# Third Quarter 2020 Earnings Release

Mexico City, October 21st. Grupo Rotoplas S.A.B. de C.V. (BMV: AGUA) ("Rotoplas" or "the Company" or "the Group"), the leading provider of water solutions, products and services, in the Americas, announced today its unaudited financial results for the third quarter of 2020 ending September 30th. The information within has been prepared based on International Financial Reporting Standards (IFRS).

## Financial Highlights

(Figures in million Mexican pesos)

| | 3Q20 | 3Q19[1] | Δ % | 9M20[1] | 9M19[1] | Δ % |
|---|---|---|---|---|---|---|
| **Income Statement** | | | | | | |
| Net Sales | 2,364 | 2,003 | *18.1%* | 6,194 | 5,754 | *7.6%* |
| *Gross Margin* | *41.5%* | *42.5%* | *(100) bp* | *41.7%* | *42.8%* | *(110) bp* |
| Operating Income | 276 | 309 | *(10.7%)* | 732 | 858 | *(14.7%)* |
| *Operating Margin* | *11.7%* | *15.5%* | *(380) bp* | *11.8%* | *14.9%* | *(310) bp* |
| EBITDA | 366 | 389 | *(6.0%)* | 993 | 1,096 | *(9.4%)* |
| Adjusted EBITDA[2] | 445 | 392 | *13.6%* | 1,099 | 1,100 | *(0.1%)* |
| *Adj. EBITDA Margin* | *18.8%* | *19.6%* | *(80) bp* | *17.7%* | *19.1%* | *(140) bp* |
| Net income before discontinued operations | 41 | 96 | *(56.9%)* | 503 | 342 | *47.0%* |
| *Net income margin* | *1.7%* | *4.8%* | *(310) bp* | *8.1%* | *5.9%* | *220 bp* |
| Net Profit / Loss after discontinued operations | 38 | (70) | NM | 344 | 82 | NM |
| **Balance Sheet and Key Financial Metrics** | | | | | | |
| Cash and cash equivalents | 3,394 | 1,546 | NM | | | |
| Total Debt | 4,151 | 2,982 | *39.2%* | | | |
| Net Debt / EBITDA LTM | 0.5 x | 1.0 x | *(0.5) x* | | | |
| ROIC | 9.8% | 9.3% | *50 bp* | | | |

*[1] For comparison purposes, these figures vary from those previously reported since these now exclude the operations in the product business in Brazil as they are considered discontinued due to their sale in May 2020. This adjustment reduces net sales by Ps. 56 million in 9M20, Ps. 20 million in 3Q19, and Ps. 224 million in 9M19. Additionally, it increases Adjusted EBITDA by Ps. 13 million in 9M20, Ps. 0.1 million in 3Q19 and Ps. 71 million in 9M19.*

*[2] Adjusted EBITDA considers: operating profit + depreciation and amortization + non-recurring expenses (donations and implementation costs for Flow). In 3Q20, it considers Ps. 75 million in Flow expenses and Ps. 4 million in donations, and in 3Q19 it considers Ps. 3 million in donations. Cumulatively, it considers Ps. 96 million for Flow expenses and Ps. 9 million for donations in 2020 and Ps. 4 million for donations in 2019.*

## Quarterly Results 3Q20 vs 3Q19

(Figures in million Mexican pesos)

- Net sales reached a record in the Company's history growing 18.1% due to changes in consumption habits and trends that have increased the demand for water and favor online commerce.

  All countries reported double-digit sales growth, except Argentina, which maintained the same level of sales as the previous year.

  - Product sales grew by 20.0%, driven by increased demand for water management solutions and an acceleration of e-commerce sales.

  - Services sales fell by 4.0%. There were record sales for *bebbia* and strong growth for water drinking fountains. However, there was a decrease in Sytesa's billing as some water treatment and recycling units went from a comprehensive scheme to operation and maintenance only, while the new plants were not able to begin operations due to delays related to mobility restrictions caused by COVID-19.

- Gross profit reached Ps. 981 million and the margin contracted 100 bps due to higher manufacturing costs related to the payment of additional personnel and overtime as a result of health contingency measures.

- Operating income reached Ps. 276 million with an operating margin of 11.7%, lower than 3Q19 due to the recognition of Ps. 75 million in expenses for the execution of the *Flow* transformation program, the implementation of health protocols of Ps. 7 million and Ps. 4 million in donations related to the sanitary crisis. Without these non-recurring expenses, the margin would have been 15.3% and operating expenses would have grown 14.4%, less than the increase in sales.

- Adjusted EBITDA[1] reached Ps. 445 million with a margin of 18.8%. The initiatives that belong to the Flow program contributed with Ps. 131 million, 30% of the EBITDA.

- The net result before discontinued operations was a profit of Ps. 41 million.

- ROIC closed at 9.8%, an improvement of 50 bps compared to the previous year, the lowest gap to the cost of capital in 17 quarters.

- During the quarter, cash increased by Ps. 201 million, with the leverage ratio reaching 0.5x Net Debt/adjusted EBITDA.

- The cash conversion cycle improved by 23 days due to a more efficient working capital management.

[1] Adjusted EBITDA considers: operating income + depreciation and amortization + non-recurring expenses (donations and *Flow* implementation expenses). In 3Q20 it considers Ps. 75 million of *Flow* expense and Ps. 4 million donations and in 3Q19 it considers Ps. 3 million donations.

## Cumulative Results from January to September 2020 vs 2019

(Figures in million Mexican pesos)

- Net sales increased by 7.6% during the year, despite operating in a very complex environment posed by the global health and economic crisis. This increase was driven by a third quarter with fewer mobility restrictions that offset the weakness of the first half due to the effects that the containment of the pandemic had on operations, which caused an estimated accumulated loss of sales of Ps. 329 million.
  - Product sales grew 7.6%, driven by an increase in market share in all regions, a significant acceleration of e-commerce revenues and increased demand for water storage and purification solutions.
  - Service sales grew 8.7%, driven mainly by water purification category that includes *bebbia* platform and drinking fountains.
- Gross margin contracted by 110 bp mainly due to the impact of the closing or limitation of operations during the first semester in Argentina, Peru and Central America, as well as the expenses associated with the measures adopted because of the sanitary contingency.
- Operating income reached Ps. 732 million, with a margin of 11.8%. Operating expenses were impacted by the recognition of *Flow* execution expenses for Ps. 96 million, expenses for the adoption of safety and hygiene measures for Ps. 14 million, and Ps. 9 million for donations. Without such non-recurring expenses, the margin would have been 13.8% and operating expenses would have grown 7.8%, in line with the growth in sales.
- Adjusted EBITDA[2] for the period was Ps. 1,099 million and the margin was 17.7%. The initiatives of the *Flow* program contributed Ps. 231 million to EBITDA, representing 21% of the total.
- Net income before discontinued operations grew 47.0% due to operational strength and gains on financial instruments in the first quarter that offset financial expenses related to debt payments and foreign exchange losses.

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[2] Adjusted EBITDA considers: operating income + depreciation and amortization + non-recurring expenses (donations and *Flow* implementation expenses). Cumulatively, it considers Ps. 96 million of *Flow* expenses and Ps. 9 million for donations in 2020 as well as Ps. 4 million for donations in 2019.

## Message from the CEO

We are very satisfied with the results achieved during the quarter, as well as the benefits from offering solutions for water management that are closely aligned with the macro-trends of sustainability and the efficient use of natural resources.

During the quarter, we continued to prioritize the health and safety of employees, customers and stakeholders, while closely monitoring cash flow. Sales and EBITDA, which reached a record for a quarter in the history of the Company, benefited from changes in the consumption habits of our clients. The permanence of families in their homes has increased their need for water, promoted home improvements and boosted consumption through digital channels.

Nine months after the beginning of the execution of *Flow* transformation program and with the participation of 28% of our employees, we have managed to outline more than 950 initiatives focused on generating value, of which 46% have already provided tangible results. In addition, *Flow* has given us greater resilience and clarity to be able to face the challenges posed by the global health and economic crisis.

So far this year, *Flow* has contributed to 2 out of every 10 pesos of EBITDA and has helped increase and change the trend in ROIC, leaving us with only an 86 bp differential to match the cost of capital and reach the program's main objective.

Likewise, in the quarter we launched *Rieggo*, a joint venture with Renewable Resources Group that will focus on providing disruptive hydraulic solutions for the agricultural sector, one of the activities with the highest water consumption.

Regarding the immediate future, we are optimistic about the remainder of 2020 and clear about how to improve our sustainability and ROIC for the coming year.

Carlos Rojas Aboumrad
CEO

# Rotoplas Against COVID-19

Rotoplas has implemented different initiatives to combat the spread of COVID-19 in the countries in which it operates.

## Operating Level

Since March, Rotoplas has relied on its technological platform and processes to implement remote work and health and hygiene standards in plants and distribution centers to ensure business continuity.

Operational status during the third quarter:

| Country or region | Current situation in the manufacturing plant/distribution centers |
|---|---|
| Mexico | Continuous operations. |
| Argentina | Continuous operations in the storage and water flow plants. Limited operation at the improvement plant equivalent to the closure of operations during 16 days in July. |
| USA | Continuous operations. |
| Peru | Continuous operations. |
| Central America | The plant in Guatemala and the distribution center in Nicaragua maintained continuous operations.<br>The distribution centers in Honduras and Costa Rica closed for 26 and 28 days respectively. |

The administrative staff continues to work remotely using the Company's digital platforms, and the operational staff adheres to strict safety and hygiene protocols in the manufacturing plants and to execute field service operations.

## Financial Level

Given the uncertainty and volatility, the following actions have been taken:

- The cash flow control committee continues to monitor working capital, negotiations with clients and suppliers, and investments, with the objective of maintaining financial flexibility and an agile response capacity.

- We continue to be disciplined in the capital allocation decisions.

## Commitment to Stakeholders

As in previous quarters, support for the community and the value chain have been included in "PAZA C-19", Water Program for Areas Affected by COVID-19.

The contribution during the health contingency has been designed according to the UN Sustainable Development Goals number 6, clean water and sanitation, and the SDG 9 industry, innovation and infrastructure.

During the quarter we focused on following up on the activities carried out in previous quarters in products and purification services donation, as well as on the installation of hand washing stations. These initiatives have provided communities access to more than 1 million liters of clean water and to more than 3 million liters of drinking water.

## *Flow* transformation program

During the third quarter of 2019, Rotoplas began a transformation program to promote growth, profitability and the creation of sustainable value over the long-term. The immediate objective was defined as "achieving a ROIC greater than the cost of capital in less than 18 months"

The implementation of the program began in January of this year and has involved a change in the organizational culture that has brought on improvements in the operational discipline to stabilize the business and generate value. The value creation strategy is based on three pillars:

A. Profitability of the current portfolio
- levers for income, cost, expenditure and working capital

B. Growth initiatives and execution
- improve quality of execution of growth opportunities and improve capital allocation decisions

C. Organizational Culture and Health
- leadership, operational discipline, talent development, accountability and organizational climate

The follow-up on the initiatives related to each pillar is executed through a digital platform that maintains a record of the feasibility and impact of each one of them and facilitates the monitoring of milestones to ensure the achievement of the objective.

The most relevant initiatives that have been carried out are:

- Divestment of the product manufacturing unit in the United States and Brazil.
- Innovation with the launch of new products and services. One example is *Rieggo*, a joint venture for intelligent water management in the agricultural sector in Mexico.
- Development of new sales channels and more effective sales force.
- Implementation of a new manufacturing process for storage solutions, more efficient in the use of raw materials and energy.
- Restructuring and realignment of the Company's human capital.
- Improvement in the RTMS logistics (Rotoplas Transportation Management System).

Results of the first year of *Flow* execution:

- 950+ initiatives
- 445+ initiatives contributing to results
- 28% corporate employees actively participating

YTD 2020

- Ps. 132 million destined CapEx
- Ps. 96 million execution expenses for Flow
- Ps. 231 million contribution to EBITDA

- ROIC 7.3% → 9.8%
- Cash conversion cycle (days) 67 → 44

Once the immediate objective has been reached, the Company will continue with the next phase to develop new competitive advantages, as well as accelerate the rate of growth and value creation.

## Analysis of the Income Statement

### Sales and Adjusted EBITDA by Country and Solution

(Figures in million Mexican pesos)

| | 3Q20 | 3Q19[1] | Δ % | 9M20[1] | 9M19[1] | Δ % |
|---|---|---|---|---|---|---|
| **Sales** | | | | | | |
| Mexico | 1,295 | 1,136 | 14.1% | 3,653 | 3,345 | 9.2% |
| *% of total* | *55%* | *57%* | *(190) bp* | *59%* | *58%* | *90 bp* |
| Argentina | 475 | 474 | 0.2% | 1,067 | 1,210 | (11.8%) |
| *% of total* | *20%* | *24%* | *(350) bp* | *17%* | *21%* | *(380) bp* |
| Others | 594 | 393 | 51.1% | 1,474 | 1,198 | 23.0% |
| *% of total* | *25%* | *20%* | *550 bp* | *24%* | *21%* | *300 bp* |
| Total | 2,364 | 2,003 | 18.1% | 6,194 | 5,754 | 7.6% |
| *Products* | 2,208 | 1,840 | 20.0% | 5,746 | 5,342 | 7.6% |
| *% of total* | *93%* | *92%* | *150 bp* | *93%* | *93%* | *bp* |
| *Services* | 156 | 162 | (4.0%) | 448 | 412 | 8.7% |
| *% of total* | *7%* | *8%* | *(150) bp* | *7%* | *7%* | *bp* |
| Total | 2,364 | 2,003 | 18.1% | 6,194 | 5,754 | 7.6% |

| | 3Q20 | 3Q19[1] | Δ % | 9M20[1] | 9M19[1] | Δ % |
|---|---|---|---|---|---|---|
| **Adjusted EBITDA [2]** | | | | | | |
| Mexico | 264 | 307 | (14.0%) | 815 | 851 | (4.2%) |
| *Adj. EBITDA Margin* | *20.4%* | *27.0%* | *(660) bp* | *22.3%* | *25.4%* | *(310) bp* |
| Argentina | 96 | 42 | NA | 132 | 100 | 32.7% |
| *Adj. EBITDA Margin* | *20.3%* | *8.8%* | *1150 bp* | *12.4%* | *8.2%* | *420 bp* |
| Others | 84 | 43 | 96.3% | 152 | 150 | 1.5% |
| *Adj. EBITDA Margin* | *14.2%* | *10.9%* | *330 bp* | *10.3%* | *12.5%* | *(220) bp* |
| *Products* | 453 | 374 | 21.1% | 1,113 | 1,063 | 4.7% |
| *Adj. EBITDA Margin* | *20.5%* | *20.3%* | *20 bp* | *19.4%* | *19.9%* | *(50) bp* |
| *Services* | (8) | 17 | NM | (14) | 37 | NM |
| *Adj. EBITDA Margin* | *(5.4%)* | *10.7%* | *(1,610) bp* | *(3.1%)* | *9.0%* | *(1,210) bp* |
| Total | 445 | 392 | 13.6% | 1,099 | 1,100 | (0.1%) |

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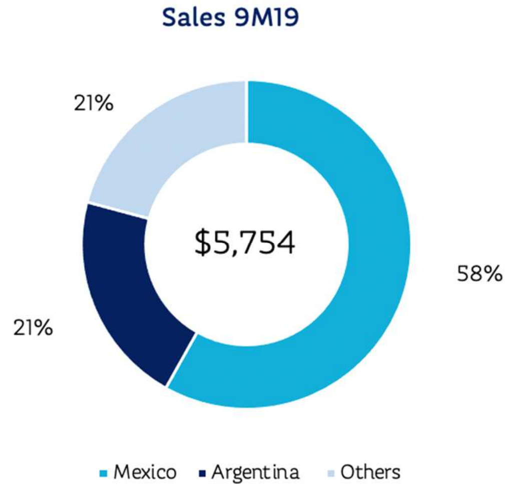
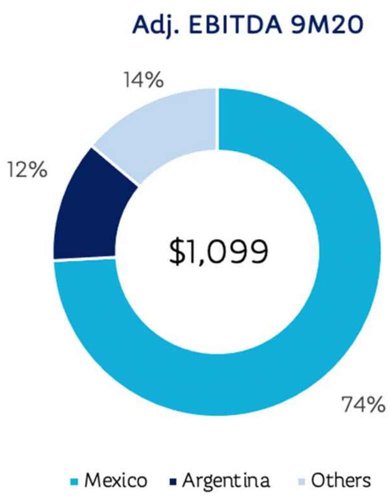
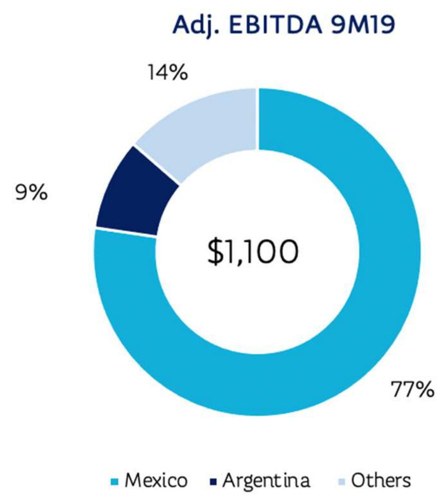
[1] *For comparability purposes, the figures vary from what was reported since they exclude the product business operations in Brazil as they are considered discontinued due to their sale in May 2020. This adjustment subtracts from net sales Ps. 56 million in 9M20, Ps. 20 million in 3Q19 and Ps. 224 million in 9M19. Additionally, adjusted EBITDA increased by Ps. 13 million for 9M20, at Ps. 0.1 million for 3Q19 and in Ps. 71 million for 9M19.*

[2] *Adjusted EBITDA considers: operating profit + depreciation and amortization + non-recurring expenses (donations and implementation costs for Flow). In 3Q20, it considers Ps. 75 million in Flow expenses and Ps. 4 million in donations, and in 3Q19 it considers Ps. 3 million in donations. Cumulatively, it considers Ps. 96 million for Flow expenses and Ps. 9 million for donations in 2020 and Ps. 4 million for donations in 2019.*


## Adjusted EBITDA

| | 3Q20 | 3Q19[1] | 9M20[1] | 9M19[1] |
|---|---|---|---|---|
| EBITDA | 366 | 389 | 993 | 1,096 |
| Flow implementation expenses | 75 | - | 96 | - |
| Donations | 4 | 3 | 9 | 4 |
| Adjusted EBITDA | 445 | 392 | 1,099 | 1,100 |

Since the second quarter, "one-time" expenses are recognized for the implementation of the *Flow* program. Those are non-recurring expenses that have short and long-term benefits in income, expense, working capital, and improve the organizational culture to ensure positive permanent change.

During the quarter, Rotoplas also made donations through the "PAZA C-19" program to increase access to clean and purified water in the most disadvantaged communities in which the company operates.

## - Mexico

Net sales in the quarter grew 14.1% vs. 3Q19, driven by a double-digit increase in products due to the reduction of mobility restrictions and the launch of new products.

Product sales grew driven by double-digit sales growth in the storage and water flow categories.

Within Services, *bebbia* continues to post monthly record sales due to new consumption habits and drinking fountains have been growing due to the recognition of income related to contracts won in previous quarters. However, sales of services decreased due to a reduction in the billing of water treatment plants since the number of plants that have gone from the comprehensive model to only operation and maintenance have not been offset by the start-up of new ones. Despite having robust bookings, the restrictions and effects by COVID-19 have delayed the execution of new projects.

Cumulative net sales increased by 9.2% to Ps. 3,653 million, driven by a growth in both products and services.

Adjusted EBITDA for the quarter was Ps. 264 million, 14.0% lower than the same period of the previous year. This decrease is due to expenses related to our adaptation to the new normal and a negative EBITDA in services due to the investment in the growth of the purification platform. The adjusted EBITDA margin amounted to 20.4%.

Adjusted cumulative EBITDA reached Ps. 815 million with a 22.3% margin.

## - Argentina

Net sales in Argentina reached Ps. 475 million, an increase of 29% in local currency that was offset by the depreciation of the currency, as sales in Mexican pesos remained the same.

The storage and water flow categories offset the weakness in improvement due to operating restrictions related to the change to a new manufacturing plant, with an estimated impact on sales of Ps. 35 million.

Additionally, during the period, the successful migration of water flow operations to SAP was carried out, an initiative that helps to consolidate operations in Argentina under a single digital strategy.

Cumulative net sales reached Ps. 1,067 million. During this period, sales grew 19% in local currency. However, the 26% depreciation of the currency was greater than the sales increase and negatively impacted sales in Mexican pesos, which decreased 11.8%. It is important to mention that our operations in this country have been the most affected by the mobility restrictions caused by COVID-19, we estimate the impact on sales to be Ps. 159 million Mexican pesos.

In Argentina, a stable cash flow and an increase in market share has been sustained, and we have complemented the product portfolio by offering new solutions to the different market segments.

The adjusted EBITDA margin for the quarter was of 20.3% in the quarter, an expansion of 1,150 bp driven by a better cost absorption related to the increase in storage and water flow volumes, and an efficient management of expenses.

Adjusted Cumulative EBITDA increased 32.7%, reaching Ps. 132 million, driven by the third quarter results in which the year-on-year EBITDA doubled, compensating for the weak result of the first semester.

*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 3Q20 and 9M20, the impact of the above resulted in an increase of Ps. 28 and 60 million respectively in financial expenses, negatively impacting the Comprehensive Financing Result. After accounting for taxes, it negatively affected net income by Ps. 37 and 70 million respectively.*

## - Other Countries

Net sales in other countries (United States, Peru, Guatemala, El Salvador, Costa Rica, Honduras, Nicaragua, and Brazil) reached Ps. 594 million in the quarter, an increase of 51.1% compared to 3Q19. Cumulatively, net sales increased by 23.0%, reaching Ps. 1,474 million.

In the United States of America, sales grew in double digits driven by the migration to online consumption, the "*America went home improvement*" trend and the increase in water storage needs due to the time families spend at home because of the confinement.

In Brazil, the water treatment and recycling plant business successfully started its first sales with the start of operations of three plants.

In Central America, even with the operating limitations due to the temporary closing of the distribution centers in Honduras and Costa Rica, sales reported a double digit-growth in the quarter and cumulatively, derived from the demand for more water at homes.

The optimization of the sales force and the integration of new solutions to the product portfolio, as well as greater synergy between the countries of the region, have boosted sales and profitability.

In Peru, sales posted double-digit growth in the quarter, mainly driven by an increase in water demand related to health and hygiene concerns.

New sales channels have been developed so far this year and new storage products have been launched. Also, in accordance with the strategic plan, the water flow segment continues to be developed through synergies with the manufacturing plants in Argentina.

The adjusted EBITDA margin increased 330 bp in the quarter, reaching 14.2%.

Cumulative adjusted EBITDA reached Ps. 152 million with a margin of 10.3%.

## Summary by Products and Services – Sales and EBITDA

Transactions with the government accounted for 4.6% of sales during the quarter and 5.4% on a cumulative basis. This percentage is lower than the internal guideline of maintaining government exposure below 10% of the Group's total income.

### - Products

Net product sales reached Ps. 2,208 million, an increase of 20.0% compared to the same quarter of the previous year, driven by an increased demand for water management solutions particularly in the water storage category as a result of the prioritization of the availability of water for hygiene and an acceleration of online commerce sales in the United States of America. The launch of new products and the digitalization of the sales force contributed significantly to the result.

Cumulative net sales grew 7.6% in the 9M20, despite strong mobility restrictions during the second quarter of the year.

The adjusted EBITDA margin was 20.5% in the quarter and 19.4% in a cumulative manner.

### - Services

Sales of services reached Ps. 156 million in the quarter, figure 4.0% lower than 3Q19 caused by lower billing levels at the water treatment plants due to the fact that several went from the comprehensive scheme to operation and maintenance only. In addition, the pandemic has not allowed the activation of new plants. However, bookings have remained robust and Brazil had its first services sales.

Cumulatively, sales reached Ps. 448 million, an increase of 8.7% driven by the purification platform, mainly *bebbia* which reached record sales and more than 42,000 equivalent units installed.

Adjusted EBITDA on a quarterly level was negative Ps. 8 million and cumulatively was negative Ps. 14 million, related to the investment for the growth of the purification platform *bebbia* and the expenses related to the launch of the new service, *Rieggo*.

## Gross Profit

The gross margin contracted 100 bps, from 42.5% in 3Q19 to 41.5% in 3Q20, mainly due to greater production costs due to the hiring of additional personnel and the payment of overtime to comply with health and safety protocols in response to COVID-19.

On a cumulative basis, the gross margin reached 41.7%, a contraction of 110 bps compared to the same period of the previous year, related to the impact of the operating limitations from March to June.

## Operating Income

Operating income amounted to Ps. 276 million in the quarter and Ps. 732 million cumulatively, a decrease of 10.7% and 14.7%, respectively.

During the quarter, we recognized expenses for the execution of the *Flow* transformation program of Ps. 75 million, the implementation of health protocols of Ps. 7 million and Ps. 4 million in donations. Without these non-recurring expenses, the margin would have been 15.3% and operating expenses would have grown 14.1%, which is below the increase in sales.

Cumulatively, *Flow* recorded execution expenses of Ps. 96 million, expenses for the adoption of health and safety measures were Ps. 14 million and donations Ps. 9 million. Adjusting for these non-recurring expenses, the margin would have been 13.8% and operating expenses would have grown by 7.8%, in line with sales.

## Comprehensive Financing Result

Comprehensive Financing Result in 3Q20 was Ps. 163 million, in line with the same period of last year. The financial expenses are mainly due to the payment of interest on the sustainable bond AGUA 17-2X for Ps. 68 million, foreign exchange losses from a long position in dollars for Ps. 61 million, and loss from monetary position in Argentina for Ps. 28 million.

The cumulative integral result of financing in 9M20 was an income of Ps. 55 million, compared to an expense of Ps. 393 million in the same period of last year. This increase was driven by gains on derivative instruments for Ps. 368 million from the first quarter, which exceeded interest expenses of Ps. 217 million, and the loss from monetary position in Argentina of Ps. 60 million.

## Income Tax

Income tax for the third quarter amounted to Ps. 72 million vs. Ps. 51 million in 3Q19. On a cumulative basis, income tax was Ps. 285 million versus Ps. 123 million in the same period of 2019.

## Net Result

Net result before discontinued operations was a profit of Ps. 41 million.

Cumulative net income before discontinued operations amounted to Ps. 503 million mainly driven by strong operating results and the financial income from gains on derivative financial instruments in the first quarter.

## CapEx

(In million Mexican pesos)

| | Sep-20 | % | Sep-19 | % | Δ % |
|---|---|---|---|---|---|
| Mexico | 92 | *44%* | 179 | *76%* | (48.8%) |
| Argentina | 58 | *28%* | 34 | *14%* | 71.4% |
| Others | 58 | *28%* | 24 | *10%* | NM |
| Total | 207 | *100%* | 237 | *100%* | (12.4%) |

Capital investments made as of September 2020 represented 3.3% of sales. Investments include:

- Ps. 63 million for the construction of new water treatment and recycling plants in Mexico and Brazil, equivalent to 31% of the total amount.
- Investments in Argentina include Ps. 26 million for productive improvements in the water flow business and Ps. 8 million for the digitalization of the customer service platform.
- An amount of Ps. 132 million for the execution of multiple initiatives within the *Flow* transformation program.

## Balance Sheet

## Debt

(In million Mexican pesos)

| | Sep-20 | Sep-19 | Δ % |
|---|---|---|---|
| Total Debt | 4,151 | 2,982 | 39.2% |
| Short-term Debt | 83 | 58 | 42.9% |
| Long-term Debt | 4,068 | 2,924 | 39.1% |
| Cash and Cash Equivalents | 3,394 | 1,546 | NM |
| Net Debt | 757 | 1,437 | (47.3%) |

### Debt Maturity Profile

Debt corresponds to the AGUA 17-2x Sustainable Bond in the amount of Ps. 4,000 million Mexican pesos, with a fixed rate of 8.65% and maturity in June 2027, as well as a loan in Peru contracted during the second quarter for Ps. 65 million with a 12-month grace period, 1.49% annual interest rate and repayable in 36 months.

As of September 30, 2020, interest coverage (Adjusted EBITDA LTM/interest expense LTM) amounts to 5.1x.

Debt Maturity Profile


Fixed rate: 8.65%

## Working Capital

*(Days)*

| | 9M20[1] | 9M19[1] | Δ days |
|---|---|---|---|
| Days of Inventory | 69 | 70 | (1) |
| Days of Portfolio | 40 | 64 | (24) |
| Days of Payable Outstanding | 64 | 66 | (2) |
| Cash Conversion Cycle | 44 | 67 | (23) |

The 23 day decrease in the cash conversion cycle is mainly attributed to an improvement in the management of working capital.

As an additional measure in the face of the pandemic, different support schemes have been implemented to customers and suppliers to keep cash flow stable for all parties.

## Financial Ratios

(EPS in MXN)

| | 9M20[1] | 9M19[1] | Var (%) |
|---|---|---|---|
| Net Debt / Adjusted EBITDA | 0.5 x | 1.3 x | (0.8) x |
| Total Liabilities / Total Stockholders' Equity | 1.0 | 0.8 | 0.2 x |
| Total Earnings per Share* | 1.03 | 0.70 | 47.0% |

* Net Income before discontinued operations for the period divided by 486.2 million shares, in MXN.

Leverage as of the third quarter of 2020 is within the debt guidelines established by the Company of 2.0x Net Debt / Adjusted EBITDA.

## ROIC / Cost of Capital


ROIC: NOPAT LTM/Average Invested Capital t, t-1.
Invested Capital: Total Assets – Cash and Cash Equivalents – Short Term Liabilities

During the third quarter of 2019, the Company began a long-term transformational program identified as *Flow*, with the aim to improve the return on invested capital (ROIC).

With the execution of various initiatives, ROIC has expanded 193 bps since the beginning of the program to reach 9.8%, achieving the best spread of the last 17 quarters and approaching the objective of equaling or exceeding the cost of capital that today amounts to 10.7%.

## Stock Repurchase Program

As of September 30th, 2020, the repurchase fund held 46.4 million shares equivalent to an investment amount of Ps. 928 million.

## Employees

As of September 30th, 2020, the total number of employees was 3,324 a 3% increase when compared to 3Q19.

## Environmental, Social and Governance (ESG)

The following initiatives were implemented during the quarter:

- We selected winning projects from the first edition of the INNWAI-Water Innovation Hub, a space for community work and collaboration to combat problems of access to water, sanitation and hygiene in Mexico, Latin America and the world through innovation. These projects are in the validation stage.
- The talent agenda was aligned with the strategy of creating value of the business.
- The “Water Program for Affected Areas" continued, redirecting its purpose to the new sanitary emergency under the name "PAZA C-19".

For more information on our ESG programs, please visit the sustainability website: https://rotoplas.com/sustainability/

## Analyst Coverage

As of September 30th, 2020, analyst coverage was provided by:

| Institution | Analyst | Contact | Recommendation | TP* |
|---|---|---|---|---|
| GBM | Liliana de León | ldeleon@gbm.com | Compra | $26.00 |
| Signum Research | Alain Jaimes | alain.jaimes@signumresearch.com | - | - |

*Target Price.

## Income Statement

(Non-audited figures, in million Mexican pesos)

| | 3Q20 | 3Q19[1] | Δ % | 9M20[1] | 9M19[1] | Δ % |
|---|---|---|---|---|---|---|
| Net Sales | 2,364 | 2,003 | 18.1% | 6,194 | 5,754 | 7.6% |
| COGS | 1,383 | 1,151 | 20.2% | 3,613 | 3,293 | 9.7% |
| **Gross Profit** | **981** | **852** | 15.2% | **2,581** | **2,462** | 4.8% |
| *Gross Profit Margin* | *41.5%* | *42.5%* | *(100) bp* | *41.7%* | *42.8%* | *(110) bp* |
| Operating Expenses | 705 | 542 | 30.0% | 1,848 | 1,603 | 15.3% |
| **Operating Income** | **276** | **309** | (10.7%) | **732** | **858** | (14.7%) |
| *Operating Income Margin* | *11.7%* | *15.5%* | *(380) bp* | *11.8%* | *14.9%* | *(310) bp* |
| **Comprehensive Financing Cost** | **(163)** | **(163)** | 0.4% | **55** | **(393)** | NM |
| Financial Income | 22 | (38) | NM | 459 | (2) | NM |
| Financial Cost | (185) | (124) | 48.8% | (404) | (391) | 3.4% |
| **Earnings Before Taxes** | **114** | **147** | (22.7%) | **787** | **465** | 69.2% |
| Taxes | 72 | 51 | 41.3% | 285 | 123 | NM |
| **Net Income Before Discontinued Operations** | **41** | **96** | (56.9%) | **503** | **342** | 47.0% |
| *Net Income Margin* | *1.7%* | *4.8%* | *(310) bp* | *8.1%* | *5.9%* | *220* |
| **Adjusted EBITDA[2]** | **445** | **392** | 13.6% | **1,099** | **1,100** | (0.1%) |
| *Adjusted EBITDA Margin* | *18.8%* | *19.6%* | *(80) bp* | *17.7%* | *19.1%* | *(140) bp* |
| Profit/Loss from Discontinued Operations | (3) | (166) | (97.9%) | (159) | (260) | (39.0%) |
| Net Profit/Loss after Discontinued Operations | 38 | (70) | NM | 344 | 82 | NM |

*[1] For comparability purposes, the figures vary from what was reported since they exclude the manufacturing business operations in Brazil as they are considered discontinued due to their sale in May 2020. This adjustment subtracts from net sales Ps. 56 million in 9M20, Ps. 20 million in 3Q19 and Ps. 224 million in 9M19. Additionally, Adjusted EBITDA increased by Ps. 13 million for 9M20, at Ps. 0.1 million for 3Q19 and in Ps. 71 million for 9M19.*

*[2] Adjusted EBITDA considers: operating profit + depreciation and amortization + non-recurring expenses (donations and implementation costs for Flow). In 3Q20, it considers Ps. 75 million in Flow expenses and Ps. 4 million in donations, and in 3Q19 it considers Ps. 3 million in donations. Cumulatively, it considers Ps. 96 million for Flow expenses and Ps. 9 million for donations in 2020 and Ps. 4 million for donations in 2019.*

## Balance Sheet

(Non-audited figures, in million Mexican pesos)

| | Sep-20 | Sep-19 | Δ % |
|---|---|---|---|
| Cash and Cash Equivalents | 3,394 | 1,546 | NM |
| Accounts Receivable | 1,619 | 1,862 | (13.1%) |
| Inventory | 861 | 952 | (9.5%) |
| Other Current Assets | 673 | 690 | (2.5%) |
| **Current Assets** | **6,548** | **5,050** | **29.7%** |
| Property, Plant and Equipment – Net | 2,335 | 2,430 | (3.9%) |
| Other Long-term Assets | 4,091 | 3,960 | 3.3% |
| **Total Assets** | **12,974** | **11,440** | **13.4%** |
| Short-term Debt | 83 | 58 | 42.9% |
| Suppliers | 564 | 381 | 48.0% |
| Other Accounts Payable | 1,197 | 1,234 | (3.1%) |
| **Short-term Liabilities** | **1,844** | **1,674** | **10.2%** |
| Long-term Debt | 4,068 | 2,924 | 39.1% |
| Other long-term Liabilities | 625 | 497 | *25.8%* |
| **Total Liabilities** | **6,536** | **5,094** | **28.3%** |
| **Total Stockholders' Equity** | **6,438** | **6,346** | ***1.4%*** |
| **Total Liabilities + Stockholders' Equity** | **12,974** | **11,440** | **13.4%** |

## Cash Flow Statement

(Non-audited figures, in million Mexican pesos)

| | 9M20[1] | 9M19[1] | Δ % |
|---|---|---|---|
| **EBIT** | **732** | **858** | **(14.7%)** |
| Depreciation | 261 | 83 | 214.1% |
| Tax | (162) | (168) | **(3.9%)** |
| Net Interest | (166) | (162) | 2.6% |
| Working Capital | 86 | (230) | **2.6%** |
| Other Current | 160 | (39) | NM |
| **Operating Free Cash Flow** | **911** | **342** | **NM** |
| *Operating Free Cash Flow Conversion (%)* | *124.4%* | *39.8%* | *NM* |
| Dividends | (173) | (174) | (0.2%) |
| CapEx | (207) | (237) | (12.4%) |
| Repurchase Fund | (571) | (195) | NM |
| Mergers and Acquisitions | 130 | 830 | (84.3%) |
| Short- and Long-Term Debt | 1,129 | 0 | NM |
| Loans | (35) | (38) | (6.8%) |
| Other | 363 | (34) | NM |
| **Net Change in Cash** | **1,546** | **495** | **NM** |
| **Initial Cash Balance** | 1,848 | 1,050 | 75.9% |
| **Final Cash Balance** | **3,394** | **1,546** | **NM** |

*[1] For comparison purposes, these figures vary from those previously reported in 2019. These now exclude the manufacturing operations in Brazil as they are considered discontinued due to their sale in May 2020. This adjustment reduces net sales by Ps. 56 million in 9M20, Ps. 72 million in 3Q19 and Ps. 150 million in 9M19. Additionally, it increases Adjusted EBITDA by Ps. 13 million in 9M20, Ps. 24 million in 3Q19 and Ps. 48 million in 9M19.*

## Press Releases

- Rotoplas and Renewable Resources Group announce Rieggo – October 7th

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/3Q20/Rieggo-eng.pdf

- Grupo Rotoplas renews market maker agreement with UBS – October 5th

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/3Q20/Market-Maker-UBS-VF.pdf?5f7b9325

- Rotoplas operations status update during September – October 1st

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/3Q20/COVID-19-1-oct-eng.pdf?5f750e14

- Rotoplas strengthens its management team with Organizational Transformation Vice President – September 29th

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/3Q20/FortalecimientoEstructura-eng.pdf?5f750287

- Rotoplas enters the FTSE BIVA index – September 28th

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/3Q20/FTSE-BIVA-MX-eng.pdf

- Rotoplas operations status during August – September 1st

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/3Q20/COVID-19-1-septiembre-2020_eng.pdf

- Rotoplas operations status during July – August 5th

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/3Q20/COVID-19-5-August-2020.pdf

- S&P Global Ratings confirms Grupo Rotoplas' 'mx AA-' rating with stable outlook – July 27th

  https://rotoplas.com/investors/rtp_resources/eng/relevant_events/2020/3Q20/Ratificacion-calificacion-S&P-eng.pdf

## Conference Call

Grupo Rotoplas

(BMV: AGUA*)

Cordially invites you to its Third Quarter 2020 Conference Call.

Thursday, October 22nd

10:00am Mexico City Time (11:00am, EST)

The management team will comment on the first quarter results, followed by a question and answer session.

- Carlos Rojas Aboumrad – CEO
- Mario Romero Orozco – CFO

Webcast:

https://rotoplas.zoom.us/webinar/register/WN_FCfPxQDWSLe_FeguILCEVQ

Password: 054464

The conference recording will be available afterwards at:

https://rotoplas.com/investors/

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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 forward-looking statements 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 40 years' experience in the industry and 18 plants throughout the Americas, Rotoplas is present in 14 countries and has a portfolio that includes water services and 27 product lines. Grupo Rotoplas has been listed on the Mexican Stock Exchange (BMV) under the ticker "AGUA" since December 10, 2014.

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