

Rotoplas | Second Quarter 2021 Results

(AGUA*)

Mexico City, July 21, 2021. Grupo Rotoplas S.A.B. de C.V. (BMV: AGUA*) (“Rotoplas” or “the Company”), America’s leading company in water solutions, reports its unaudited second quarter results from April to June. The information has been prepared in accordance with the International Financial Reporting Standards (IFRS).

Figures are expressed in millions of Mexican pesos.

2Q21 vs 2Q20 | HIGHLIGHTS

- ④ Rotoplas reported record **net sales** for a quarter, with an increase of 47.6%, driven by droughts, heat waves, and cuts in the water supply in some countries, as well as by an increase in market share in the regions where it operates, and the launch of new solutions.
 - **Product sales** increased 52.1%, with double-digit growth in all countries and in all categories: storage, water flow, and improvement.
 - **Services sales** contracted 3.8%, mainly due to the impact on the drinking fountain business as a result of school closures from the pandemic, and a slow recovery of the water treatment plant and water recycling business.
- ④ With a **long-term vision**, and in a raw material scarcity environment, the Company decided to absorb the increase in raw material costs and prioritize the expansion in market share, which resulted in an impact of Ps. 130 million in gross profit. This strategy is estimated to increase the annual growth rate at the group level by 5.1% as a result of better brand positioning, thus generating a long-term value of 4.8x the absorbed cost.
- ④ **Gross margin** decreased by 260 bps, however, greater efficiency in expenses helped offset this effect and the **operating margin** decreased by 70 bps.
- ④ **Adjusted EBITDA¹** increased 42.5%, and reached a margin of 14.9%, 50 bps lower than 2Q20.
- ④ **Net income** for the period was a profit of Ps. 65 million compared to a loss of Ps. 59 million in 2Q20, the period most affected by the pandemic.
- ④ **ROIC** closed at 16.0%, an improvement of 720 bps vs. the same quarter of the previous year and 450 bps above the cost of capital.

¹ Adjusted EBITDA considers: operating income + depreciation and amortization + non-recurring expenses (donations and Flow implementation expenses). In 2Q21 it takes into account Ps. 75 million of Flow expense and Ps. 6 million donations and in 2Q20 Ps. 21 million of Flow expenses and Ps. 5 million donations.

- ④ In April, the **Sustainability Strategy 2021-2025** was launched, focused on creating 360* value, for all stakeholders and throughout the water cycle. Additionally, the strategy places people, the planet, and economic profit at the same level of importance.
- ④ In May, a **cash capital reimbursement** of \$0.45 per share was paid to shareholders.

CUMULATIVE 2021 vs 2020 | HIGHLIGHTS

- ④ **Net sales** grew 36.9% driven by changes in consumer habits due to the pandemic that increased the demand for water, as well as internal initiatives focused on the effectiveness of the sales force and the market launch of new solutions.
 - **Product sales** increased 40.9%, with double-digit growth in all counties and in the three categories.
 - **Service sales** contracted 11.9%, impacted by the lack of revenue in drinking fountains and a slow closing of new treatment plant contracts.
- ④ **Gross margin** contracted 280 bps, impacted by increases in raw material prices and in logistics expenses due to higher energy costs. Cost control helped offset the impact on **operating margin**, which decreased 150 bps, demonstrating operating leverage.
- ④ **Adjusted EBITDA¹** increased 36.4%, in line with the growth in sales, to reach Ps. 892 million. **Adjusted EBITDA margin** amounted to 17.0%, 10 bps lower than in 2020.
- ④ **Cumulative net income** reached Ps. 199 million, 150% higher than the first half of 2020, without considering the non-recurring financial gain from the closure of foreign exchange rate hedges in March 2020.
- ④ At the end of June, the **Net Debt / Adj. EBITDA leverage ratio** closed at 1.0x. During the period, 3.4% of sales were allocated to CapEx and the stability of the supply chain was prioritized, which implied an increase in working capital, mainly in raw material inventories and accounts receivable.
- ④ As a result of accelerated growth and various initiatives within the *Flow* program to negotiate better terms with distributors, suppliers and customers, the **cash conversion cycle** was optimized by 42 days compared to the same period in 2020.

¹ *Adjusted EBITDA considers: operating income + depreciation and amortization + non-recurring expenses (donations and Flow implementation expenses). Cumulatively, it considers Ps. 150 million of Flow expenses and Ps. 8 million for donations in 2021 as well as Ps. 21 million expense for Flow and Ps. 6 million for donations in 2020.*

KEY FIGURES | FINANCIAL DATA

	2Q			6M			
	2021	2020	%Δ	2021	2020	%Δ	
Income Statement	Net Sales	2,810	1,904	47.6%	5,244	3,829	36.9%
	% gross margin	37.1%	39.7%	(260) bps	39.0%	41.8%	(280) bps
	Operating Income	242	178	35.9%	547	456	20.0%
	% margin	8.6%	9.3%	(70) bps	10.4%	11.9%	(150) bps
	EBITDA	338	267	26.3%	734	627	17.0%
	Adjusted EBITDA ¹	419	294	42.5%	892	654	36.4%
	% margin	14.9%	15.4%	(50) bps	17.0%	17.1%	(10) bps
	Net Income	65	(156)	NM	199	306	(34.9%)
% margin	2.3%	(8.2%)	NM	3.8%	8.0%	(420) bps	
Balance Sheet	Cash and cash equivalents	2,449	3,193	(23.3%)			
	Total Debt	4,189	4,075	2.8%			
	Net Debt	1,740	881	97.4%			
Cash Flow	Operating Cash Flow	119	775	(84.6%)			
	CapEx	178	133	33.4%			
	Working Capital	(278)	191	NM			
Other	Net Debt / Adj. EBITDA	1.0 x	0.6 x	0.4 x			
	ROIC	16.0%	8.8%	720 bps			
	Cash Conversion Cycle	69	111	(42) days			

OPERATING FIGURES | January – June 2021

Operating	New solutions	8	e-commerce clients	28,000+
	Employees	3,470	bebbia users	52,000+
	Government transactions	3.7%	CO ₂ saved (vs. bottled water)	6.7 tons

¹ Adjusted EBITDA considers: operating income + depreciation and amortization + non-recurring expenses (donations and Flow implementation expenses). In 2Q21 it considers Ps. 75 million of Flow expense and Ps. 6 million donations and in 2Q20 it considers Ps. 21 million of Flow expense and Ps. 5 million donations. Cumulatively, it considers Ps. 150 million of Flow expenses and Ps. 8 million for donations in 2021 as well as Ps. 21 million expense for Flow and Ps. 6 million for donations in 2020.

MESSAGE | CEO

Dear Investors,

I believe that achieving record breaking sales growth of over 40% shows that we have managed to capitalize on the opportunities offered by the water industry in the Americas. I would especially like to highlight the increasing growth and profitability in both the United States and Argentina, as well as continued good results in Mexico.

The *Flow* program continues to operate successfully and has proven to be an engine for value creation. We are implementing agile ways of working and emphasizing digital innovation to improve the customer experience through the use of digital solutions.

In terms of our growth and profitability strategy, we have made the decision to absorb the increase in raw material costs to improve our position in the market. Therefore, we are making an adjustment to our guidance by increasing our annual sales growth outlook from 10.0% to 17.0% and revising the EBITDA margin down from 19.0% to a range between 17.0% and 18.0%. It is important to mention that we maintain the same EBITDA target in absolute terms.

We are faced with the challenge of meeting demand with supply chain constraints; however, we are confident that we have a solid balance sheet and a business strategy that allows us to rise to possible market fluctuations.

Finally, we will continue the process of evolving while always staying aligned with best practices and focused on sustainable development. Our goal is for the “Rotoplas of the future” to be aligned with digital and analytical trends. We are seeking to modernize processes to reduce our carbon footprint and achieve the sustainable growth plan that we have proposed for 2025.



Carlos Rojas Aboumrad

INVITE | EARNINGS CALL

Thursday, July 22 | 10:00am Mexico City Time (11:00am, EST)

Carlos Rojas Aboumrad (CEO) | Mario Romero Orozco (CFO)

Link: https://rotoplas.zoom.us/webinar/register/WN_hoheZ-hGSOK5DTNrgKJ_UQ

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GUIDANCE | 2021-2025

	Metric	2021 Guidance	2021 Revised Guidance	2025 Objectives
Guidance	Increase in net sales	≥ 10.0%	≥ 17.0%	2x sales (vs 2020)
	Adjusted EBITDA Margin	≥ 19.0%	17.0 - 18.0%	≥ 20.0%
	Net Debt/Adj. EBITDA	≤ 2.0x	≤ 2.0x	≤ 2.0x
	ROIC	ROIC = WACC + 100 bps	ROIC = WACC + 200 bps	ROIC ~20%

Given the increase in demand and the bottlenecks in the supply chain observed during the first half of the year, the Company decided to increase its sales growth outlook and decrease the Adjusted EBITDA margin. However, it is important to consider that the annual Adjusted EBITDA target is not modified in absolute terms, as higher sales growth will offset a lower margin.

Additionally, we expect to be closing the year with a ROIC at least 200 bps higher than the cost of capital, an increase of 100 bps compared to the previous guidance.

ROTOPLAS' RESPONSE | COVID-19

Rotoplas continues to implement initiatives to combat the spread of COVID-19.

- Operating Level:

- ⑤ Administrative staff continue to work remotely.
- ⑤ Strict safety and hygiene protocols are maintained to protect operational plant and field service personnel.
- ⑤ As part of the protocol, periodic screening tests such as molecular tests, serological tests (IgG) and rapid tests (IgG/IgM) are taken.
- ⑤ Scheduled sanitizations are carried out in all workplaces.
- ⑤ Activities with stakeholders continue to be held virtually.

- Operational status:

		2Q21 Operations
Country or Region	Mexico	Continuous operations
	Argentina	
	United States	
	Peru	
	Central America	

- Commitment to Stakeholders:

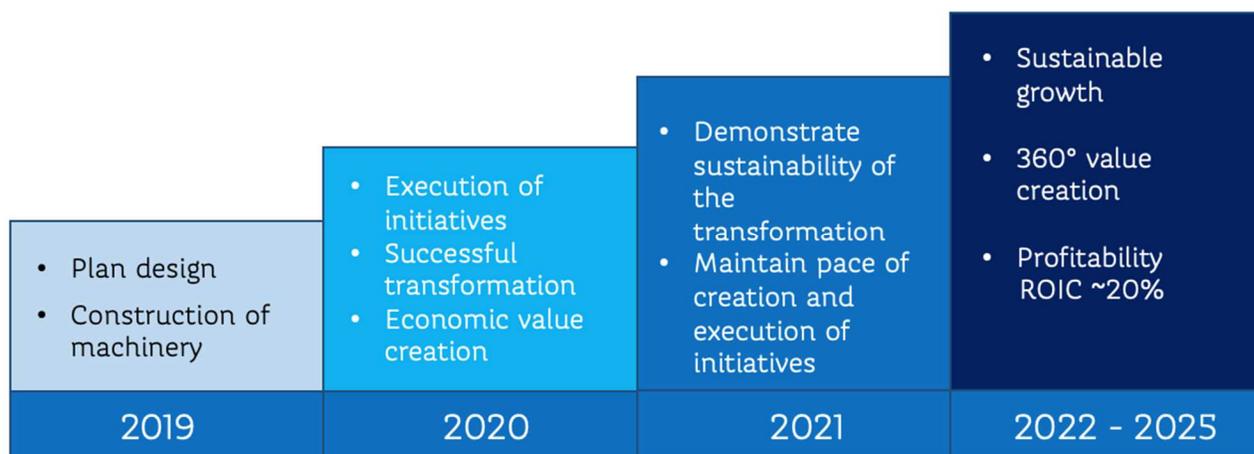
As part of Rotoplas' responsibility to keep stakeholders informed, a monthly newsletter is shared with the status of each country's operation, the guidelines to follow, and registration forms in case they have to visit any of the offices or plants.

TRANSFORMATION PROGRAM | *FLOW*

In 2019, Rotoplas began the “*Flow*” transformation program to focus the business on economic value creation and sustainable growth. The strategy is based on initiatives that are divided between three pillars:

- A. Profitability of the Current Portfolio
 - levers for income, cost, expenditure and working capital
- B. Growth Initiatives and Execution
 - improve the execution of growth opportunities and capital allocation decisions
- C. Organizational Culture and Health
 - leadership, operational discipline, talent development, accountability and organizational climate

Flow has evolved and has become part of the culture of innovation and continuous improvement:



In 2019, an in-depth analysis of the company and its opportunities was carried out to design a roadmap. By 2020, with various initiatives completed, the main goal of value creation of a ROIC above the cost of capital was achieved.

In 2021, Rotoplas will focus on demonstrating the sustainability of the transformation through continued growth and improvement in profitability. One of the most important enablers to achieve our objectives is human talent. Therefore, we will work on developing and training our employees and attracting the right talent for the evolution of the business.

SALES & EBITDA | BY REGION AND SOLUTION *(millions of Mexican pesos)*

Figures by geographic region

		2Q			6M		
		2021	2020	%Δ	2021	2020	%Δ
Mexico	Sales	1,519	1,126	34.9%	2,854	2,358	21.1%
	Adj. EBITDA ¹	255	235	8.5%	563	551	2.3%
	% Margin	16.8%	20.9%	(410) bps	19.7%	23.4%	(370) bps
Argentina	Sales	594	322	84.5%	1,071	592	80.8%
	Adj. EBITDA ¹	85	31	NM	154	36	NM
	% Margin	14.3%	9.8%	450 bps	14.4%	6.0%	840 bps
United States	Sales	363	302	20.2%	619	501	23.6%
	Adj. EBITDA ¹	24	9	NM	43	-	NM
	% Margin	6.5%	2.9%	360 bps	6.9%	NM	NM
Other	Sales	335	154	NM	699	379	84.7%
	Adj. EBITDA ¹	55	18	NM	132	67	95.3%
	% Margin	16.5%	11.9%	460 bps	18.8%	17.8%	100 bps

Figures by solution

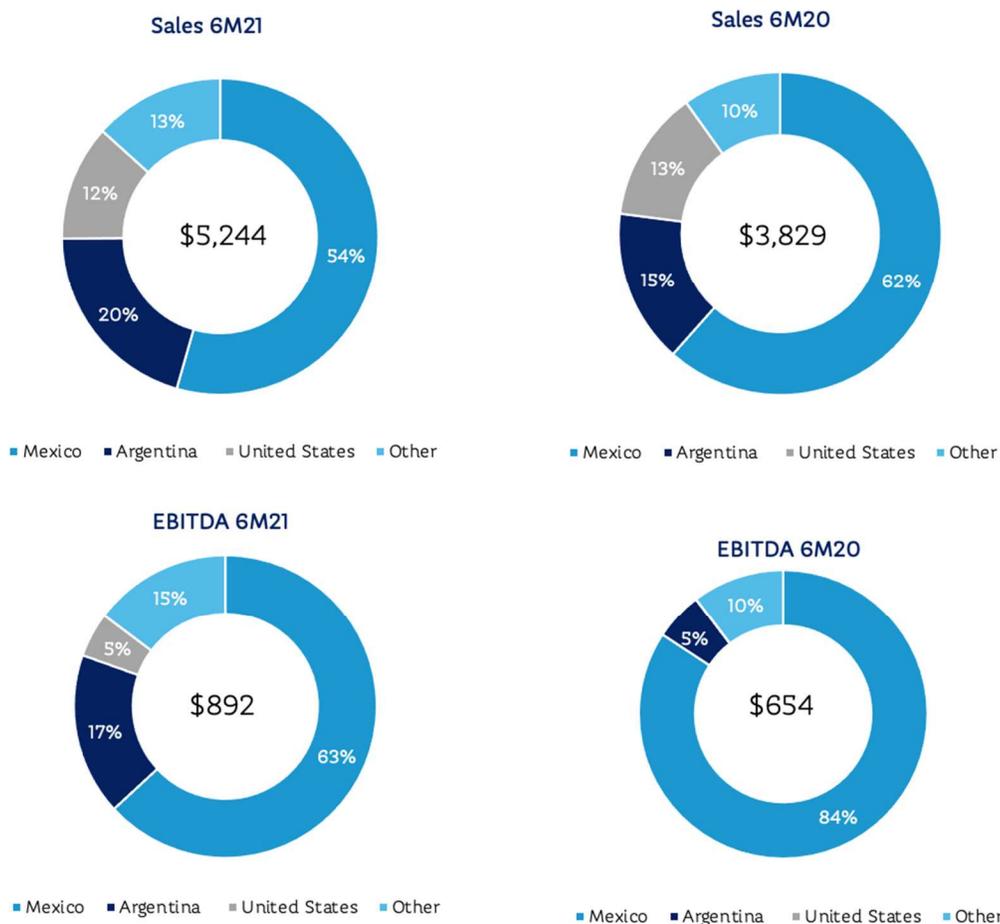
		2Q			6M		
		2021	2020	%Δ	2021	2020	%Δ
Products	Sales	2,665	1,752	52.1%	4,985	3,537	40.9%
	Adj. EBITDA ¹	431	294	46.7%	918	659	39.2%
	% Margin	16.2%	16.8%	(60) bps	18.4%	18.6%	(20) bps
Services	Sales	146	152	(3.8%)	259	292	(11.5%)
	Adj. EBITDA ¹	(12)	(0)	NM	(26)	(5)	NM
	% Margin	(8.4%)	NM	NM	(10.1%)	(1.8%)	(830) bps

Adjusted EBITDA

	2Q			6M		
	2021	2020	%Δ	2021	2020	%Δ
EBITDA	338	267	26.3%	734	627	17.0%
Flow Implementation Costs	75	21	NM	150	21	NM
Donations	6	5	11.6%	8	5	54.0%
EBITDA Aj.¹	419	294	42.5%	892	654	36.4%

¹ Adjusted EBITDA considers: operating income + depreciation and amortization + non-recurring expenses (donations and Flow implementation expenses). In 2Q21 it considers Ps. 75 million of Flow expense and Ps. 6 million donations and in 2Q20 it considers Ps. 21 million of Flow expense and Ps. 5 million donations. Cumulatively, it considers Ps. 150 million of Flow expenses and Ps. 8 million for donations in 2021 as well as Ps. 21 million expense for Flow and Ps. 6 million for donations in 2020.

Since the second quarter of 2020, “one-off” expenses began to be recognized for the implementation of the *Flow* program. These are non-recurring expenses that have short and long-term benefits for income, expenses, working capital, and organizational culture to ensure permanent and positive change.



Mexico

Net sales in the quarter increased by 34.9% vs 2Q20 and by 39.3% vs 2Q19, driven by a double-digit growth in products, which offset weaker services results.

Product sales benefited from the double-digit growth in the storage and water flow categories. Likewise, water stress, the initiatives focused on the efficiency of the commercial team, as well as loyalty plans and the new launches of solutions to the market, sustained the strength of the product portfolio.

Services sales decreased due to the drop in water fountains' revenue, which had no income due to the closure of schools as a result of the health contingency, and to a slow recovery of contracts for water treatment and recycling plants.

bebbia continues to register record sales, reaching more than 3,800 new subscriptions in just one month. During the quarter, the company began to improve its technological platform to support growth and continued to develop new sales channels such as e-commerce. On the other hand, *rieggio* is implementing its first projects.

Cumulative net sales increased 21.1% to reach Ps. 2,854 million, driven by double-digit growth in products, which offset lower sales in services.

During the first half of the year, new products have been integrated into the portfolio such as; water softeners, flexible connectors, electric showers, a new filter model and plumbing fixtures. Likewise, the investment in new technology to produce storage solutions stands out.

Adjusted EBITDA for the quarter was Ps. 255 million, 8.5% higher than the same period of the previous year. The **adjusted EBITDA margin** was 16.8% compared to 20.9% in 2Q20, mainly affected by the increase in the prices of raw materials.

Cumulative adjusted EBITDA reached Ps. 563 million, a margin of 19.7%.

Argentina

Net sales for the quarter increased 84.5% vs 2Q20, the period most affected by the pandemic. However, even when compared to 2Q19, sales grew by 46.8%.

The increase in sales was driven by cross-selling between categories, the launch of new products, development of the agro-industrial and construction channels, which resulted in the growth of all three categories (storage, water flow, and improvement).

Export sales in the period represented 5% of total sales.

On a cumulative basis, **net sales** increased 80.8% compared to the first six months of 2020 and 45.4% compared to the first six months of 2019, benefited by the increase in demand for solutions in the three categories. The attraction of new customers through the integration of multi-business sales units also contributed to the accelerated growth in sales.

The **EBITDA margin** was 14.3% for the quarter, an increase of 450 bps, driven by recovery in volumes, price increases, and efficient expense management.

Cumulative EBITDA reached Ps. 154 million in the first six months of 2021 vs Ps. 36 million in the first six months of 2020. The **adjusted EBITDA margin** was 14.4%, an increase of 840 bps resulting from the operational normalization of the plants and the increase in volumes, which managed to offset the increase in the cost of raw materials in the region.

NOTE: Adoption of IAS 29, Financial Reporting in Hyperinflationary Economies.

Due to the Argentine accumulation of inflation higher than 100% in the last three years, it is considered a hyperinflationary economy. In accordance with IAS 29, an adjustment for inflation has been made to the Financial Statements to consider changes in purchasing power.

International Accounting Standard (IAS) 29, Financial Information in Hyperinflationary Economies establishes that the results of operations in Argentina should be reported as if they were hyperinflationary as of January 1st, 2018. Moreover, an adjustment for inflation in the Financial Statements should be made to account for the change in the purchasing power of the local currency.

Due to the aforementioned, in 6M21 the impact of the above resulted in an increase of Ps. 30 million in financial expenses, negatively impacting the Comprehensive Financing Result. After accounting for taxes, the effect on net income amounts to Ps. 35 million.

United States

Net sales for the quarter increased by 20.2% to Ps. 363 million, boosted by consumer confidence in the face of economic recovery, droughts, and heat waves in different states, mainly on the West coast.

During the quarter, the digital strategy was strengthened by improving the service of the web pages and e-commerce platforms. Likewise, to strengthen the multi-channel strategy, there was an increase in call center staff and 2 new service centers were opened, one in California and the other in Texas, thus reaching a total of 10 locations.

During the period, the development of the septic solutions business continued, and to boost growth and reduce marketing time, the *Agile* methodology was implemented within the segment.

On a cumulative basis, **net sales** reached Ps. 619 million, an increase of 23.6% compared to 2020, driven by the demand for water solutions for crops and residential use, as well as by the greater purchasing power of the population. Additionally, the efficiency of the sales team and the success of some advertising campaigns in key locations, as well as water scarcity, contributed to growth.

Adjusted EBITDA reached Ps. 24 million, an increase of 2.7x compared to 2Q20, as a result of pricing discipline and better freight expense management.

Cumulative adjusted EBITDA was Ps. 43 million, an improvement compared to the breakeven point reached in the first six months of 2020. The **cumulative adjusted EBITDA margin** reached 6.9%.

Other Countries

Net sales from other countries (Peru, Guatemala, El Salvador, Costa Rica, Honduras, Nicaragua, and Brazil) reached Ps. 335 million in the quarter, an increase of 2.2x vs. 2Q20. Cumulatively, **net sales** increased by 84.7% vs. 2020.

In **Peru**, sales increased by triple-digits driven by a weak comparable basis before the pandemic. Nonetheless, it presents a double-digit increase even when compared to 2Q19.

The demand benefitted from the normalization in the region's operations and from the increased amount of time people stayed in their homes, as well as economic incentives given by the government such as common bonds and the permission to withdraw money from pension funds.

In **Central America**, sales increased by double-digits. The economic reopening, reactivation of the housing sector, and increase in need for water solutions, boosted the region's demand.

Commercial efforts continued to increase the market penetration of new storage solutions, as well as valves, solutions that have complemented the portfolio.

In **Brazil**, new commercial practices focused on closing contracts for water treatment and recycling plants were put into effect. In addition, field services capacities were developed to support future growth and provide high-quality service.

During this period, the launch, operation and maintenance of the first water treatment plants in Brazil continued.

Adjusted EBITDA reached Ps. 55 million in the quarter and Ps. 132 million in the six-month period. The **EBITDA margin** grew by 460 bps in the quarter compared to 2Q20, to reach 16.5% and increased by 100 bps vs. 6M20, reaching 18.8%.

ANALYSIS | COSTS AND EXPENSES

Gross Profit

The **gross profit** for the period increased by 37.7%, reaching Ps. 1,042 million. The **gross margin** contracted by 260 bps, going from 39.7% in 2Q20 to 37.1% in 2Q21. This reduction relates to the increase in the price of raw materials and the increase in costs of logistics.

Cumulatively, the **gross profit** reached Ps. 2,047 million, 28.0% higher to the same period of the previous year. However, the **cumulative gross margin** contracted by 280 bps due to the Company's strategy of absorbing the cost increase of raw materials to strengthen its positioning in the market.

Operating Income

Operating income amounted to Ps. 242 million for the quarter, 35.9% higher than what was reported in 2Q20. Even with the recognition of Ps. 75 million of expenses for *Flow* implementation and Ps. 6 million for donations, the expense as a percentage of sales decreased by 190 bps, showing efficiency in expense administration and operating leverage.

Cumulatively, the **operating income** increased 20.0% to reach Ps. 547 million. The **cumulative operating margin** was 10.4%, 150 bps lower than in the same period of 2020.

Comprehensive Financing Result

The **Comprehensive Financing Result** for 2Q21 was an expense of Ps. 155 million vs. an expense of Ps. 213 million in 2Q20. Expenses for the quarter include Ps. 120 million for debt interests, commissions and leasing, as well as Ps. 21 million for valuation of financial instruments and Ps. 14 million for monetary positioning in Argentina.

The **Cumulative Comprehensive Financing Result** was an expense of Ps. 277 million vs. an income of Ps. 218 million for the first half of 2020, related to the gains on financial instruments obtained in the first quarter of 2020.

Financial expenses for the semester comprised the payment of interest on the AGUA 17-2X sustainable bond, commissions and leasing for Ps. 220 million, Ps. 28 million for the valuation of financial instruments and Ps. 29 million for monetary positioning in Argentina.

Income Tax

The **income tax** for the second quarter was Ps. 22 million vs. Ps. 24 million in 2Q20, a decrease of 7.9%.

Cumulatively, the registered **income tax** was Ps. 72 million in 2021 and Ps. 212 million in 2020, a decrease of 66.1% related to the generated tax for the gain in derivative financial instruments in 1Q20.

Net Result

The **net result** before discontinued operations in the quarter was a profit of Ps. 65 million compared to a loss of Ps. 59 million in 2Q20 related to the impact of restrictions on productivity caused by the beginning of the pandemic.

The **net profit** before discontinued operations was Ps. 199 million, 150% higher than in the same period of the previous year without considering the non-recurring financial gain due to the closing of exchange rate hedges in March 2020.

CapEx

	6M				
	2021	%	2020	%	%Δ
Mexico	119	67%	65	49%	81.4%
Argentina	30	17%	35	27%	(13.8%)
United States	10	6%	2	1%	NM
Others	19	11%	31	23%	(39.2%)
Total	178	100%	133	100%	33.4%

Capital investments represented 3.4% of sales for the semester, an increase of 33.4% compared to the previous year.

Capital investment includes some projects such as:

- Ps. 8 million allocated to water treatment and recycling plants in Mexico and Ps. 8 million in Brazil, which represents 9% of the total amount.
- The CapEx allocated to growth initiatives within the *Flow* program amounted to Ps. 111 million.

ANALYSIS | BALANCE SHEET

Cash Conversion Cycle (Days)

	2T		Δ days
	2021	2020	
Inventory Days	59	76	(17)
Accounts Receivable Days	52	75	(23)
Accounts Payable Days	42	40	2
Cash Conversion Cycle	69	111	(42)

Inventory Days: Average Inventory / (3M Cost of Sales / 90)

Accounts Receivable Days: Average Accounts Receivable (3M Sales / 90)

Accounts Payable Days: Average Suppliers / (3M Cost of Sales / 90)

The 42-day optimization of the **cash conversion cycle** is the result of expansive growth combined with improved working capital management capabilities. Also, the United States business, being an online platform, keeps the cash conversion cycle negative.

Debt

	6M		
	2021	2020	%Δ
Total Debt	4,189	4,075	2.8%
Short-term Debt	151	7	NM
Long-term Debt	4,038	4,068	(0.7%)
Cash and Cash Equivalents	2,449	3,193	(23.3%)
Net Debt	1,740	881	NM

Debt Maturity Profile

Total debt amounted to Ps. 4,189 million and corresponds to the AGUA 17-2X sustainable bond, a government loan from Peru, and a short-term working capital loan in Argentina, including the provision for short-term interest payments.

	Currency	Amount in MXN	Rate	Maturity
AGUA 17-2X Sustainable Bond	Mexican Pesos	Ps. 4,006	8.65%	June 2027
Peruvian Government Loan	Peruvian Soles	Ps. 52	1.49%	June 2023
Argentinean Loan	Argentinian Pesos	Ps. 131	38.0%	December 2021

As of June 30, 2021 interest coverage (LTM Adjusted EBITDA / LTM interest payments) amounts to 4.6x.

FINANCIAL RATIOS

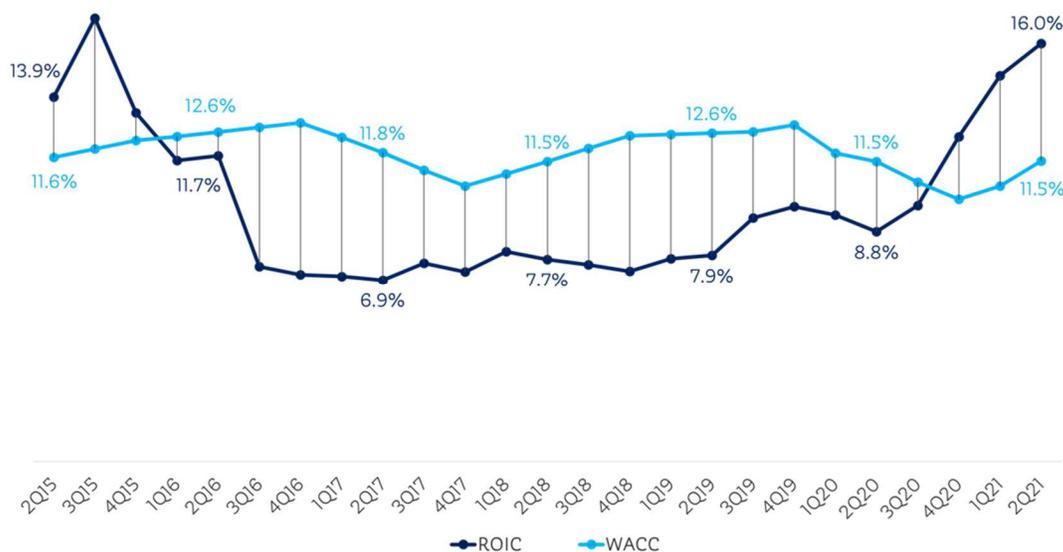
	6M		
	2021	2020	%Δ
Net Debt / Adjusted EBITDA ¹	1.0 x	0.6 x	0.4 x
Total Liabilities / Total Stockholders' Equity	1.1 x	0.9 x	0.2 x
Net Earnings per Share*	0.41	0.63	(34.9%)

* Net income after discontinued operations divided by 486.2 million shares, expressed in Mexican pesos.

¹ Adjusted EBITDA considers: operating income + depreciation and amortization + non-recurring expenses (donations and Flow implementation expenses). In 2Q21 it considers Ps. 75 million of Flow expense and Ps. 6 million donations and in 2Q20 it considers Ps. 21 million of Flow expense and Ps. 5 million donations. Cumulatively, it considers Ps. 150 million of Flow expenses and Ps. 8 million for donations in 2021 as well as Ps. 21 million expense for Flow and Ps. 6 million for donations in 2020.

Leverage for the second quarter of 2021 was within the Company's debt guideline of 2.0x Net Debt/Adjusted EBITDA.

ROIC / Cost of Capital



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 - 2Q21 as they are non-recurring.

In line with the 2021-2025 business plan, ROIC amounted to 16.0% at the end of June, an increase of 720 bps vs. the previous year and 450 bps higher than the cost of capital.

Financial Derivatives

The use of derivative financial instruments is governed by the recommendations and policies issued by the Board of Directors and supervised by the Audit Committee, which provide guidelines on the management of exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of excess liquidity.

As of June 30, 2021, the market value of Grupo Rotoplas' positions was:

Market Value

Instrument	Market Value
MXN/USD exchange rate forward	Ps. (75.4) million

ESG | ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In April, we launched our [Sustainability Strategy 2021-2025](#), focused on creating 360* value, that is, for all stakeholders and throughout the water cycle. In addition, the strategy places people, the planet and economic benefit at the same level of importance.

The strategy includes 6 lines of action (2 for each dimension; people, planet and economic benefit) and the direct and indirect contribution to 10 UN Sustainable Development Goals.

- See the full sustainability strategy in the 2020 Annual Report (page 41): https://rotoplas.com/investors/rtp_resources/eng/annual-report/2020/AR_rotoplas_2020_eng.pdf

During the quarter, the following advances in sustainability matters stood out:

- ④ Application, acceptance and start of Rotoplas' participation in the Global Compact Accelerator of *Target Gender Equality*, as well as the *Climate Ambition Accelerator*.
- ④ Participation in work groups, Business Consultive Board for the 2030 Agenda, Sustainable Group on Water and Diversity (Work Group for Salary Gap and People with Disabilities).
- ④ Start of the program "*El poder de estar juntos*", a joint effort with *Un Kilo de Ayuda* and *Harpic*, striving for nutritional safety, as well as water access and sanitation in the State of Mexico, benefitting 50 Mazahua families who received a donation of rainwater harvesting systems, outdoor toilets with biodigesters, and storage systems for a hospital and for the community's garden.
- ④ Launch of the award "FUNAM Rotoplas" with the purpose of promoting and recognizing research and innovation in subject of water treatment.
- ④ Launch of the call to the "*A Fluir*" initiative for the supply and installation of water harvesting systems in communities with high and very high social lag, and lack of basic housing services. More than 300 organizations from civil society registered onto said invitation.
- ④ Launch of an event that will be presented on Water Week's session "*Water Savvy communities: best practices from Latin America*" in Stockholm in collaboration with BID, The Nature conservancy and other companies.

For more information on our ESG programs, visit our sustainability website: <https://rotoplas.com/sustentabilidad/home-eng/>

AGUA* | PERFORMANCE & ANALYST COVERAGE

		2Q		
		2021	2020	%Δ
AGUA*	Last price	33.27	13.84	140.4%
	P/BV	2.7 x	1.1 x	1.6 x
	EV/EBITDA	9.9 x	5.5 x	4.4 x

Capital Reimbursement:

During the quarter a **capital reimbursement in cash** was made to the Company's shareholders through a decrease in capital stock, at the rate of Ps. \$0.45 (forty-five Mexican peso cents) for each outstanding share.

Treasury Shares:

As of June 30, the company had 28.1 million shares in the treasury, equivalent to an invested amount of Ps. 549 million. To date, no treasury shares have been cancelled.

Analyst Coverage

As of June 30, 2021, analyst coverage is provided by:

		Recommendation	TP
GBM	Liliana de León ldeleon@gbm.com	Buy	\$47.00
SIGNUM/PUNTO CASA DE BOLSA	Alain Jaimes alain.jaimes@signumresearch.com	Buy	\$42.22
MIRANDA RESEARCH	Martín Lara / Marimar Torreblanca martin.lara@miranda-gr.com marimar.torreblanca@miranda-partners.com	Buy	\$45.00

FINANCIAL STATEMENTS

Income Statement

Unaudited figures, in millions of Mexican pesos

	2Q			6M		
	2021	2020	%Δ	2021	2020	%Δ
Net Sales	2,810	1,904	47.6%	5,244	3,829	36.9%
COGS	1,769	1,147	54.2%	3,197	2,230	43.4%
Gross Profit	1,042	757	37.7%	2,047	1,599	28.0%
% margin	37.1%	39.7%	(260) bps	39.0%	41.8%	(280) bps
Operating Expenses	800	579	38.2%	1,500	1,144	31.2%
Operating Income	242	178	35.9%	547	456	20.0%
% margin	8.6%	9.3%	(70) bps	10.4%	11.9%	(150) bps
Comprehensive Financing Result	(155)	(213)	NM	(277)	218	NM
Financial Income	38	29	33.6%	81	438	(81.4%)
Financial Expenses	(193)	(241)	(20.0%)	(358)	(220)	63.2%
Earnings Before Taxes	87	(35)	NM	271	674	(59.7%)
Taxes	22	24	(7.9%)	72	212	(66.1%)
Net Income Before Discontinued Operations	65	(59)	NM	199	462	(56.8%)
% margin	2.3%	(3.1%)	540 bps	3.8%	12.1%	(830) bps
Adjusted EBITDA ¹	419	294	42.5%	892	654	36.4%
% margin	14.9%	15.4%	(50) bps	17.0%	17.1%	(10) bps
Profit (Loss) from Discontinued Operations	-	(97)	NM	-	(155)	NM
Net Profit (Loss) after Discontinued Operations	65	(156)	NM	199	306	(34.9%)

¹ Adjusted EBITDA considers: operating income + depreciation and amortization + non-recurring expenses (donations and Flow implementation expenses). In 2Q21 it considers Ps. 75 million of Flow expense and Ps. 6 million donations and in 2Q20 it considers Ps. 21 million of Flow expense and Ps. 5 million donations. Cumulatively, it considers Ps. 150 million of Flow expenses and Ps. 8 million for donations in 2021 as well as Ps. 21 million expense for Flow and Ps. 6 million for donations in 2020.

Balance Sheet (Unaudited figures, in million Mexican pesos)

		6M		
		2021	2020	%Δ
Balance Sheet	Cash and Cash Equivalents	2,449	3,193	(23.3%)
	Accounts Receivable	1,627	1,502	8.3%
	Inventory	1,233	906	36.2%
	Other Current Assets	955	683	39.9%
	Current Assets	6,264	6,284	(0.3%)
	Property, Plant and Equipment - Net	2,336	2,326	0.4%
	Other Long-term Assets	4,315	3,942	9.4%
	Total Assets	12,915	12,553	2.9%
	Short-term Debt	151	7	NM
	Suppliers	1,088	483	NM
	Other Accounts Payable	961	919	4.6%
	Short-term Liabilities	2,201	1,409	56.2%
	Long-term Debt	4,038	4,068	(0.7%)
	Other long-term Liabilities	579	590	(1.8%)
	Total Liabilities	6,817	6,066	12.4%
	Total Stockholders' Equity	6,097	6,486	(6.0%)
	Total Liabilities + Stockholders' Equity	12,915	12,553	2.9%

Cash Flow (Unaudited figures, in million Mexican pesos)

		6M		
		2021	2020	%Δ
Cash Flow	EBIT	547	456	20.0%
	Depreciation	187	171	9.0%
	Tax	(125)	(100)	25.6%
	Working Capital	(278)	191	NM
	Other ²	(211)	56	NM
	Operating Free Cash Flow	119	775	(84.6%)
	<i>Operating Free Cash Flow Conversion (%)</i>	<i>21.8%</i>	<i>170.1%</i>	<i>NM</i>
	Net Interest	(220)	(164)	34.3%
	Dividends	(206)	(173)	19.0%
	CapEx	(178)	(133)	33.4%
	Repurchase Fund	(115)	(477)	(75.8%)
	Mergers and Acquisitions	1	130	(99.4%)
	Short and Long-Term Debt	-	1,130	NM
	Leases	(27)	(25)	5.6%
	Other ³	(17)	283	NM
	Net Change in Cash	(643)	1,346	NM
	Initial Cash Balance	3,092	1,848	67.3%
Final Cash Balance	2,449	3,193	(23.3%)	

² Other includes Ps. (201) million of prepaid expenses in 2021 and Ps. 50 million of other payable taxes in 2021.

³ Other includes Ps. (13) millions purchases for other long-term assets in 2021 and Ps. 280 million for the exchange rate variance effect on cash in 2020.

APPENDICES

PRESS RELEASES | 2Q21

- ⑤ GBM releases "Deep Dive AGUA" with \$47 target price update, market outperformer – July 7
- ⑤ Rotoplas operations status update during June – July 2
- ⑤ Invitation to 2Q21 Results Conference – June 23
- ⑤ AGUA* is included in the sample of the ESG index of the Mexican Stock Exchange (BMV) – June 21
- ⑤ Rotoplas operations status update during May - June 5
- ⑤ Resolutions adopted by the GSM 2021 – April 30
- ⑤ Invitation to 1Q21 Results Conference – April 13
- ⑤ Proposals to the General Ordinary and Extraordinary Shareholders' Meeting 2021 – April 7
- ⑤ Rotoplas operations status update during March – April 5

For more information, please refer to the Relevant Events section on our website:
<https://rotoplas.com/investors/relevant-events/#1>

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Forward Looking Statements

This press release may include certain forward-looking statements relating to Grupo Rotoplas S.A.B. de C.V. It relies on considerations of the Grupo Rotoplas S.A.B. de C.V. management which are based on current and known information; however, the expectations could vary due to facts, circumstances and events beyond the control of Grupo Rotoplas, S.A.B. de C.V.

About the Company

Grupo Rotoplas S.A.B. de C.V. is America's leading provider of water solutions, including products and services for storing, piping, improving, treating and recycling water. With over 40 years of experience in the industry and 19 plants throughout the Americas, Rotoplas is present in 14 countries and has a portfolio that includes 27 product lines, a services platform and an e-commerce business. Grupo Rotoplas has been listed on the Mexican Stock Exchange (BMV) under the ticker "AGUA" since December 10, 2014.

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