMATION AND WHERE TO FIND IT

[rotoplas.com.mx/investors](http://rotoplas.com.mx/investors)

[www.bmv.com.mx](http://www.bmv.com.mx)

Ticker: AGUA\*



## In Rotoplas we are more and better water

- +3 decades in the water industry
- Experts in water products and services
- Presence in 14 countries
- Focused on 360° value creation





## Investment Considerations

1 WATER  
A nascent industry of opportunities

2 PROVIDING SOLUTIONS  
Market leaders

3 HACIA DÓNDE VAMOS  
Oportunidades de valor y crecimiento

4 STRONG FINANCIALS  
Sustainable focus



MEMBER OF  
**Dow Jones**  
**Sustainability Indices**  
In Collaboration with RobecoSAM

# 1

## WATER

A nascent industry of opportunities



# Water Demand

## Population Growth

	<u>2020</u>	<u>2050</u>
Rural	3.0B	3.0B
Urban	4.0B	7.0B
Total	7.0B	10.0B

The demand for water for non-agricultural uses increases 2.5x faster than the population



General population will grow by an average of 77 million people in the next 20 years

# Water Supply



Imbalance in water distribution

10 countries control 60% of the global fresh water supply



Across the world, water supply & sewer systems are



and in many cases have reached the end of their useful lives

40%

decrease in renewable water

per capita in the last 22 years

## Water Challenges for Humanity

2.4 billion

people worldwide live without access to adequate sanitation services



2/3

of the world's population live in areas that have water scarcity at least once a month



## Market Size & Dynamics

\$ USD 780 billion market

Growing at a

3.3% CAGR



\$ USD 225 Billion market in Latam and North America



24% Market reach for Rotoplas

Horizontal to all sectors

## Sectors of interest for Rotoplas:



Water scarcity & quality



Water management & recycling



Agricultural yield

## Case Study – Mexico City



“Nowadays, 40% of inhabitants have problems regarding water access and quality”

	2018	2030	Δ
Water service reliability	56%	8%	-7x
Shortages	17%	35%	2x
Poor quality	4%	17%	4x

i.e. Nowadays in Tlalpan neighborhood the local government spends US\$7M annually in water trucks

## CDMX International Airport

- The city's water system provides 8% of the supply.
- Water trucks from private companies supply the rest
  - 38 trucks a day | 14 thousand trips per year
- Spending on water trucks in 2018 - 64.7 million pesos | 616 million liters

Economically and environmentally unsustainable



Bringing water in and out of the city -2,240m altitude- is energy intensive and very expensive



Renewable water in Mexico will decrease 11% by 2030

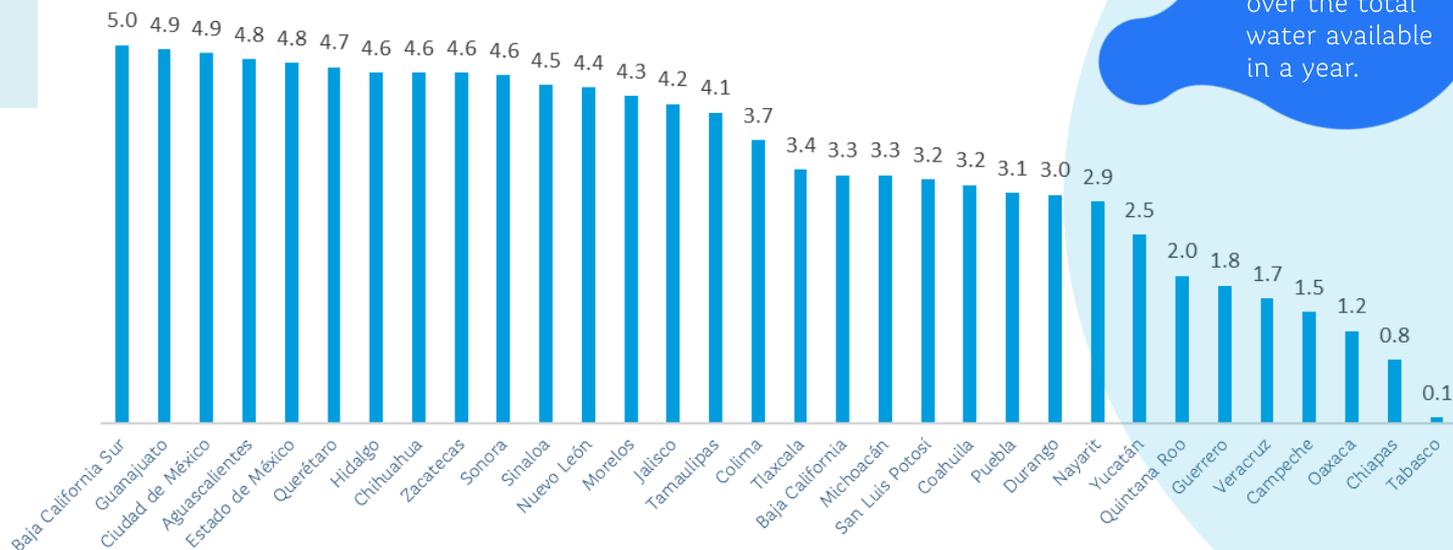


Mexico exceeds the world's average water footprint in 42% (1,978 vs 1,385  $m^3$ /hab/year)

## Water situation in Mexico



Country	Ranking	Risk
Mexico	24	3.86
Guatemala	57	2.36
Peru	66	2.05
USA	71	1.85
El Salvador	78	1.66
Argentina	92	1.31
Costa Rica	107	0.92
Brazil	112	0.78
Honduras	133	0.27
Nicaragua	137	0.21

General water risk<sup>1</sup>

<sup>1</sup>In relation to the percentage of consumption over the total water available in a year.

0-1 low

1-2 low-medium

2-3 medium-high

3-4 high

4-5 extremely high

# 2 PROVIDING SOLUTIONS

Market leaders



# The Company

## 1994 Storage Products



1 country  
800 direct clients  
500 employees  
3,000 points of sale  
2 product lines  
8 plants  
1 innovation and development center

Sales  
**MXN 500mm**

EBITDA  
**MXN 70mm**

## 2Q21 Water Market Leader



14 countries (14x)<sup>1</sup>  
53,500+ points of service  
3,400+ employees (7x)<sup>1</sup>  
29,000+ points of sale (10x)<sup>1</sup>  
27 product lines (14x)<sup>1</sup>  
18 plants (2x)<sup>1</sup>  
1 innovation center

Sales  
**MXN 10,059mm (CAGR: 6.3%)<sup>2</sup>**

EBITDA  
**MXN 1,813mm (CAGR: 11.1%)<sup>2</sup>**

<sup>1</sup> Comparación contra 1994

<sup>2</sup> TACC 2014 – U12M20

# Key metrics 2014 – LTM21



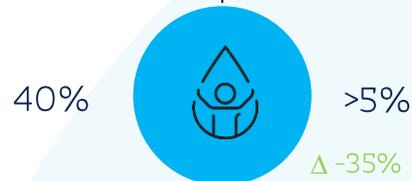
Sales



EBITDA



EBITDA Margin



Government sales



Employees



Points of sale



Treatment & purification units

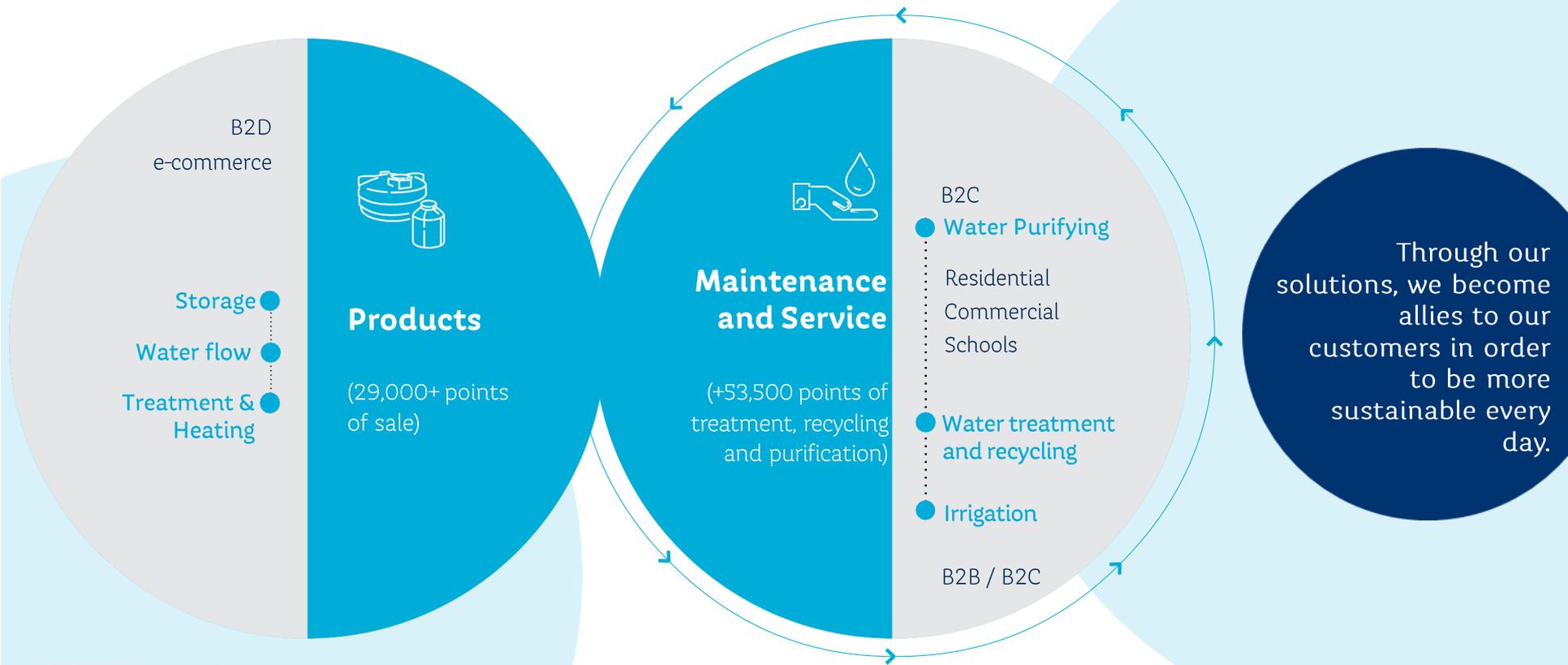


Client concentration



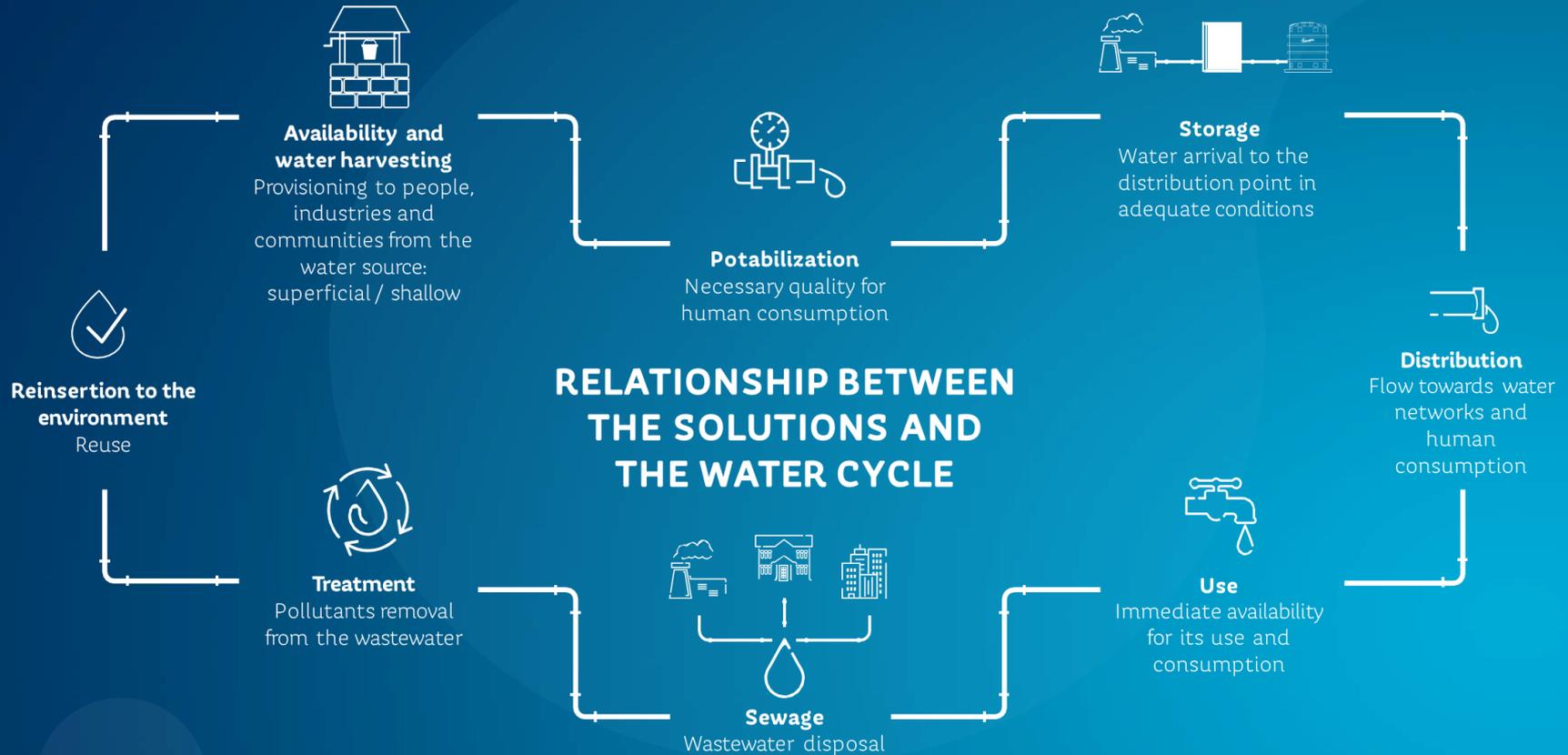
CAGR Revenue IPO (ex Brazil)

# Business Model | Decentralized Water Solutions



B2B: Business to Business  
B2C: Business to Consumer  
B2D: Business to Distributor

Our products and services are present throughout the water cycle.



## PRODUCTS

**STORAGE****Water tanks**

Dual tank  
Low- and mid-range tank

**Cisterns****Industrial and agricultural**

Storage tanks for Water and Chemicals  
Inductor tanks  
Horizontal tanks  
Feeders

**WATER FLOW****Piping**

Ultraflex  
Hydraulic  
Fortech-CT pipes

**Plastic bolts and Connectors****Valves**

Check Control valve

**Pumps**

Hydropneumatic systems  
Centrifugal, peripheral, submersible, circulating pumps

**Sanitary Catch Pits****IMPROVEMENT****Heaters**

4-stage electric showerhead  
Water heaters, boilers

**Biodigesters****Filters**

Filters: standard, jumbo, refrigerator, tap, jug with integrated filter

**Water purifiers**

Countertop, over sink, under sink, reverse osmosis  
Water purifier and alkalizer

**Family-orchard-type agricultural irrigation system****Domestic wastewater treatment**

Residential septic tanks

**SELF-SUSTAINABLE****Rural rainwater harvesting system****Urban rainwater harvesting****Outdoor toilet with biodigester****Water treatment and recycling**

Wastewater Treatment Plants (WWTP), Post-industrial and Pre- consumption water

Water Purification Plants  
Desalination Plants

Rainwater harvesting systems for industries (complementary to treatment plants).

Sytesa.  Empresa de Grupo Rotoplas

**Drinking water purification**

Residential and commercial purifiers

bebbia. 

School drinking water fountains

Rotoplas 

**Management of agricultural water**

Intelligent irrigation systems for the agricultural sector

rieggo. 

Trade names:

# Favorable Growth Drivers | Tailwinds



## PRODUCTS

### Storage

- Rapid urban growth = supply interruption → higher demand for water storage products
- Water demand > centralized system capacity (old infrastructure and poor city planning)
- Growing trend of circular economy - use of recycled resins in water tanks

### Flow

- New technologies for cleaner and "zero leakage" water systems
- Urban growth > rural growth
- Growing customer needs water data measurement & control

### Treatment & heating

- Lack of centralized sewage infrastructure in developed & developing countries
- Energy efficiency for a sustainable world
- Increasing levels of contamination in water tables

## SERVICES

### Purification

- New generations seeking to reduce water & carbon footprint = sustainment = ∅ plastic bottles
- Largest generation (millennials) favors subscription economies
- Large addressable markets (i.e. 86% people drink bottled water in Mexico)

### Treatment & recycling

- Environmental awareness
- Regulation enforcement towards higher standards for residual water
- Increase in water prices

### Purification

- New generations seeking to reduce water & carbon footprint = sustainment = ∅ plastic bottles
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# Competitive Advantages

- Value
- Quality
- Social Responsibility



- Focus on **ESG (Environmental, Social & Governance)**
- Operational excellence in our **processes** backed by a SAP platform
- **Customer Centric** culture
- **Strategy** with a robust coherence matrix for capital allocation within the water space

- Over **29,000** points of sale in America
- Over **53,500** points of treatment, recycling and purification



- Focused on **innovative** projects
- Rotoplas allocates **5% of its EBITDA** to R&D

Water footprint – 16 products (ISO 14067)  
Carbon footprint – 5 products (ISO 14046)

## Environmental Cards



**Water**  
Footprint



**Carbon**  
Footprint

# ESG focus



**+28,300 hrs<sup>1</sup>**  
training collaborators on human rights, processes, health and safety, among other topics



**+9,500<sup>1</sup>**  
plumbers trained



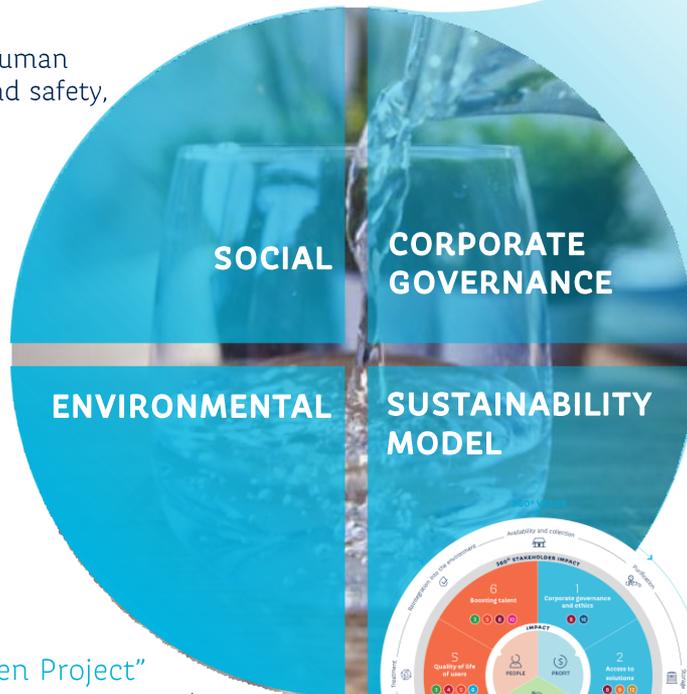
**+1,153,000<sup>2</sup>**  
children benefited



**+70%**  
energy from sustainable sources



**Circular economy “Green Project”**  
program to use recycled resins in our products  
**+10%** of resins



**54% independent**  
Board Members

**Audit, Compensation and Corporate Practices Committees** chaired by independent Board Members

**Sustainability Committee** reporting indirectly to the Board of Directors

- DJSI MILA Pacific Alliance (Sustainability Index)
- S&P/BMV IPC Sustainable Index
- ESG Bloomberg - **Top 10 in Mexico**

2018 GRI Exhaustive Standards and verified Annual Report

2017 GRI Exhaustive Standards

2016 Annual Integrated Report elaborated under GRI Standards

2015 Annual Integrated Report under GRI 4

*For more about our ESG performance visit our website [www.rotoplas.com](http://www.rotoplas.com)*

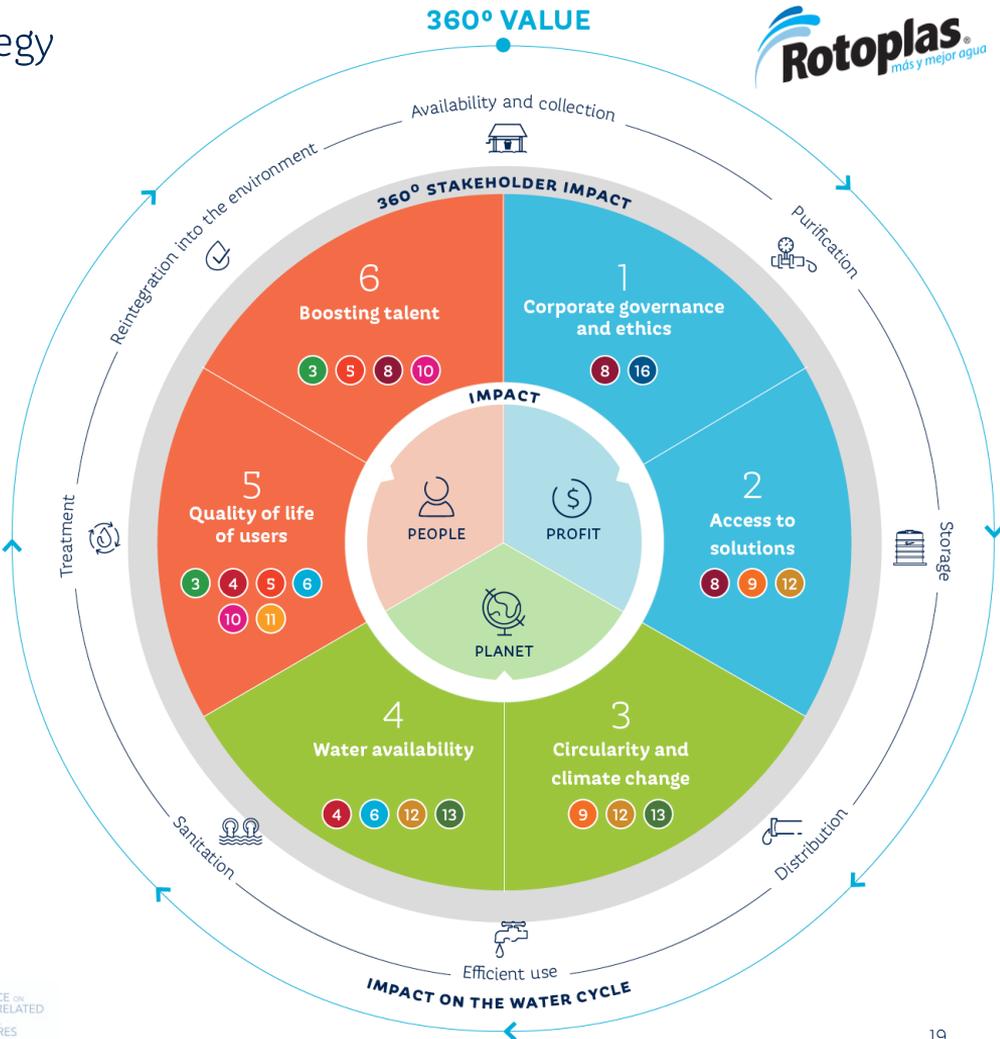
<sup>1</sup>During 2020.

<sup>2</sup>Cumulative and including only INIFED water fountains beneficiaries.

# 360° Value | 2021-2025 Sustainability Strategy



## 360° stakeholder impact



2016-2020 Sustainability Strategy

2016 | SDG Contribution

2017 | First Sustainable Bond in Latam

2017 | DJSI MILA Pacific Alliance

2019 | S&P/BMV Total Mexico ESG Index



# Climate Change Strategy

Seeks to mitigate risks and capitalize on opportunities raised by climate change for Rotoplas and its stakeholders

Rotoplas measures its GHG emissions scope 1,2,3 as well as its water footprint



	<b>Mitigation</b>	Reducing <b>Greenhouse Gas Emissions</b> (GHG)
	<b>Adaptation</b>	Reduce vulnerability to <b>Climate Change</b>
	<b>Opportunities</b>	Capitalize on opportunities in water & climate change - <b>products and services</b>

Action items for stakeholders:

1. Culture of leadership against climate change
2. Climate change in the supply chain
3. Strengthen Rotoplas' resilience using technology and innovation
4. Climate change criteria in distribution
5. Awareness of climate change mitigation and adaptation

# Climate Change Strategy



• Renewable energy supply - solar panels -



• Incorporation of recycled resins (own and third party)



• Development of blow-molding process for the manufacture of water tanks, more efficient in terms of energy and water consumption



• Reuse of water by offering treatment and recycling services



• Energy efficiency projects in rotomolding and compounds plants (e.g. fuel substitution and thermal sleeve replacement in gas injectors)

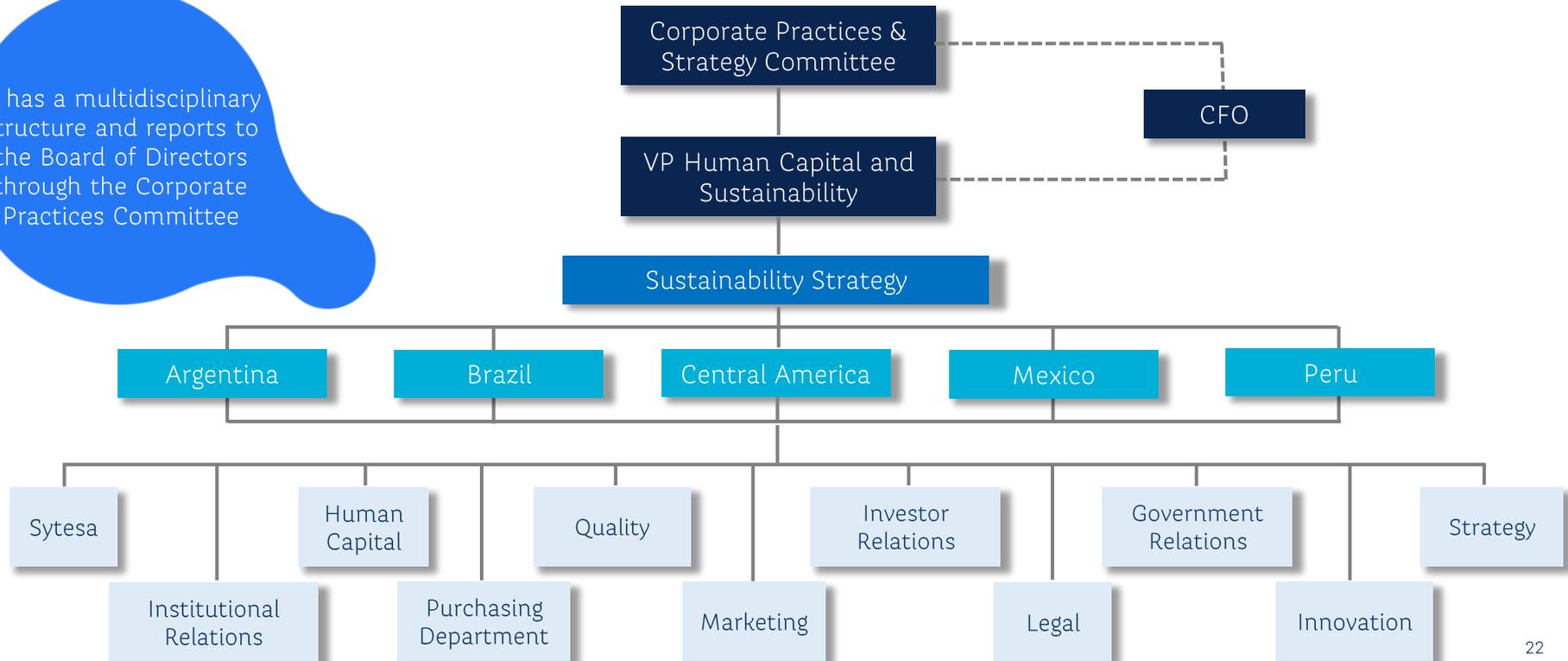
Main initiatives|  
energy & materials  
circularity



# Sustainability Organizational Structure

The Sustainability Committee is responsible for promoting, coordinating and monitoring the different initiatives related to the Sustainability Model and the Sustainability Strategy.

It has a multidisciplinary structure and reports to the Board of Directors through the Corporate Practices Committee



# Best Corporate Governance Practices



Independent Members / Total Members

Our board of directors:

- Transparency — ➤ 54% Independent Members
- Diversity — ➤ 5 international Board Members
- Innovation — ➤ Represented by 4 different generations
- Equality — ➤ Gender equality in the Board, 8% women
- Experience — ➤ Board Members with diverse industry backgrounds & more than 500 years of combined experience
- Meetings — ➤ 4 ordinary meetings annually

# 3 WHERE WE ARE GOING

## Growth and value opportunities



# Flow | Transformational program for a sustainable growth

## What is it?

It is an organizational transformation program.

## What is it for?

To seek sustainable growth and the creation of economic, social, and environmental value

## When did it start?

It was proposed in June 2019 and the work plan was launched in August 2019

## Who participates?

All employees can participate by proposing initiatives.

In 2020, more than 45% of the workforce participated directly.

## How does Flow work?

Through three pillars

- Profitability of the current portfolio
- Growth, executing opportunities, and finetuning capital allocation
- Culture and organizational health

## How is it executed in the day to day?

Through the design and execution of initiatives which, to be approved, must demonstrate their alignment to the purpose, to the overall strategy, and to sustainability. They must also be supported by a business case, milestone scheduling, and the assignment of initiative managers.

## Who oversees their fulfillment?

- The Steering Committee
- The Transformation Office (Vice-Presidency level)
- The Capital Allocation Committee

## How to ensure the follow-up of the initiatives?

Initiatives and their follow-up are managed through a digital platform.

### FIRST STAGE (Aug 19 - Dec 20)

"To achieve a ROIC higher than the cost of capital in under 18 months"

**Result:** ROIC above the cost of capital by 240 bps

### SECOND STAGE

**The 2021-2025 business plan aims to:**

- Double company sales (vs. 2020)
- EBITDA Margin 20%
- Net Debt / EBITDA 2.0x
- Double-digit ROIC (about 20%)

## How are interests aligned internally and externally?

Employees' variable compensation at the Group level is linked to the achievement of the ROIC target.

Employees who are directly involved in the execution of initiatives also receive additional compensation when the initiatives reach the objectives established.

Consultants have variable compensation linked to the achievement of the objectives.

# Flow | Transformation Program

## Enhance performance of current portfolio

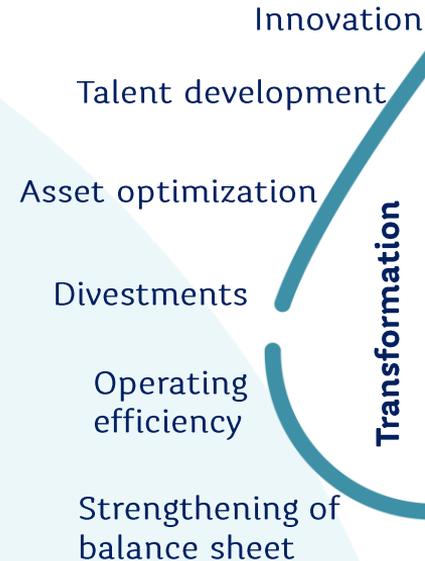
- Revenue levers
  - 1) Price & volume optimization
- Cost levers
  - 1) Procurement of materials
  - 2) Manufacturing efficiency
  - 3) Distribution costs optimization
- Working capital levers
  - 1) Inventory levels optimization
  - 2) Customization of accounts receivable & accounts payable policies

## B. Growth initiatives

- Improve quality and execution on growth opportunities
- Clear set of opportunities:
  - 1) Cross Selling
  - 2) Boost the water-as-a-service platform
  - 3) Bolster growth of the e-commerce platform
- Improve capital allocation decisions

## C. Improve organizational health

- Change management
- Project diligence and accountability
- Organizational Climate revision
  - 1) through OHI and GPTW Surveys



# Cross selling opportunities

- Mature market
- Expanding market
- Emerging market
- Plan



	USA	Mexico	Central America	Peru	Brazil	Argentina
PRODUCTS	Storage	Acuantia. PLASTIC-MART   THE FAIR DEPOT	Rotoplas	Rotoplas	Rotoplas	Rotoplas
	Waterflow		Tuboplus	Plan	Tuboplus	Instalamos confianza IPS
	Improvement	Acuantia. BIOROCK WASTEWATER TREATMENT	Rotoplas	Rotoplas	Rotoplas	SEÑORIAL Color que perdura
SERVICES	Purification		Rotoplas bebbia.			
	Treatment and recycling	Plan	Sytasa. Empresa de Grupo Rotoplas	Plan	Sytasa. Empresa de Grupo Rotoplas	
	Irrigation		rieggo.			

# Strategy per country or region



## MEXICO

- Grow service platform
- Maintain products leadership
- Explore new business opportunities



bebbia® rieggo®

Sytosa Empresa de Grupo Rotoplas



## PERU

- Maintain leadership in storage and improvement
- Develop and grow water flow and control segment
- Maintain growth and profitability pace



## USA

- Increase conversion ratio of websites
- Improve profitability
- Penetrate septic tanks business



tank-depot.com



plastic-mart.com



plasticwatertanks.com



## CENTRAL AMERICA

- Maintain leadership in storage and improvement
- Fully capitalize regional synergy and presence
- Add products to the solutions portfolio



## ARGENTINA

- Maintain leadership – market leading brands
- Price policy in line with inflation
- Boost exports platform to Mercosur Caribe & Africa
- Keep operations self-sustainable in terms of cash flow



## BRAZIL

- Develop service platform through water treatment & recycling plants



# Improve discipline in Capital Allocation

Resource allocation for:



Organic growth



Inorganic growth  
Coherence matrix approach



Share buybacks



Dividend Payment



Debt Payment

## Process:



Project proposal



Evaluation



IRR > WACC



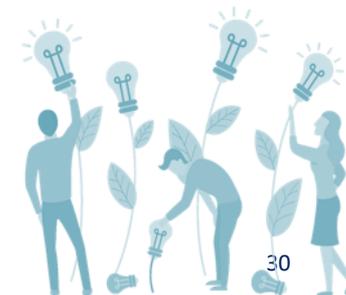
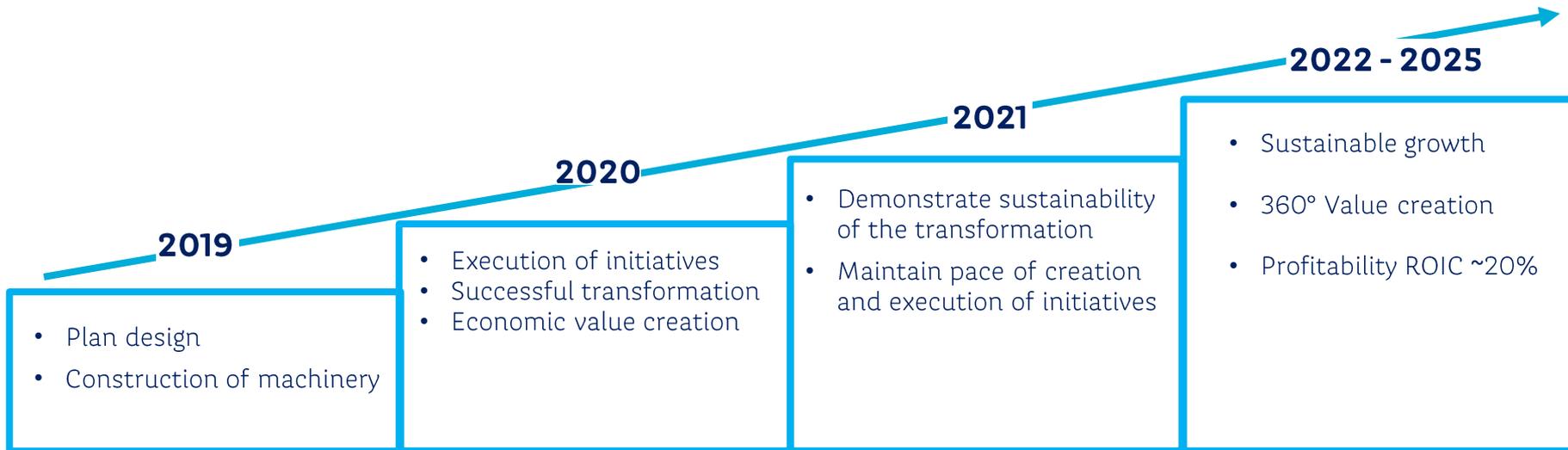
Validation and  
authorization



Quarterly status  
update

Supported by a Capital Allocation Committee

# FLOW | Transformation



# What's next for Flow?

## 2025 Guidance

- 2x Sales
- Adj. EBITDA Margin  $\geq 20\%$
- Net Debt / Adj. EBITDA.  $\leq 2.0x$
- Double digit ROIC > WACC  
(20%'s Neighborhood)

## Growth Avenues

 **Water-as-a-service Platform**  
Mexico & Brazil

bebbia® Sytesa.  Empresa de Grupo Rotoplas

rieggio®

 **ACUANTIA**  
United States



 **Launching of new solutions**

 **Synergies between operations**

 **D&A Platforms**



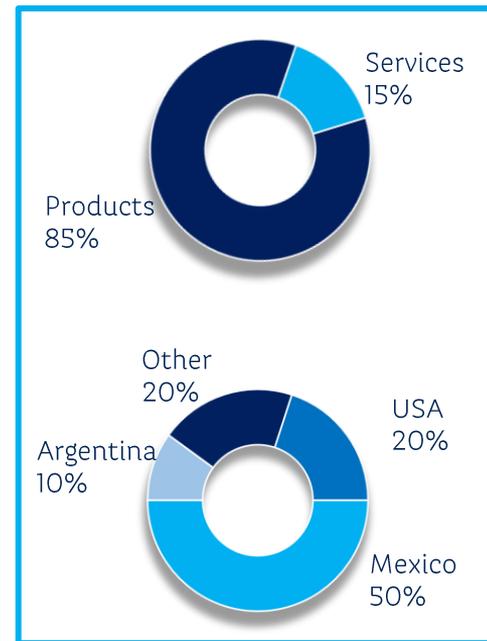
# 2025 | Expected Growth

**2025** — 2x revenue  
 — Adj. EBITDA Margin >20%



	Growth CAGR 20-25	
	Revenue	Adj. EBITDA
<b>PRODUCTS</b>	12 - 14%	12 - 14%
Mexico	8 - 10%	9 - 11%
Argentina	5 - 7%	5 - 7%
USA	29 - 31%	44 - 46%
Other	22 - 24%	22 - 24%
<b>SERVICES</b>	30 - 32%~	margin > 20%
<b>TOTAL</b>	14 - 15%	15 - 16%

## Revenues 2025



# 2025 | Strategy

## 1. FLOW

**470** Initiatives with approved business case

**\$5.8 bn** Incremental sales

**\$3.1 bn** Incremental Adj. EBITDA

**60%** Success rate

## 2. THINGS TO CONSIDER

- Flow implementation costs ~\$75 mm (6 quarters)
- CapEx 5% of sales
- Government sales < 10%.

## 3. STRATEGY

- MEX**
- Grow service platform
  - Explore new business opportunities

- USA**
- Increase conversion ratio of website visits
  - Penetrate septic tanks business

- ARG**
- Pricing policy in line with inflation & boost exports platform
  - Self-sustainable cash flow

- PER**
- Develop water flow & control segment

- CA**
- Capitalize regional synergies
  - Add products to solutions portfolio

- BRA**
- Grow water treatment & recycling plants business



- Sales growth  $\geq 17\%$
- Adj. EBITDA Margin 17% - 18%
- Net Debt / Adj. EBITDA  $\leq 2.0x$
- ROIC = WACC + 200 bp





## ROTOPLAS COMMITMENTS

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

# 4 STRONG FINANCIALS

With a sustainable focus

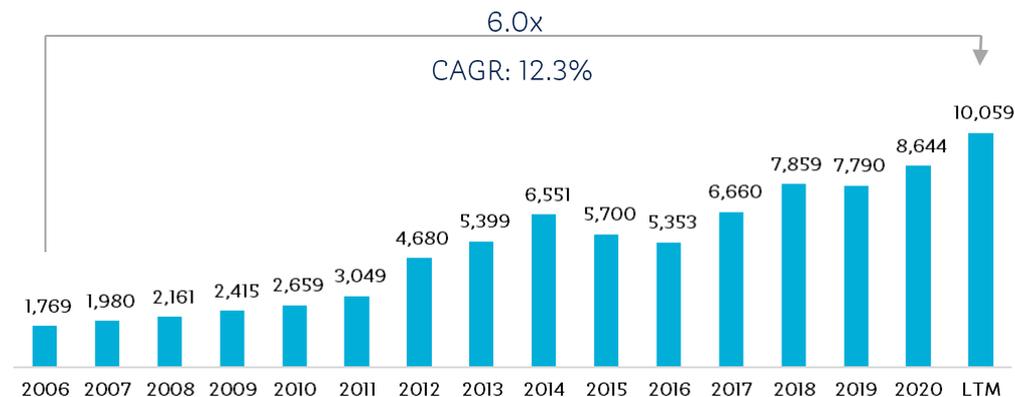


## Business Model Resilience

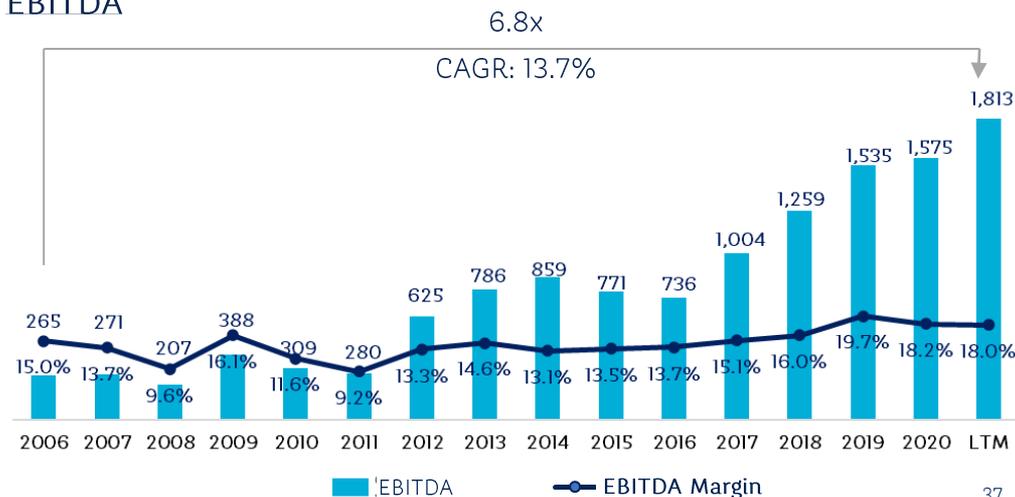
- Continuous growth
- Double digit margins
- Strong Management

- Mexico – 41 years
- Central America – 23 years
- Peru – 21 years
- Argentina - 21 years
- Brazil – 20 years
- USA – 5 years

### Sales

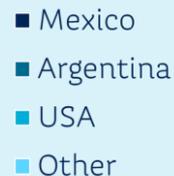
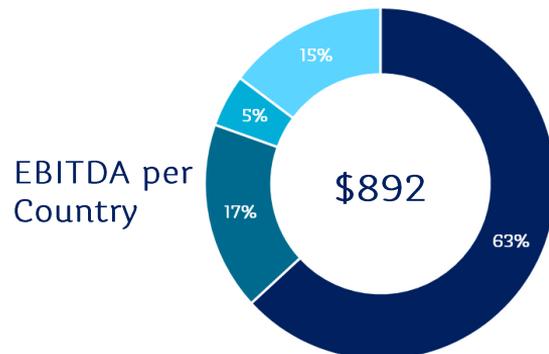
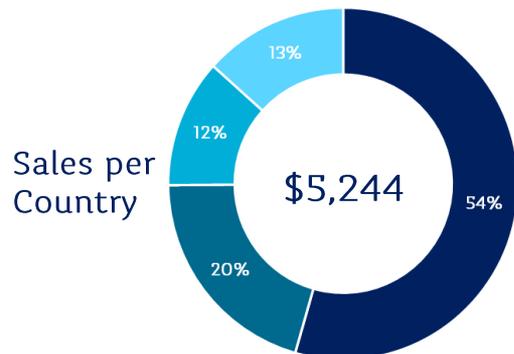


### EBITDA



# 6M21 Results

MXN mm



	6M21	6M20	Δ %/bps
Net sales	5,244	3,829	37%
Cost of Sales	3,197	2,230	43%
<b>Gross Profit</b>	<b>2,047</b>	<b>1,599</b>	<b>28%</b>
<i>Margin</i>	39%	42%	(280) pb
<b>Operating Income</b>	<b>547</b>	<b>456</b>	<b>20%</b>
<i>Margin</i>	10%	12%	(150) pb
Financing Result	277	(218)	NM
Taxes	72	212	(66%)
<b>Adjusted EBITDA</b>	<b>892</b>	<b>654</b>	<b>36%</b>
<i>Margin</i>	17%	17%	(10) pb
<b>Net Profit</b>	<b>199</b>	<b>462</b>	<b>(57%)</b>

Cash Conversion Cycle  
69 days



Inventory Days  
59



Accounts Receivable Days  
52



Accounts Payable Days  
42

# Sound Financials

MXN mm



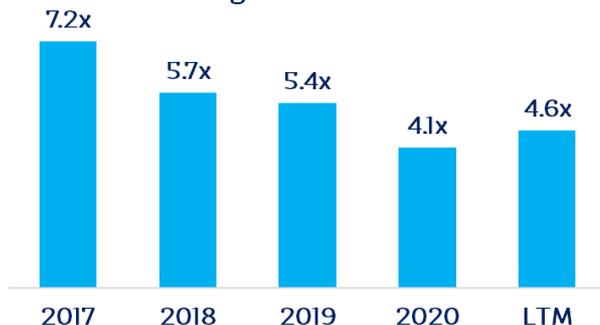
## Debt Maturity Profile



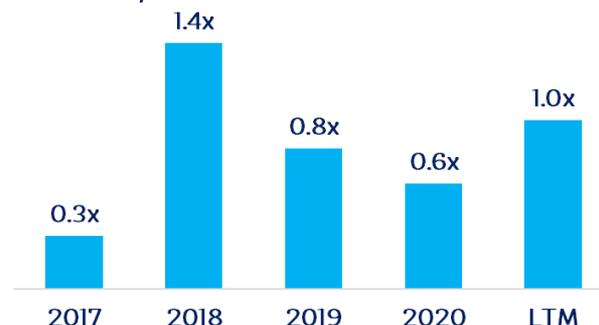
## Strong Balance Sheet to support growth

	June 2021
Cash and Cash Equivalents	2,449
Other Assets	10,466
<b>Total Assets</b>	<b>12,915</b>
Debt	4,189
Other Liabilities	2,628
<b>Total Liabilities</b>	<b>6,817</b>
Equity	6,097
<b>Liabilities + Equity</b>	<b>12,915</b>

## Interest coverage\*



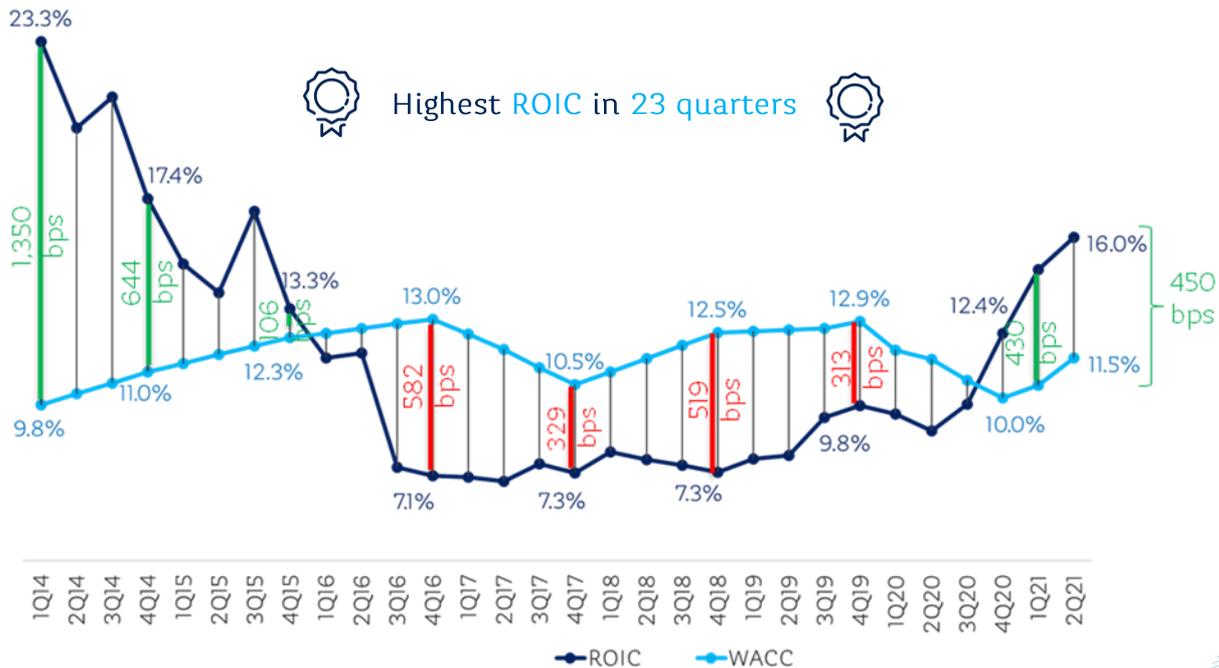
## Net debt / EBITDA



\*Financial expenses used for the calculation consider interest paid on interest-bearing liabilities.

\*Calculation of interest coverage: EBITDA/Interest payable

# ROIC vs Cost of Capital



Highest ROIC in 23 quarters

Improvement in ROIC through the Flow transformational program:

- Greater discipline in Capital Allocation (Control Tower).
- Increased production efficiency in manufacturing process.
- Strict discipline on spending.



ROIC: NOPAT L12M/Invested Capital t, t-1  
 Invested Capital: Total Assets – Cash and cash Equivalents– Short-Term Liabilities ROIC excludes Flow program execution costs in 2Q20, 3Q20, 4Q20 and 1Q21 as they are non-recurring.



# Thank you!

## INVESTOR RELATIONS

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