

2023



6M

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

Corporate Presentation



## Investment considerations

- 01 Our water management solutions
- 02 Clear structure for a sustainable future
- 03 Solid Financials
- 04 Water, a resource at risk

**Mission** | for people to have more and better water

**Vision** | Offer non-centralized and sustainable water solutions, with relevant benefits for our customers, within the Rotoplas Way

# 01

## Our water management solutions

## Key Messages

Rotoplas pays dividends annually, despite being a growing company

Sustainable growth plan: double sales in 5 years

Transformation story: Rotoplas significantly increased its ROIC in 2 years

Leader in sustainability and innovation – Rotoplas operates sustainably and helps its clients to reduce their environmental impact

Upside potential

Clear climate change and diversity targets



### Analyst Coverage

GBM	Buy	\$50.00
Signum / Punto	Buy	\$42.22
Miranda Research	Buy	\$44.00
BTG Pactual	Buy	\$40.60
Apalache	Buy	\$44.00
Consensus		\$44.16



**Our Mission** | For people to have more and better water

**Our Vision** | Offer non-centralized and sustainable water solutions, with relevant benefits for our customers, within the Rotoplas Way

We are currently at a crucial point in addressing water-related problems.

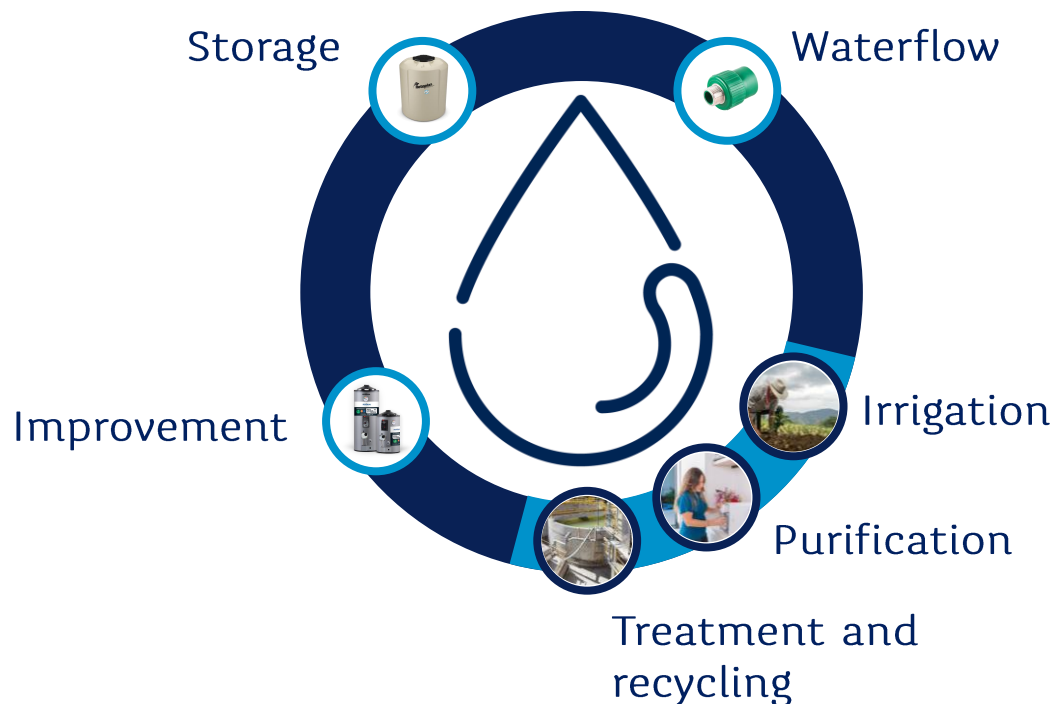
**40% deficit** between water **supply** and **demand** by **2030**.

**36 billion USD** to **renew** drinking **water** and sanitation **infrastructure** in **Mexico**.

**2/3** of **companies** at **risk** due to **water stress**.

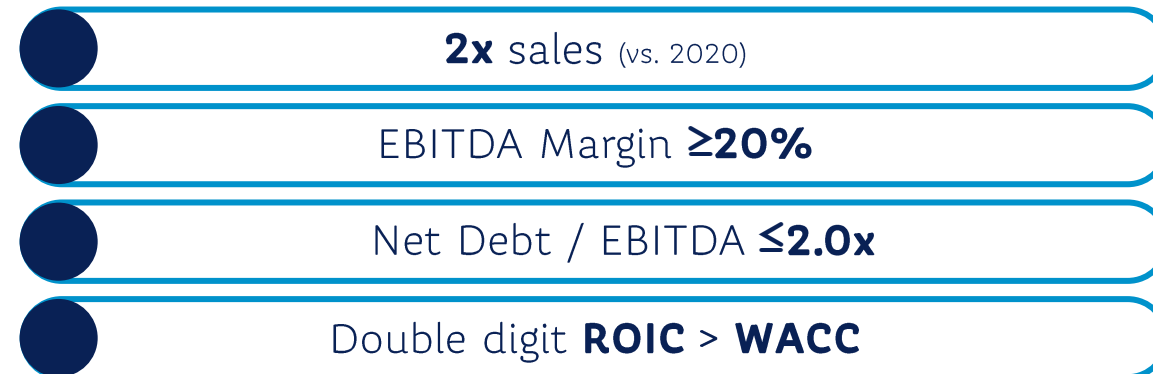
## Leveraging Rotoplas' leadership in the water industry

Leading products and services in a rapidly growing and high-impact industry.

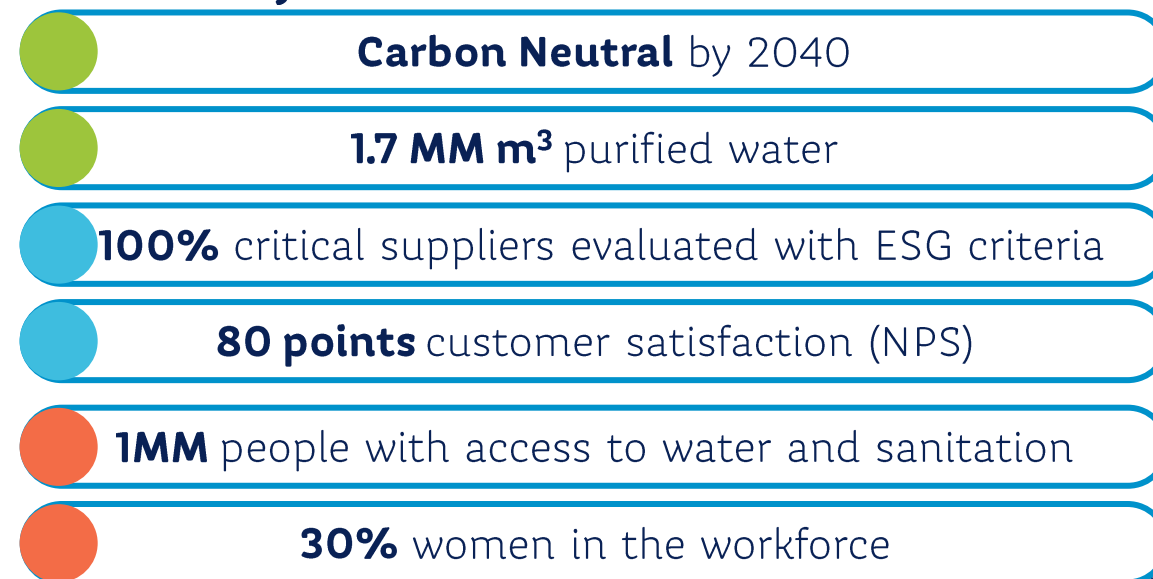


- ~15% Sales CAGR (vs. 2020)
- 18% LTM EBITDA Margin
- +450bp expansion in ROIC LTM

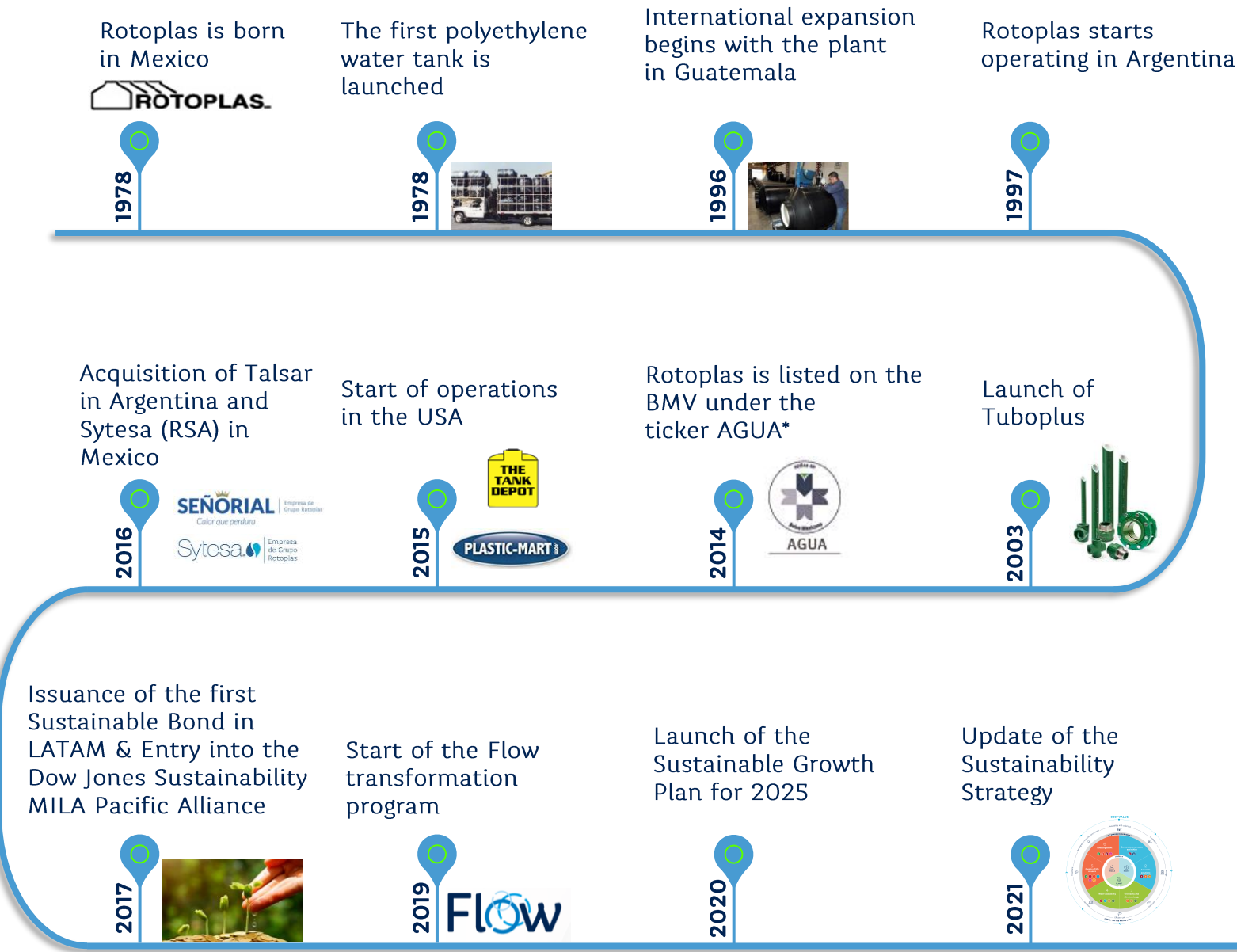
### Financial Guidance 2025



### Sustainability Guidance 2025



# A story motivated by water



**14** countries

**18** plants

**+3,300** employees

**27** product lines

**3** Service lines

**+32,000** points of sale

**+98,000** points of service

# Our Products | Solutions for adapting to climate change

## Storage



## Waterflow








Instalamos  
confianza  
AGUA, GAS y DESAGÜE

## Improvement



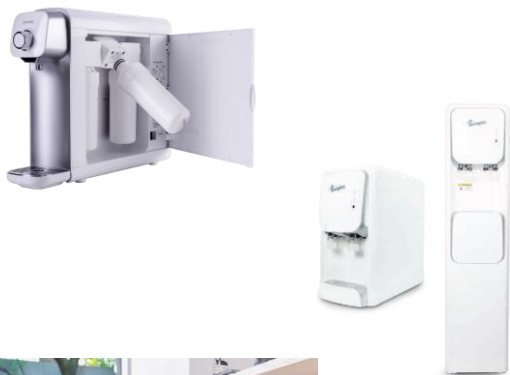
## Value Traditional Business

-  Leading brands
-  Strong market share
-  Strong cash flow
-  Steady EBITDA – YTD \$1,217
-  Dividend payment



# Our Services | Climate change mitigation solutions

## Purification



## Treatment & recycling



rsa | Rotoplas  
servicios  
de agua




Acuantia.

## Irrigation



riego®

## Growth New Businesses

-  Investment phase: negative cash flow
-  Negative EBITDA – YTD (\$110)
-  Strong earnings growth potential

bebbia®

# Rotoplas' presence

- Mature market
- Expanding market
- Emerging market
- 🎯 Plan
- 🔍 Explore



PRODUCTS

SERVICES

Storage	■ Acuantia. THE TANK DEPOT	■ Rotoplas más y mejor agua	■ Rotoplas más y mejor agua	■ Rotoplas más y mejor agua		■ Rotoplas más y mejor agua
Waterflow		■ Tuboplus	■ Tuboplus	■ Rotoplas más y mejor agua		■ IPS Instalamos confianza AGUA, GAS Y DESAGUE
Improvement		■ Rotoplas más y mejor agua	■ Rotoplas más y mejor agua	■ Rotoplas más y mejor agua		■ SEÑORIAL Calor que perdura
Purification		■ bebbia®		🔍	🔍	
Treatment and recycling	■ Acuantia.	■ rsa Rotoplas servicios de agua		🔍	■ Acuantia.	
Irrigation		■ riego®				

Central America includes Guatemala, El Salvador, Costa Rica, Honduras y Nicaragua.

# What's next for Rotoplas?

## Guidance 2025

**2x** Sales

EBITDA Margin **≥20%**

Net Debt / EBITDA **≤2.0x**

Double digit **ROIC > WACC**

## Growth Avenues

➔ Water as a Service Platform  
Mexico & Brazil

bebbia®  Servicios de agua 

➔ ACUANTIA  
United States

➔ Launching of new solutions



➔ Synergies between operations



➔ D&A Platforms



## What's next for Rotoplas? | 2025 expected growth

	Growth CAGR 22-25	
	Revenue	Adj. EBITDA
<b>PRODUCTS</b>	12 – 14%	20 – 22%
Mexico	10 – 12%	18 – 20%
Argentina	12 – 14%	14 – 16%
USA*	29 – 31%	Margin > 7%
Other	15 – 17%	17 – 19%
<b>SERVICES</b>	30 – 32%~	Margin > 0%
<b>TOTAL</b>	14 – 15%	25 – 27%

### Growth Drivers:

- **Flow** transformation program
- **Water stress** related risks
- **CapEx** 5% of sales
- **Government sales** <10%

- **2x** sales
- EBITDA Margin **≥20%**

\*USA, includes the e-commerce retail business and the septic solutions business

## New Businesses Growth

■ Market Opportunity

■ Main Initiatives 2023

rieggo®

■ - 350 M USD

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

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

rsa | Rotoplas  
servicios  
de agua

■ - 1 Bn USD

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

Acuantia. 

■ - 6 Bn USD (septic business)

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

Acuantia. 

■ - 800 M USD

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



# 360° Value | 2021-2025 Sustainability Strategy



## Sustainability Achievements 2016-2020

- 2016 | SDG Contribution
- 2017 | First Sustainable Bond in Latam
- 2017 | DJSI MILA Pacific Alliance
- 2019 | S&P/BMV Total Mexico ESG Index

# Results & Goals| ESG

## Profit

Suppliers evaluated with ESG criteria

Customer Satisfaction (NPS Score)

## Planet

CO<sub>2</sub> Intensity - Scope 1 and Scope 2 – per ton of processed resin

m<sup>3</sup> of purified water using our solutions

## People

People impacted with access to sanitation (cumulative)

Women in the workforce

	Results 2021	Goal 2022	Results 2022	Goal 2023	Goal 2025
Suppliers evaluated with ESG criteria	0%	20%	20%	45%*	100%
Customer Satisfaction (NPS Score)	67	68	72	73	80
CO <sub>2</sub> Intensity - Scope 1 and Scope 2 – per ton of processed resin	0.41	0.50	0.48	0.45	0.41
m <sup>3</sup> of purified water using our solutions	164K	314K	404K	656K	1.7 MM
People impacted with access to sanitation (cumulative)	330K	543K	553K	788K	1 MM
Women in the workforce	23%	24%	24%	27%	30%

## Indices & Recognitions



\*45% of the suppliers classified as “Critical - Tier 1.”

# Nearshoring | Opportunities in the Water Industry

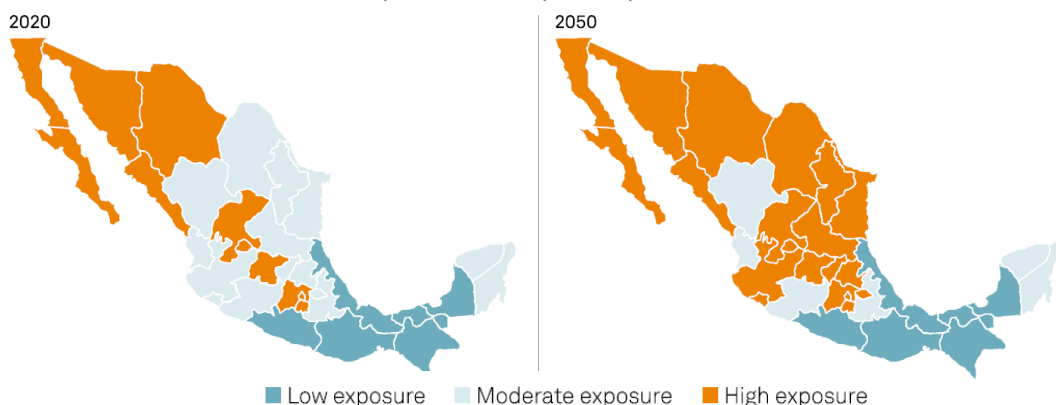
Companies are beginning to move their production chain to Mexico, and this represents a great opportunity for our market.

## Why Mexico?



- Location
- Trade openness | 14 free trade agreements with 50 countries
- Disruption in global supply chains
- High-quality manufacturing at competitive costs
- Exposure to different industries and adaptability
- Low freight costs and adequate infrastructure
- Diversification of the supplier base

**The number of Mexican states highly exposed to water scarcity could nearly double by the year 2050**



Source: S&P Global Ratings

## Opportunities for Rotoplas

We have **14 manufacturing plants** for products in Mexico and a **robust service platform** that can help solve a series of challenges.

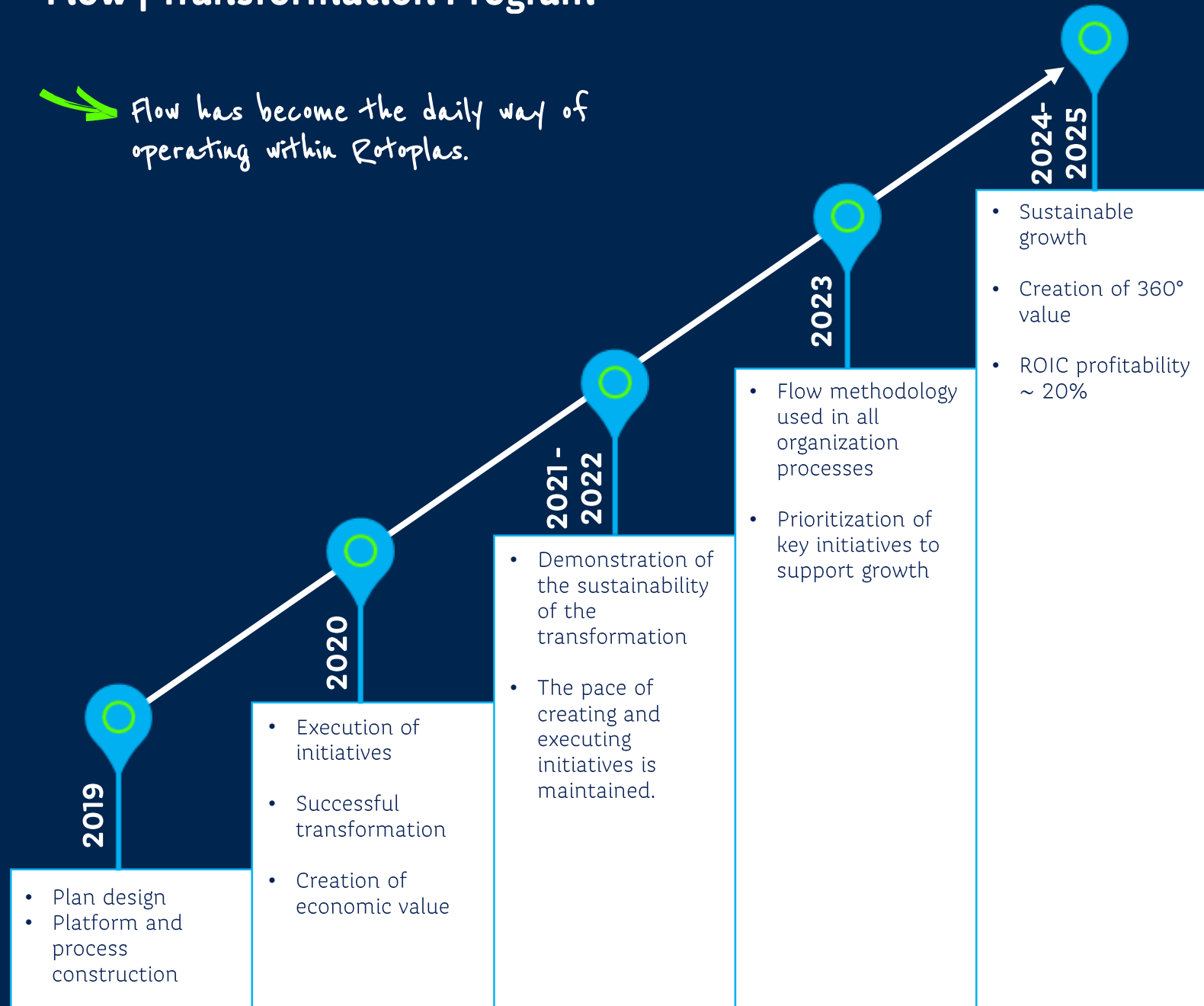
- There is an **estimated deficit** of **1 million homes** with decentralized **water solutions needs**.
- A **30% growth** in **demand** for **industrial parks** drives the need for wastewater treatment.
- Factory **construction processes** will **need water solutions**.
- **Regions** that will **benefit most** from nearshoring are those that **suffer most** from **water scarcity**.

# 02

Clear  
structure for  
a sustainable  
future

# Flow | Transformation Program

➔ Flow has become the daily way of operating within Rotoplas.



## Flow focuses on **three pillars**

### 1. Enhance portfolio performance

- Revenue levers
- Cost levers
- Working capital levers

### 2. Growth initiatives

- Quality and execution of growth opportunities
- Cross-selling
- Service platform
- E-commerce growth
- Optimization of capital allocation

### 3. Organizational health initiatives

- Change management
- Diligence in projects and accountability
- Review of organizational climate



# Corporate structure | Board & Top Management

**Our board of directors**

Transparency → 50% **independent** members

Diversity → 6 **international** members

Innovation → Represented by 3 different **generations**

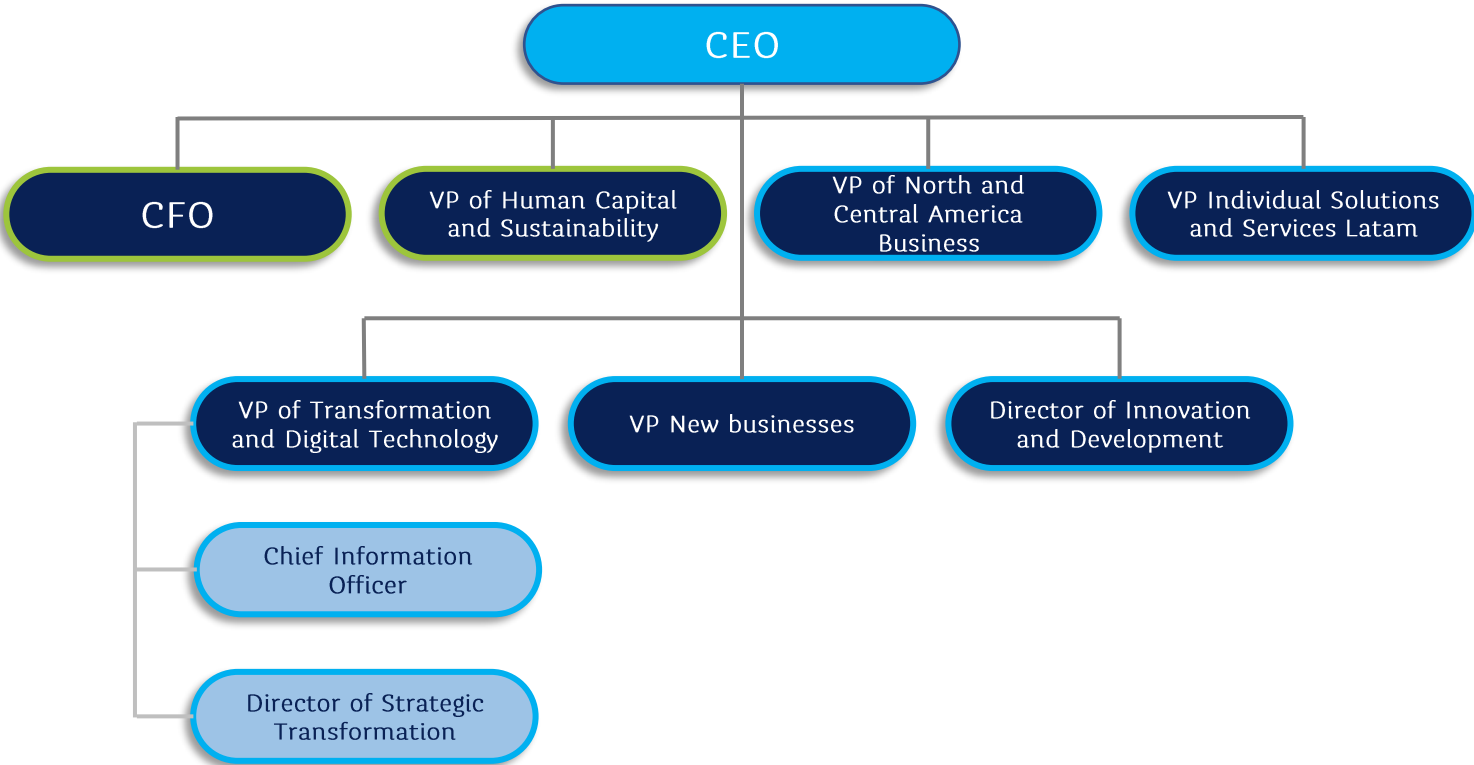
Equality → **Gender equality** on the Board, 7% women

Experience → **Board members** with diverse industry backgrounds & more than 500 years of combined experience

Meetings → **4 Ordinary Meetings** annually



Independent Members / Total Members



Responsible for the execution of the Sustainability Strategy

# 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  
approval



Quarterly status  
update

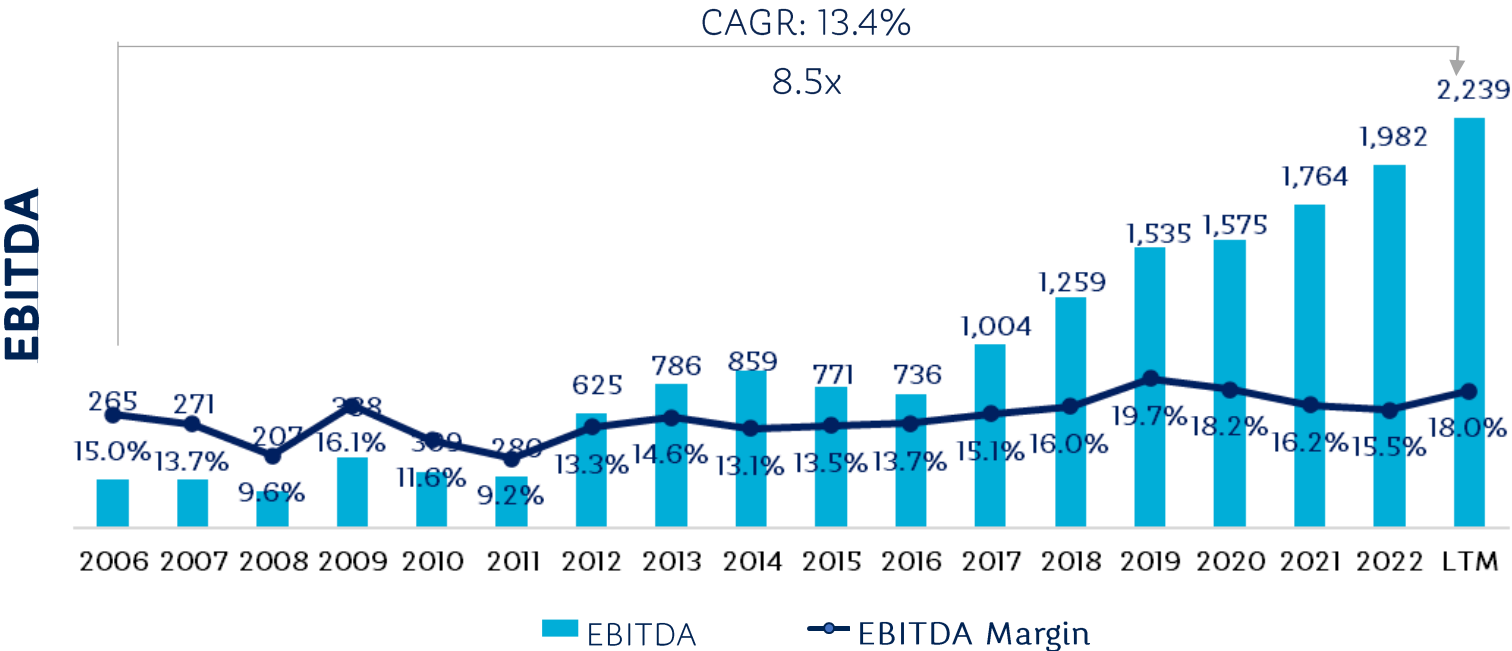
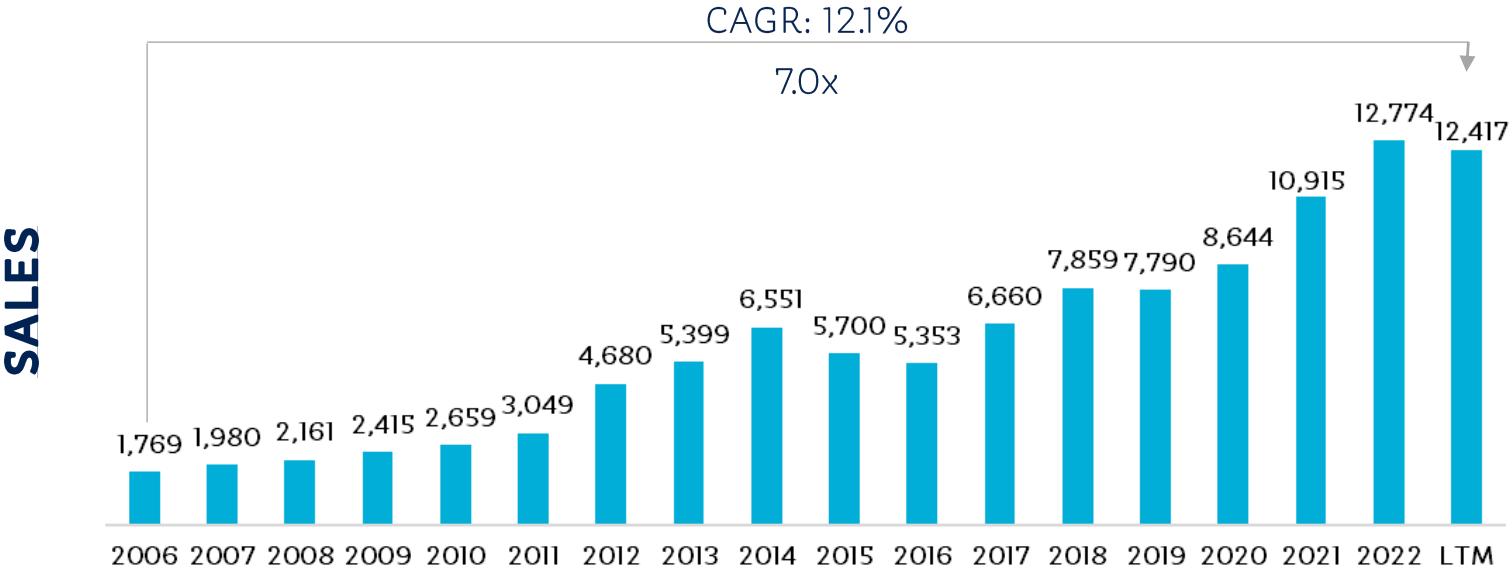
Supported by a Capital Allocation Committee

# 03

## Solid Financials

# Business Model Resilience

MXN mm



Continuous growth

Double-digit margins

Strong Management

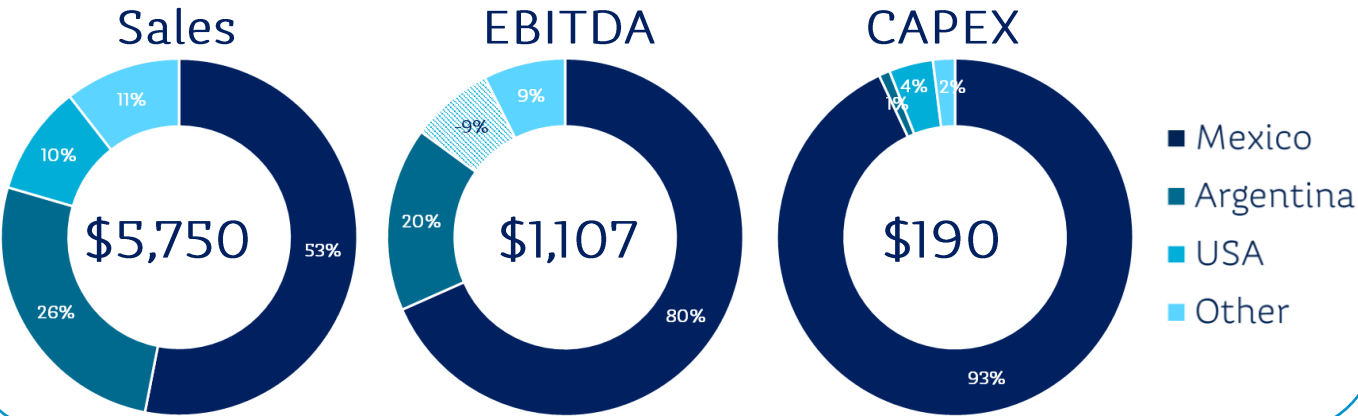


- Mexico – 45 years
- Central America – 23 years
- Peru – 21 years
- Argentina – 21 years
- Brazil – 20 years
- USA – 5 years

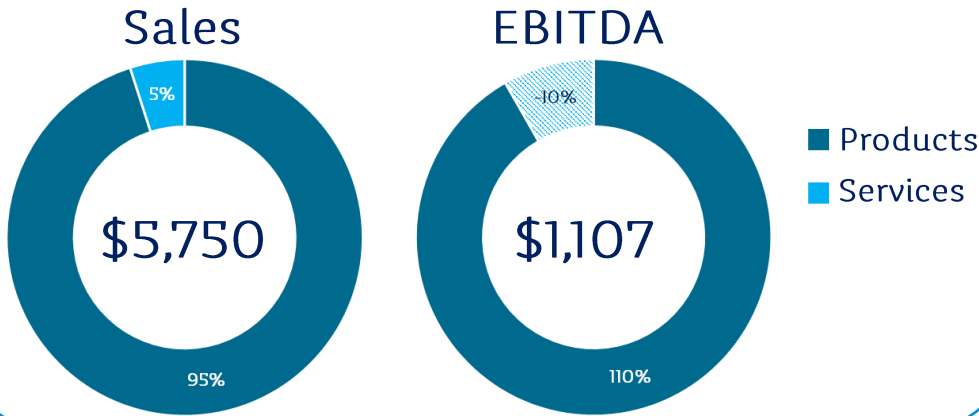
6M23 Results

MXN mm

By country



By solution



		6M23	6M22	Δ %/bps
Income Statement	Net sales	5,750	6,107	(6%)
	Cost of Sales	3,075	3,583	(14%)
	Gross Profit	2,674	2,524	6%
	Margin	47%	41%	520 pb
	Operating Income	872	651	34%
	Margin	15%	11%	450 pb
	Financing Result	(850)	(349)	NA
	Taxes	(9)	(93)	90%
	EBITDA	1,107	850	30%
	Margin	19%	14%	540 pb
	Net Result	12	210	(94%)

Cash Conversion Cycle  
70 days

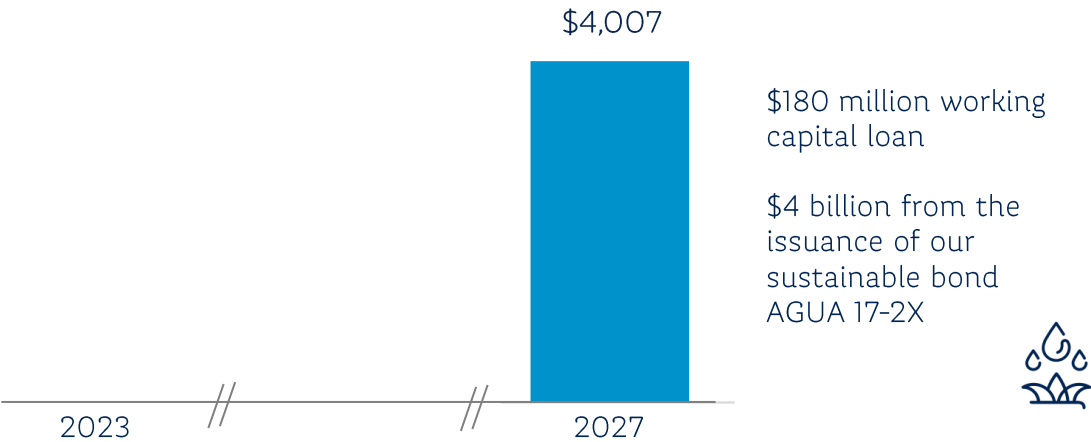
- Inventory Days 75
- Accounts Receivable Days 74
- Accounts Payable Days 79



# 6M23 Results

MXN mm

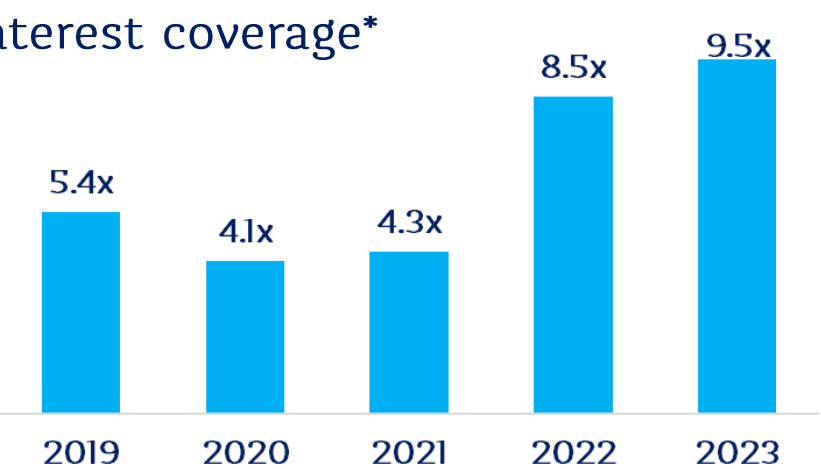
## Debt Maturity Profile



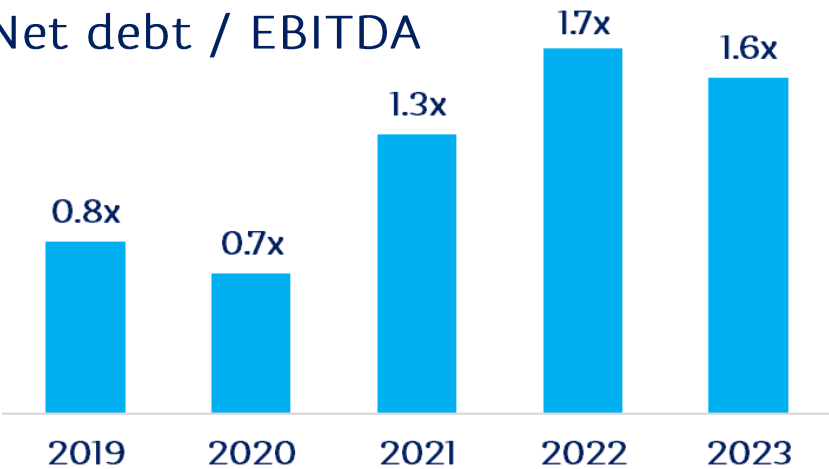
## Strong Balance Sheet to support growth

	June 2023
Cash and Cash Equivalents	536
Other Asssets	11,995
Total Assets	12,531
Debt	4,187
Other Liabilities	2,550
Total Liabilities	6,737
Equity	5,797
Liabilities + Equity	12,531

## Interest coverage\*

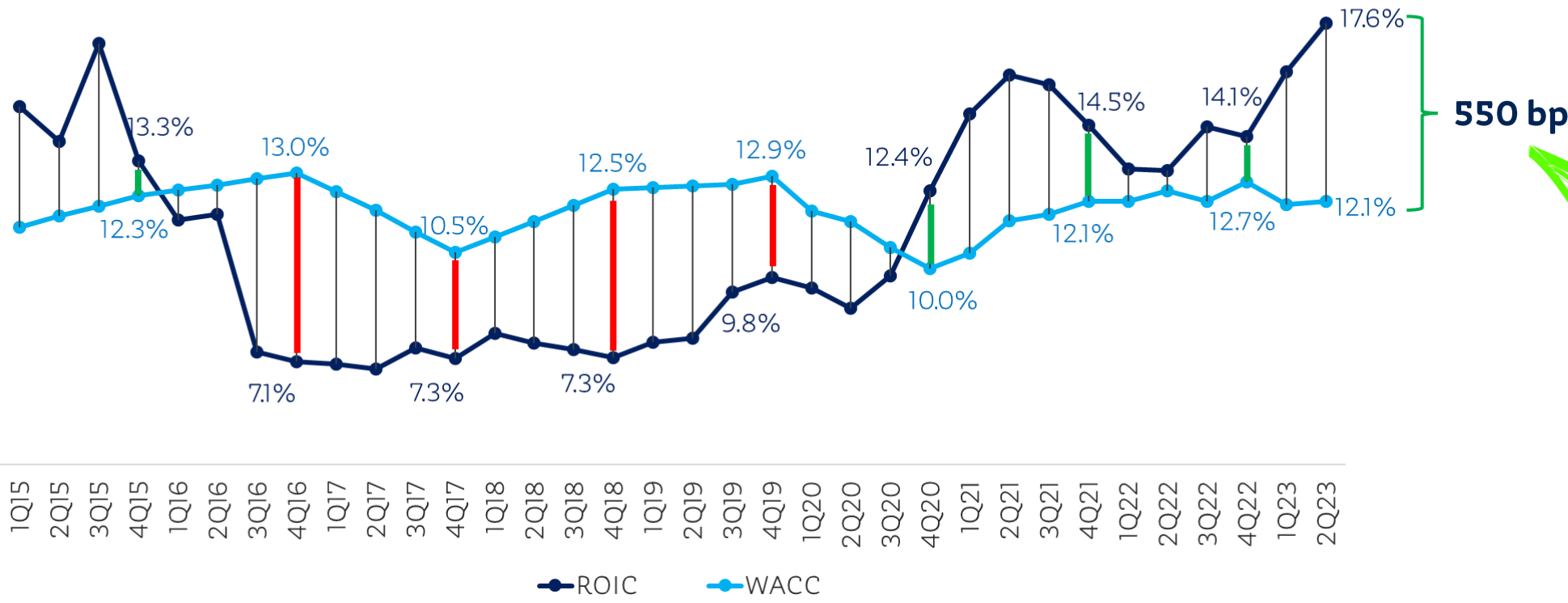


## Net debt / EBITDA



\*\*Considers net interest paid = interest expense – interest income  
\*Calculation of interest coverage: LTM EBITDA/ LTM Net interest expense

# ROIC | Sustainable value creation



550 bp

ROIC-WACC  
spread exceeds  
earnings  
guidance

ROIC: NOPAT LTM/ Invested Capital LTM, monthly average  
Invested Capital: Total Assets – Cash and Cash Equivalents – Short-Term Liabilities.  
ROIC excludes Flow program execution costs from 2Q20 to 4Q21 as they are one-off.

# AGUA\*

Peer	EV/EBITDA 2023e	CAGR Sales	CAGR EBITDA
Rexnord	8.1x	11%	12%
Watts	14.7x	4%	4%
Veolia	6.1x	5%	5%
Xylem	19.2x	4%	-21%
Coway	3.4x	5%	0%
Flowserve	12.5x	3%	11%
Evoqua	20.4x	4%	5%
Pentair	13.1x	4%	5%
Mueller	11.3x	3%	7%
Primo	8.3x	4%	5%
Lindsay Corp	10.4x	5%	6%
Hayward	13.4x	7%	13%
Fluidra	9.9x	3%	3%
Toro	14.4x	5%	10%
Badger Meter	29.9x	7%	7%
Ecolab	19.0x	6%	11%
Franklin Electric	14.5x	1%	3%
<b>Average</b>	<b>13.4x</b>	<b>5%</b>	<b>5%</b>
<b>Rotoplas</b>	<b>6.7x</b>	<b>18%</b>	<b>23%</b>

AGUA\* is trading at a **50%** discount

Growth **+3x** faster in revenue

Growth **+4x** faster in EBITDA

Source: Bloomberg & SiBolsa

\* Capital reimbursements for 2020 and 2021 include stock reimbursements.

## AGUA\* vs. IPC (Mexbol)



## Dividend History\*



## Guidance 2023



Sales 0%



EBITDA Margin 17% - 18%



Net Debt / EBITDA  $\leq$  2.0x



ROIC = WACC + 250 bp

# 04

## Water, a resource at risk



# Our water supply is at risk, requiring decentralized water solutions



Imbalance in water distribution

10 countries control  
60% of the global fresh water supply



Across the world, water supply & sewer systems are

60-80  
years old

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

40%  
decrease in  
renewable water

per capita in the last 22 years

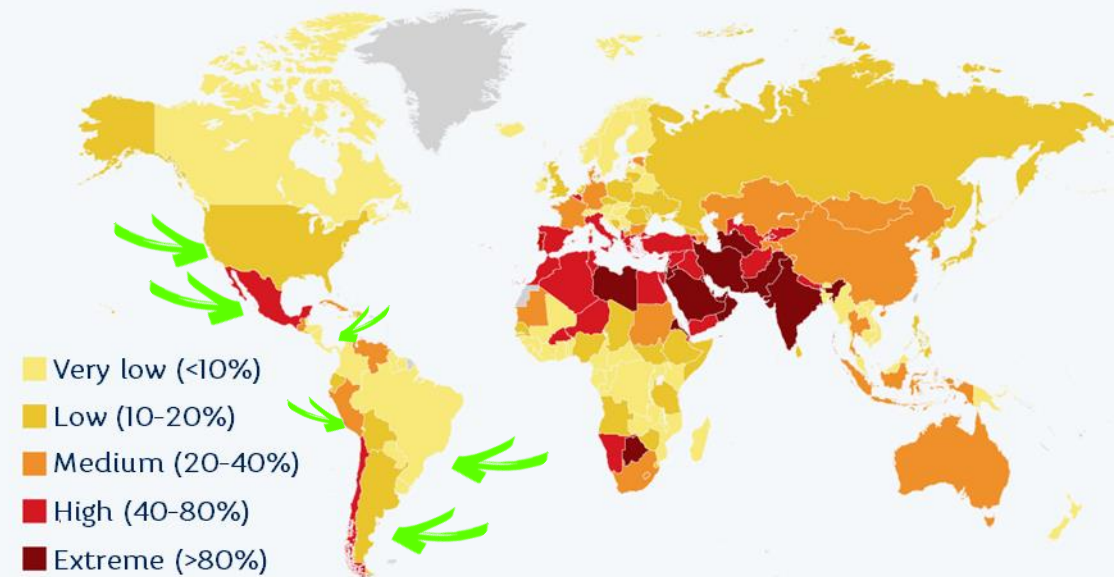


Population Growth

	2020	2050
Rural	3.0B	3.0B
Urban	4.0B	7.0B
Total	7.0B	10.0B

## Which countries are most at risk of running out of water?

Level of vulnerability to water stress in the world\*.



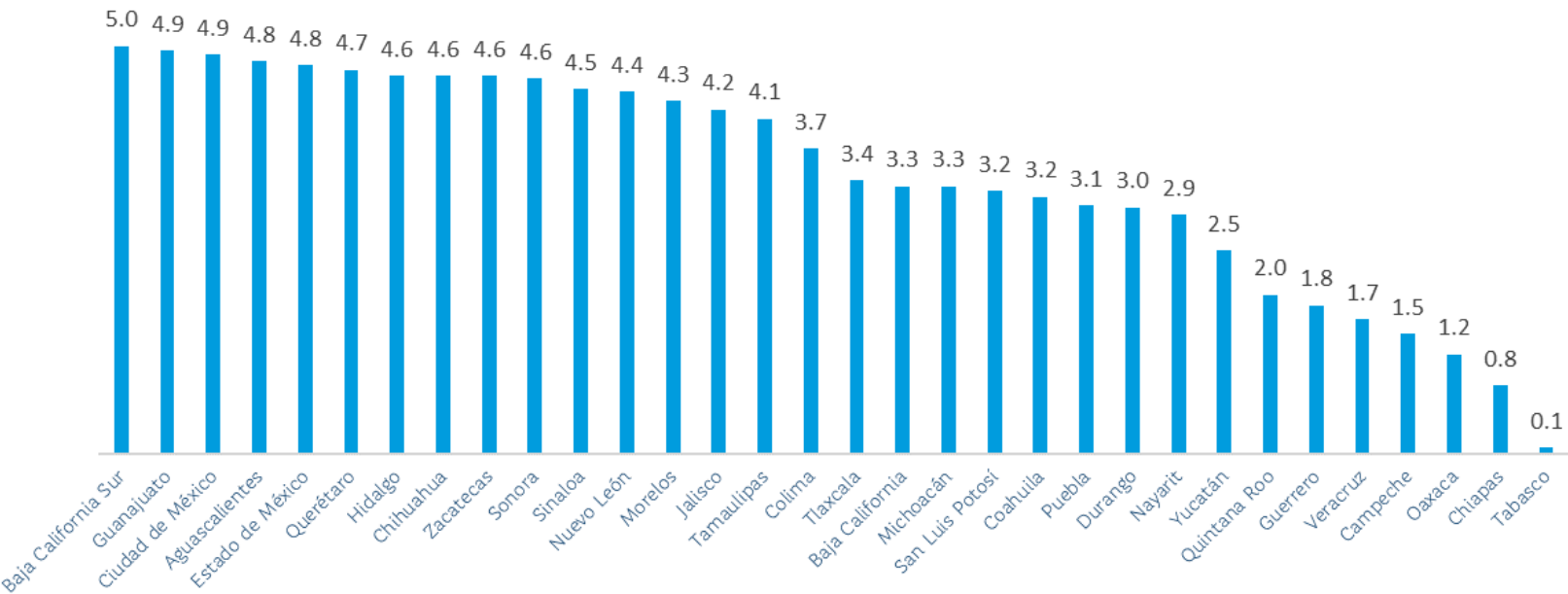
\*According to the proportion of water used annually with respect to the available supply.

Source: 2020 Ecological Threat Register

# Water situation in Mexico



## General water risk<sup>1</sup>

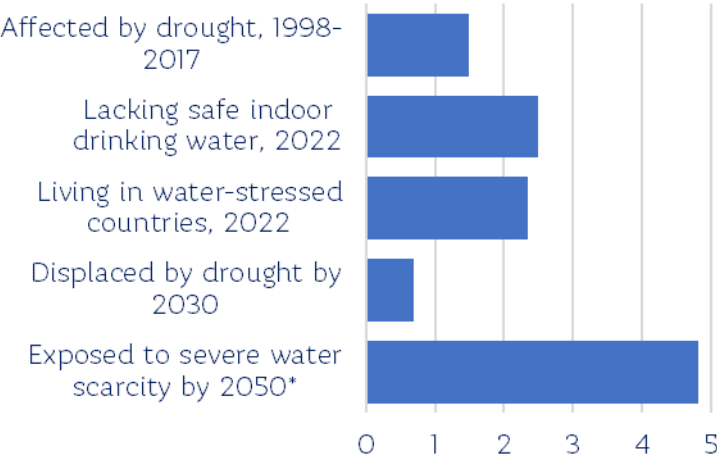


<sup>1</sup>In relation to the percentage of consumption over the total water available in a year.  
<sup>2</sup>UN Global Land Outlook

## General water risk America<sup>1</sup>

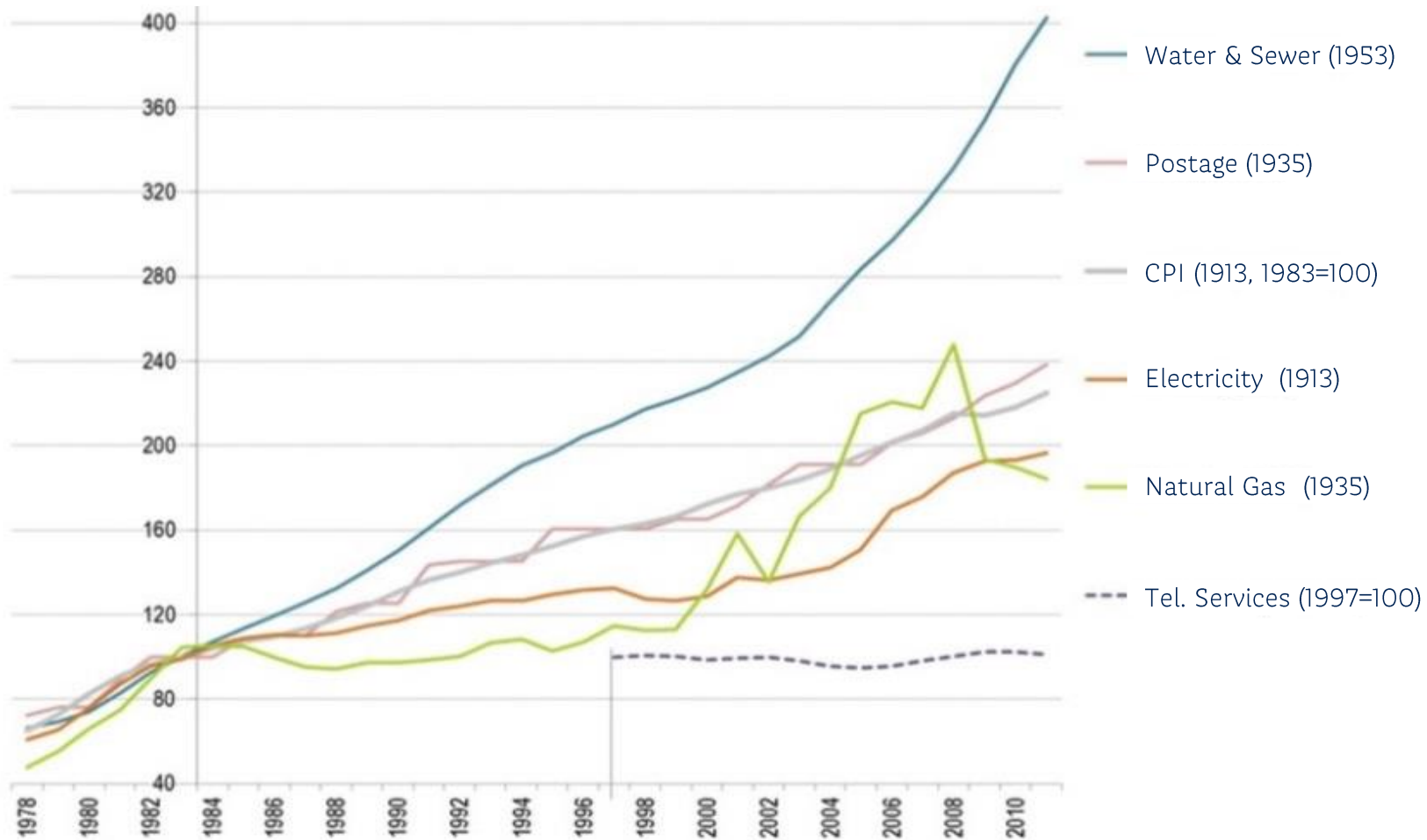
Country	Ranking	Risk
Mexico	24	3.86
Guatemala	57	2.36
Peru	66	2.05
USA	71	1.85
El Salvador	78	1.66
Argentina	92	1.31
Costa Rica	107	0.92
Brazil	112	0.78
Honduras	133	0.27
Nicaragua	137	0.21

## Global estimated, bn people<sup>2</sup>



## Water cost evolution | USA

Trends in consumer prices (CPI) for utilities



**Water** is the fastest **rising** utility **cost**

# Thank you!



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