



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

## Corporate Presentation

Third Quarter 2021





## Forward-looking statements

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### ADDITIONAL INFORMATION AND WHERE TO FIND IT

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

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

Ticker: AGUA\*



In Rotoplas we are more and better water

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





## Investment Considerations

- 1 WATER  
A nascent industry of opportunities
- 2 PROVIDING SOLUTIONS  
Market leaders
- 3 HACIA DÓNDE VAMOS  
Oportunidades de valor y crecimiento
- 4 STRONG FINANCIALS  
Sustainable focus





# 1

## WATER

A nascent industry of opportunities



# Water Demand

## Population Growth

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

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



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

# Water Supply



Imbalance in water distribution

10 countries control 60% of the global fresh water supply



Across the world, water supply & sewer systems are



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

## Water Challenges for Humanity

2.4 billion

people worldwide  
live without access to  
adequate sanitation services



2/3

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



## Market Size & Dynamics

\$ USD 780

billion market

Growing at a

3.3% CAGR



\$ USD 225

Billion market in  
Latam and  
North America



24%

Market reach for  
**Rotoplas**

Horizontal to all sectors

## Sectors of interest for Rotoplas:



Water scarcity &  
quality



Water  
management &  
recycling



Agricultural yield

## Case Study – Mexico City



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

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

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

## CDMX International Airport

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

Economically and environmentally unsustainable



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



Renewable water in Mexico will decrease 11% by 2030



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

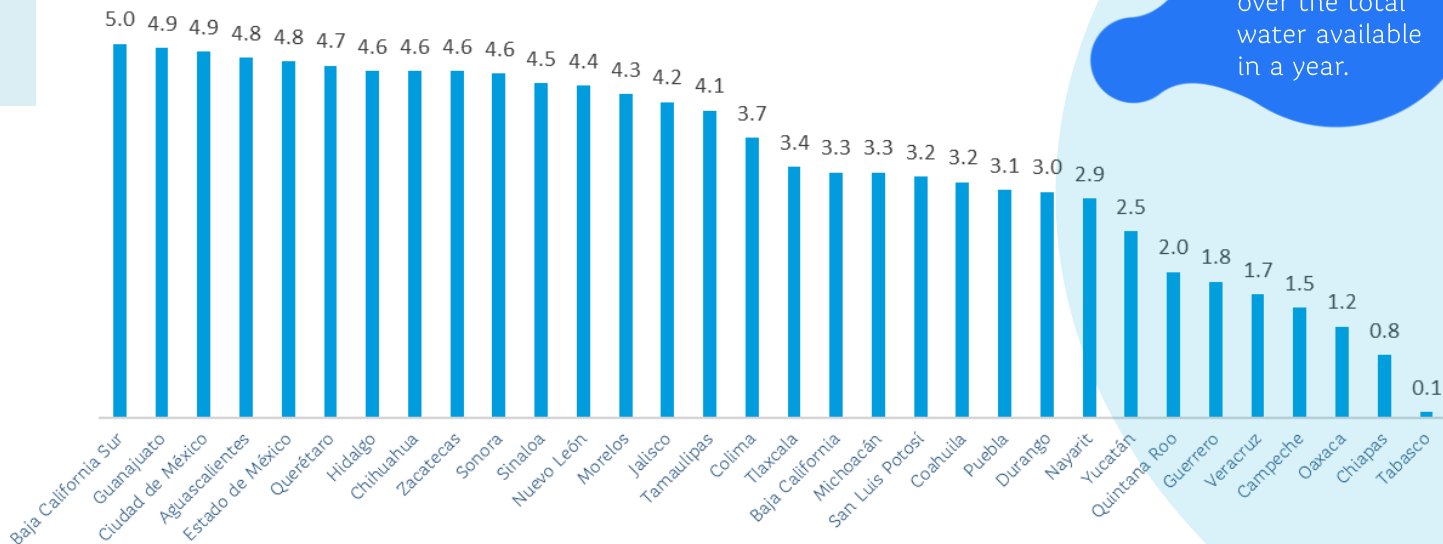


# Water situation in Mexico



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

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



0-1 low

1-2 low-medium

2-3 medium-high

3-4 high

4-5 extremely high

# 2 PROVIDING SOLUTIONS

Market leaders



# The Company

## 1994 Storage Products



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

Sales  
MXN 500mm

EBITDA  
MXN 70mm

## 3Q21 Water Market Leader



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

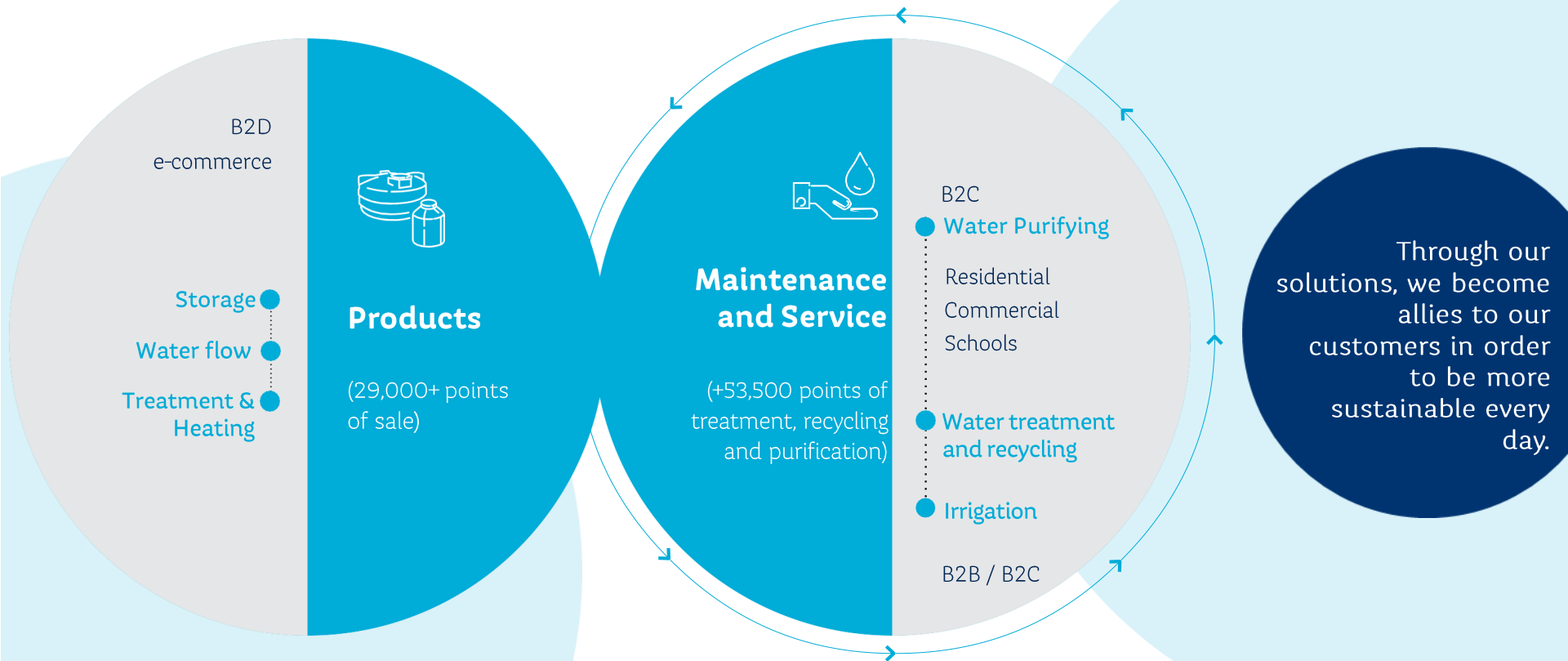
Sales  
MXN 10,565 mm (CAGR: 7.1%)<sup>2</sup>

EBITDA  
MXN 1,732 mm (CAGR: 10.5%)<sup>2</sup>

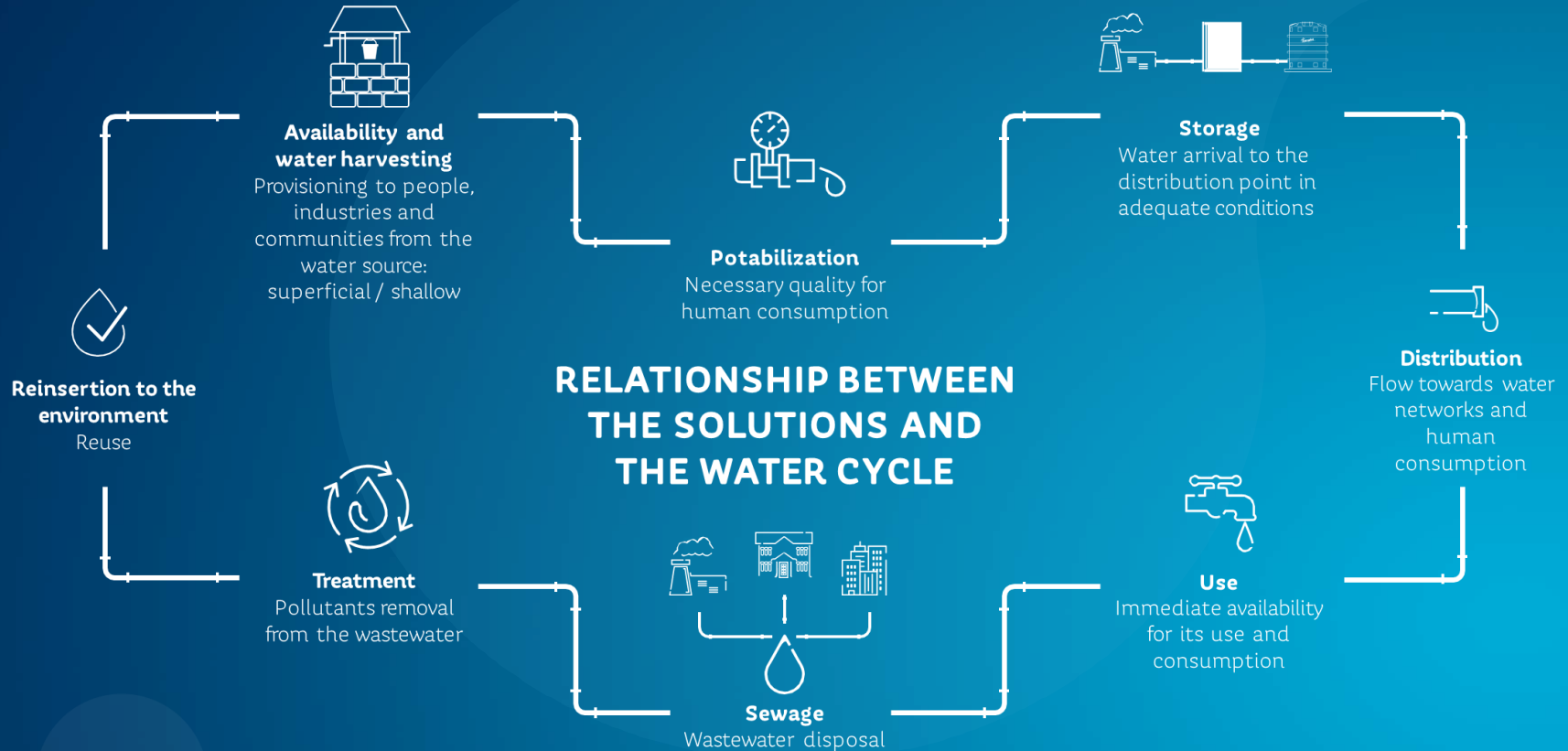
<sup>1</sup> Comparación contra 1994

<sup>2</sup> TACC 2014 – U12M20

## Business Model | Decentralized Water Solutions



Our products and services are present throughout the water cycle.



# Portfolio



## PRODUCTS



### STORAGE

#### Water tanks

Dual tank  
Low- and mid-range tank

#### Cisterns

#### Industrial and agricultural

Storage tanks for Water and Chemicals  
Inductor tanks  
Horizontal tanks  
Feeders



### WATER FLOW

#### Piping

Ultraflex  
Hydraulic  
Fortech-CT pipes

#### Plastic bolts and Connectors

#### Valves

Check Control valve

#### Pumps

Hydropneumatic systems  
Centrifugal, peripheral, submersible, circulating pumps

#### Sanitary Catch Pits



### IMPROVEMENT

#### Heaters

4-stage electric showerhead  
Water heaters, boilers

#### Biodigesters

#### Filters

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

#### Water purifiers

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

#### Family-orchard-type agricultural irrigation system

#### Domestic wastewater treatment

Residential septic tanks



### SELF-SUSTAINABLE

#### Rural rainwater harvesting system

#### Urban rainwater harvesting

#### Outdoor toilet with biodigester



### Water treatment and recycling

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

Water Purification Plants  
Desalination Plants

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

Sytesa. Empresa de Grupo Rotoplas



### Drinking water purification

Residential and commercial purifiers

bebbia.

School drinking water fountains

Rotoplas المياه الجيدة



### Management of agricultural water

Intelligent irrigation systems for the agricultural sector

rieggo.

Trade names:





# Favorable Growth Drivers | Tailwinds



## PRODUCTS

### Storage

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

### Flow

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

### Treatment & heating

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

## SERVICES

### Purification

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

### Treatment & recycling

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

### Purification

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

# Competitive Advantages

- Value
- Quality
- Social Responsibility

## BRAND RECOGNITION



## ROTOPLAS PROCESSES



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

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

## UNIQUE DISTRIBUTION AND SERVICE NETWORK



## WATER INNOVATION



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

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

## Environmental Cards



**Water**  
Footprint



**Carbon**  
Footprint

# ESG focus



+28,300 hrs<sup>1</sup>

training collaborators on human rights, processes, health and safety, among other topics



+9,500<sup>1</sup>

plumbers trained



+1,153,000<sup>2</sup>

children benefited



+70%

energy from sustainable sources



**Circular economy “Green Project”**

program to use recycled resins in our products  
+10% of resins



57% independent  
Board Members



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



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

- DJSI MILA Pacific Alliance (Sustainability Index)
- S&P/BMV IPC Sustainable Index

2020 SASB and GRI Standards + external verification

2018 GRI Exhaustive Standards and verified Annual Report

2017 GRI Exhaustive Standards

2016 Annual Integrated Report elaborated under GRI Standards

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

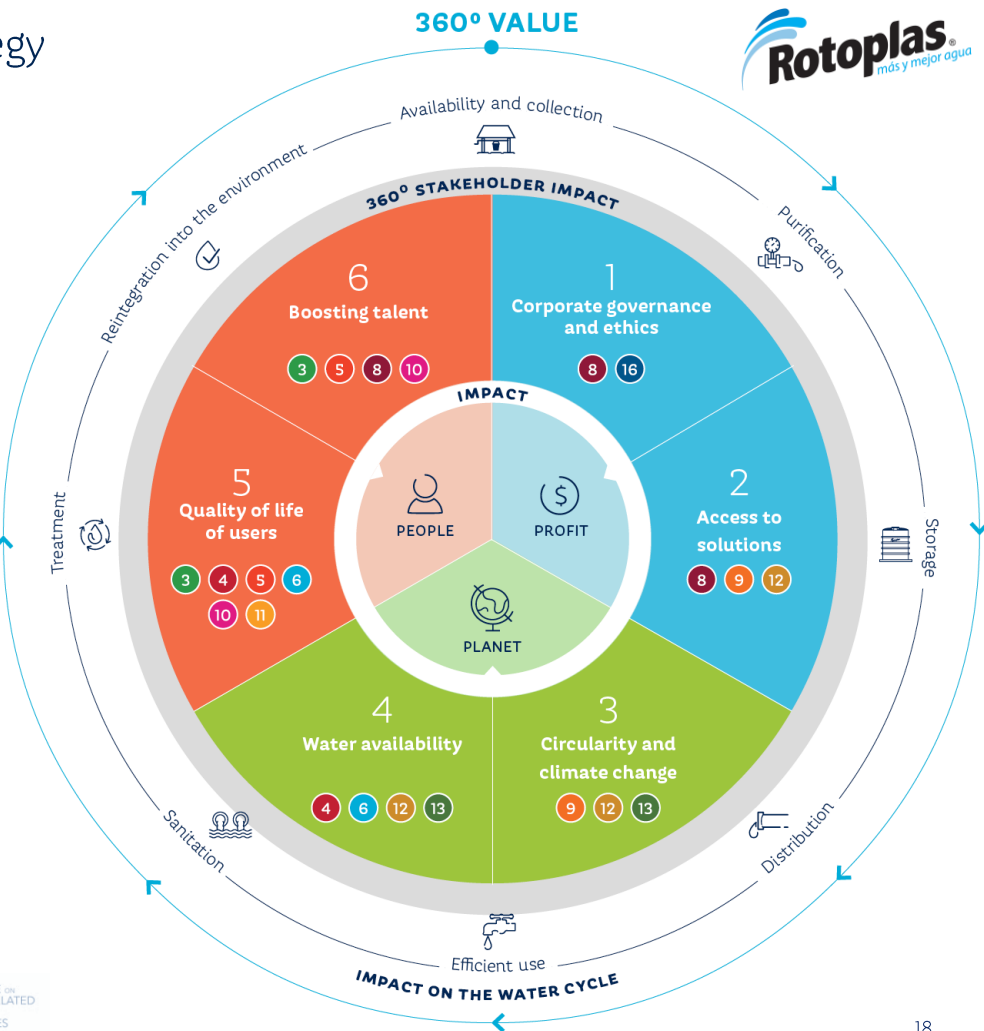
<sup>1</sup>During 2020.

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

# 360° Value | 2021-2025 Sustainability Strategy



## 360° stakeholder impact



2016-2020  
Sustainability Strategy

2016 | SDG Contribution

2017 | First Sustainable Bond  
in Latam

2017 | DJSI MILA Pacific Alliance

2019 | S&P/BMV Total Mexico  
ESG Index

# Climate Change Strategy

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

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



## Mitigation

Reducing **Greenhouse Gas Emissions** (GHG)



## Adaptation

Reduce vulnerability to **Climate Change**



## Opportunities

Capitalize on opportunities in water & climate change - **products and services**

Action items for stakeholders:

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

# Climate Change Strategy

Main initiatives|  
energy & materials  
circularity



- Renewable energy supply - solar panels -



- Incorporation of recycled resins (own and third party)



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



- Reuse of water by offering treatment and recycling services



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

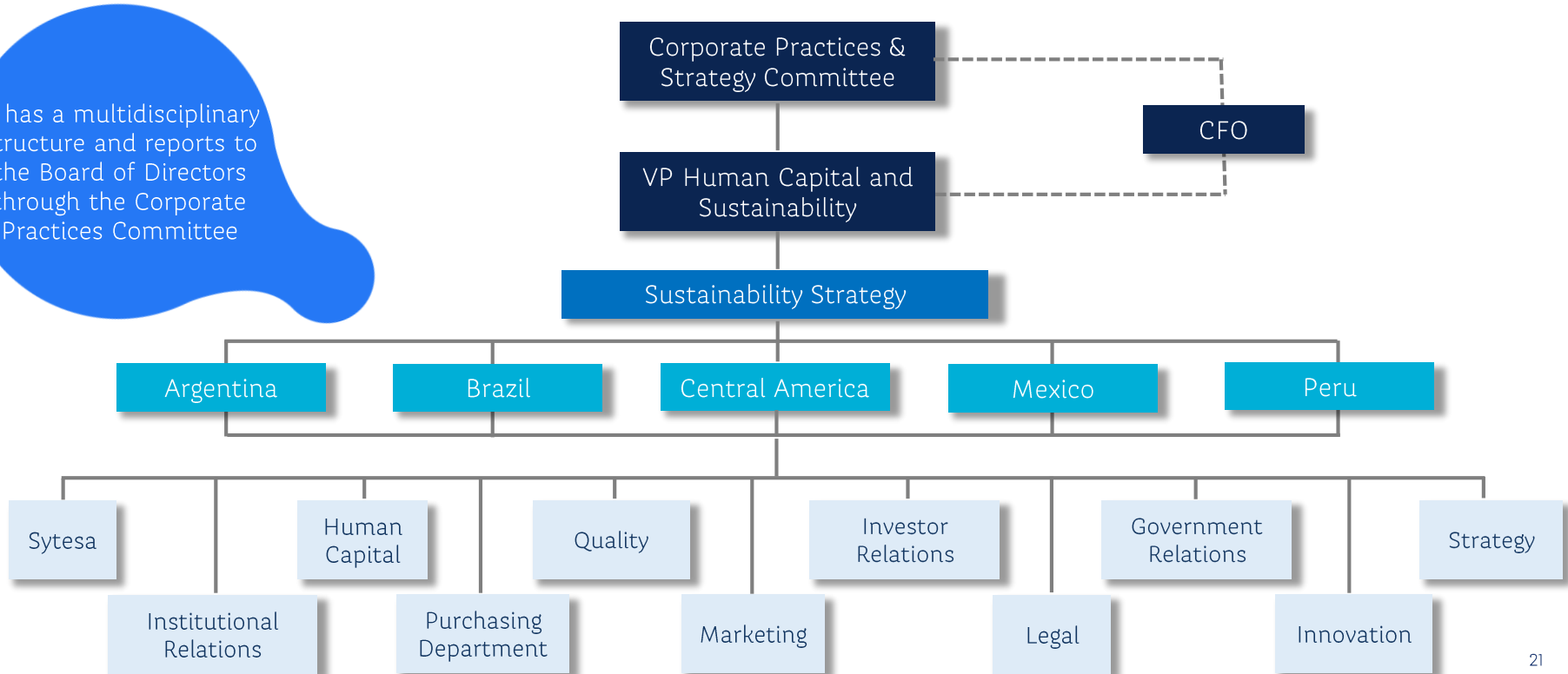




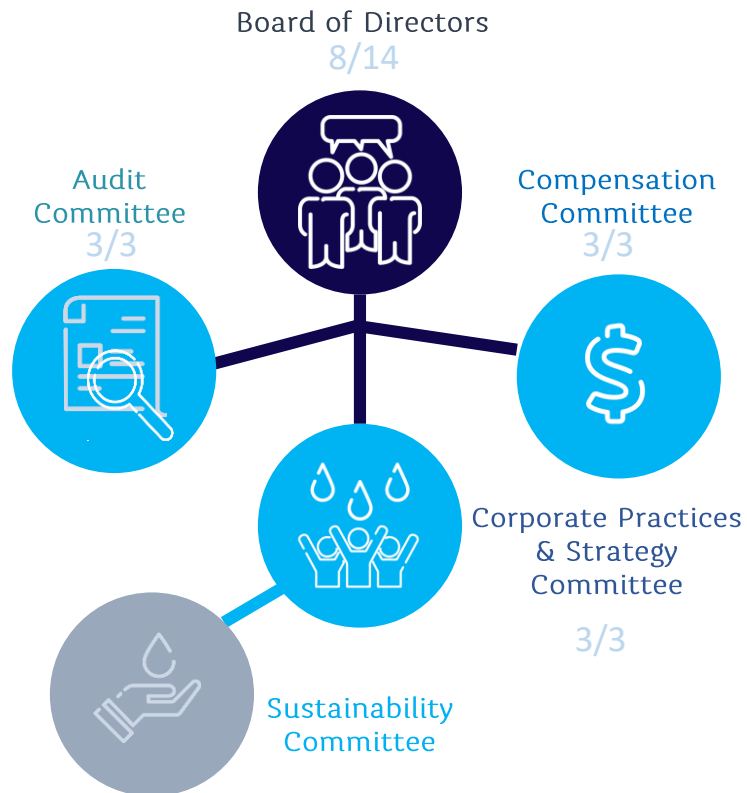
# Sustainability Organizational Structure

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

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



# Best Corporate Governance Practices



Independent Members / Total Members

Our board of directors:

- Transparency — ➤ 57% **Independent** Members
- Diversity — ➤ 5 **international** Board Members
- Innovation — ➤ Represented by 4 **different generations**
- Equality — ➤ **Gender equality** in the Board, 8% women
- Experience — ➤ Board Members with diverse **industry backgrounds** & more than 500 years of combined experience
- Meetings — ➤ 4 **ordinary** meetings annually

# 3 WHERE WE ARE GOING

## Growth and value opportunities



# Flow | Transformational program for a sustainable growth

## What is it?

It is an organizational transformation program.

## What is it for?

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

## When did it start?

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

## Who participates?

All employees can participate by proposing initiatives.

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

## How does Flow work?

Through three pillars

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

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

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

## Who oversees their fulfillment?

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

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

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

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

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

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

### SECOND STAGE

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

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

## How are interests aligned internally and externally?

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

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

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

# Flow | Transformation Program

## Enhance performance of current portfolio

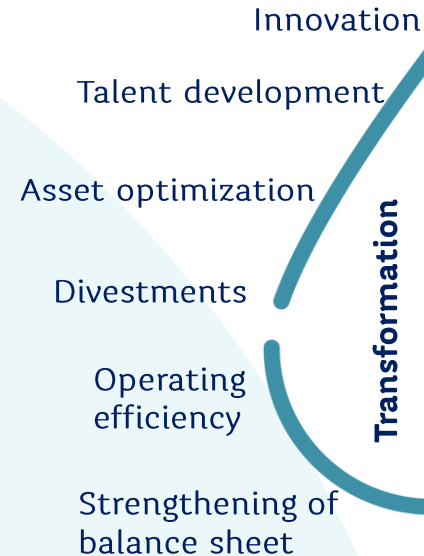
- Revenue levers
  - 1) Price & volume optimization
- Cost levers
  - 1) Procurement of materials
  - 2) Manufacturing efficiency
  - 3) Distribution costs optimization
- Working capital levers
  - 1) Inventory levels optimization
  - 2) Customization of accounts receivable & accounts payable policies

## B. Growth initiatives

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
















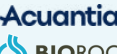










## C. Improve organizational health

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



# Cross selling opportunities

- Mature market
- Expanding market
- Emerging market
- Plan

		 USA	 Mexico	 Central America	 Peru	 Brazil	 Argentina
PRODUCTS	Storage	 Acuantia. PLASTIC-WART	 Rotoplas	 Rotoplas	 Rotoplas		 Rotoplas
	Waterflow		 Tuboplus	 Tuboplus	 Tuboplus		 Ips Instalamos confianza
	Improvement	 Acuantia. BIOROCK WASTEWATER TREATMENT	 Rotoplas	 Rotoplas	 Rotoplas		 SEÑORIAL Color que perdura
SERVICES	Purification		 Rotoplas bebbia				
	Treatment and recycling		 Sytesa Empresa de Grupo Rotoplas			 Acuantia.	
	Irigation		 rieggo				



## Strategy per country or region



### MEXICO

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



bebbia® rieggo®

Sytesa® Empresa de Grupo Rotoplas



### PERU

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



### USA

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



tank-depot.com



plastic-mart.com



### CENTRAL AMERICA

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



### ARGENTINA

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



Instalamos confianza

SEÑORIAL  
Calor que perdura



### BRAZIL

- Develop service platform through water treatment & recycling plants

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## Improve discipline in Capital Allocation

Resource allocation for:



Organic growth



Inorganic growth  
Coherence matrix approach



Share buybacks



Dividend Payment



Debt Payment

### Process:



Project proposal



Evaluation



$IRR > WACC$



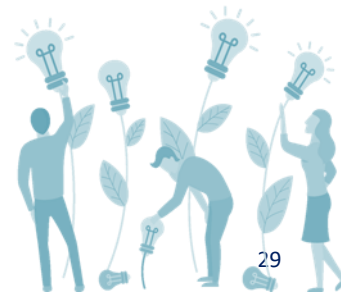
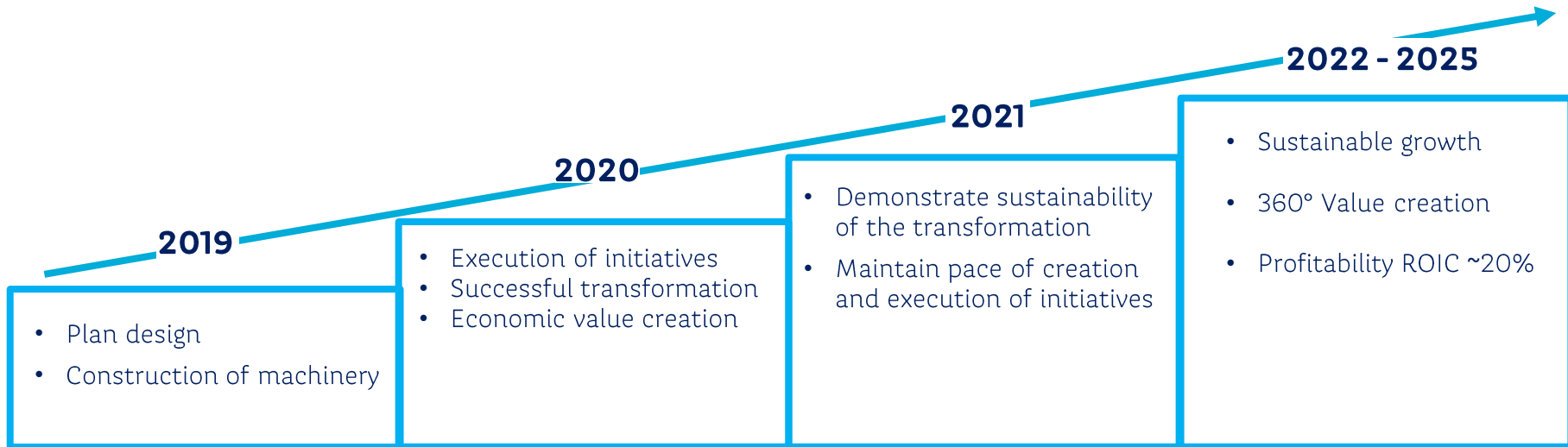
Validation and  
authorization



Quarterly status  
update

Supported by a Capital Allocation Committee

# FLOW | Transformation



# What's next for Flow?

## 2025 Guidance

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

## Growth Avenues



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

bebbia®

Sytesa.®

Empresa  
de Grupo  
Rotoplas

rieggio®



**ACUANTIA**  
United States



**BIOROCK**®  
WASTEWATER TREATMENT



**Launching of new solutions**



**Synergies between operations**



**D&A Platforms**



## 2025 | Expected Growth

# 2025

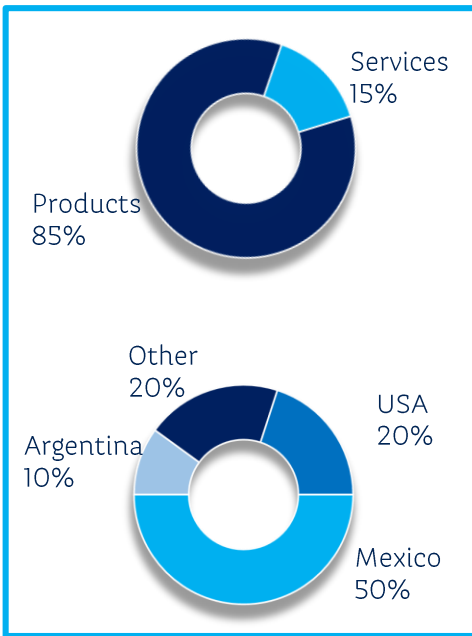
—2x revenue

—Adj. EBITDA Margin >20%



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

### Revenues 2025



# 2025 | Strategy

## 1. FLOW

470 Initiatives with approved business case

\$5.8 bn Incremental sales

\$3.1 bn Incremental Adj. EBITDA

60% Success rate

## 2. THINGS TO CONSIDER

- Flow implementation costs ~\$75 mm (4Q21 is the last quarter)
- CapEx 5% of sales
- Government sales < 10%.

## 3. STRATEGY

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

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

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

- PER**
- Develop water flow & control segment

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

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





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





## ROTOPLAS COMMITMENTS




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

# 4 STRONG FINANCIALS

With a sustainable focus

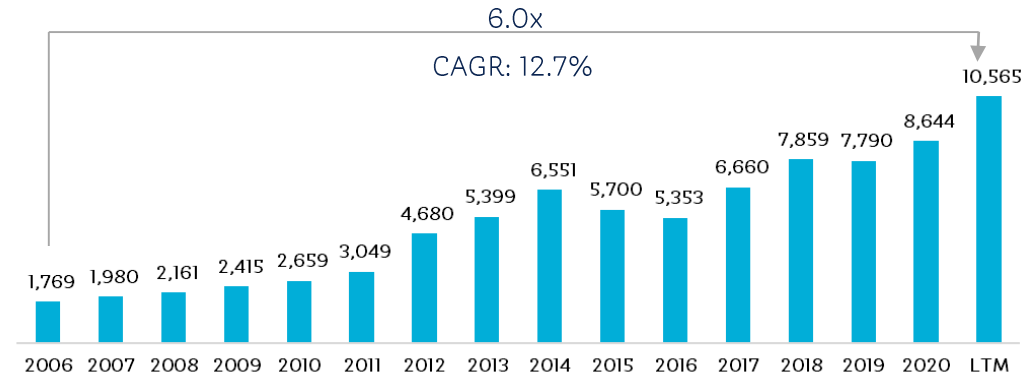


## Business Model Resilience

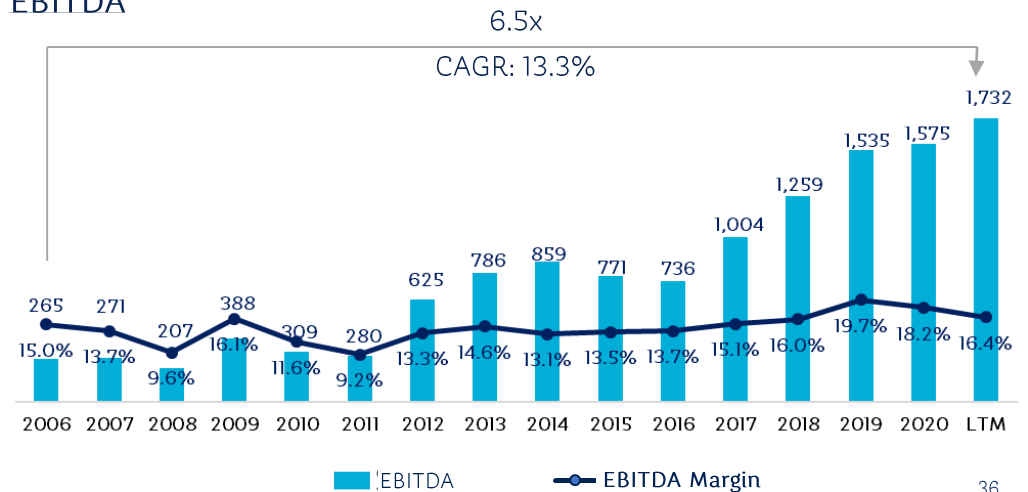
-  Continuous growth
-  Double digit margins
-  Strong Management

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

### Sales

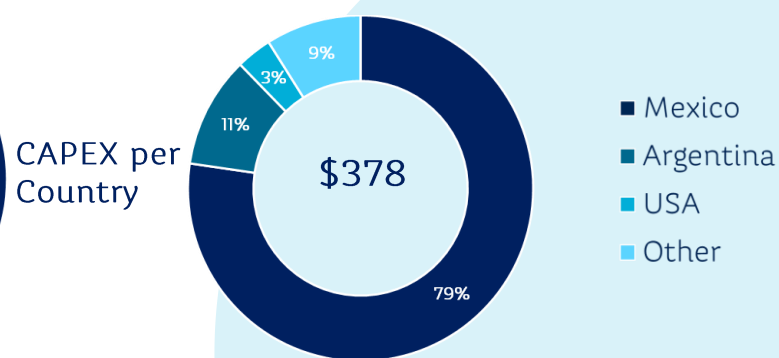
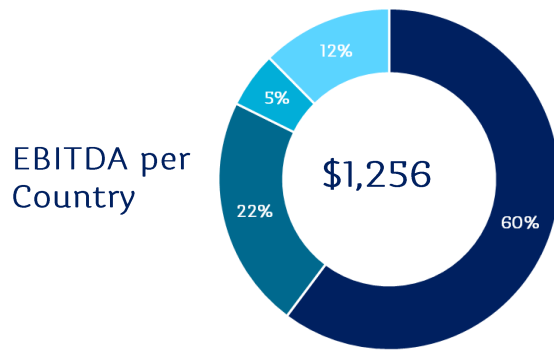
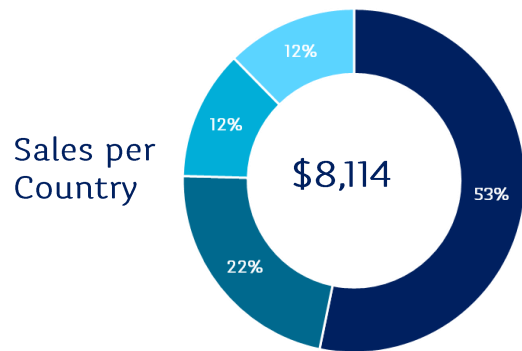


### EBITDA



# 9M21 Results

MXN mm



- Mexico
- Argentina
- USA
- Other

Income Statement		9M21	9M20	Δ %/bps
	Net sales	8,114	6,194	31%
	Cost of Sales	5,064	3,613	40%
	Gross Profit	3,050	2,581	18%
	Margin	38%	42%	(410) pb
	Operating Income	737	732	1%
	Margin	9%	12%	(270) pb
	Financing Result	439	(55)	NM
	Taxes	80	285	(72%)
	Adjusted EBITDA	1,256	1,099	14%
Income Statement	Margin	15%	18%	(220) pb
	Net Profit	220	503	(56%)

Cash Conversion Cycle  
58 days



Inventory Days  
59



Accounts Receivable Days  
51



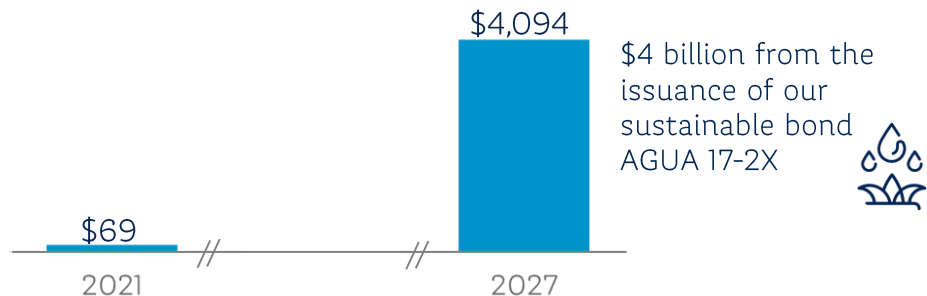
Accounts Payable Days  
52

# Sound Financials

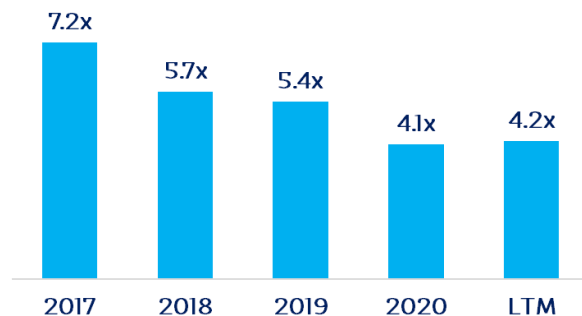
MXN mm



## Debt Maturity Profile



## Interest coverage\*



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

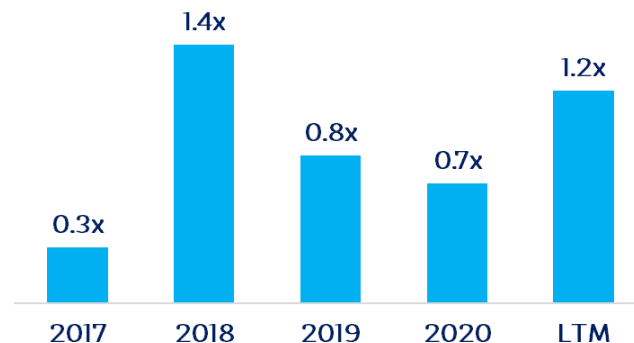
\*Calculation of interest coverage: EBITDA/Interest payable

## Strong Balance Sheet to support growth

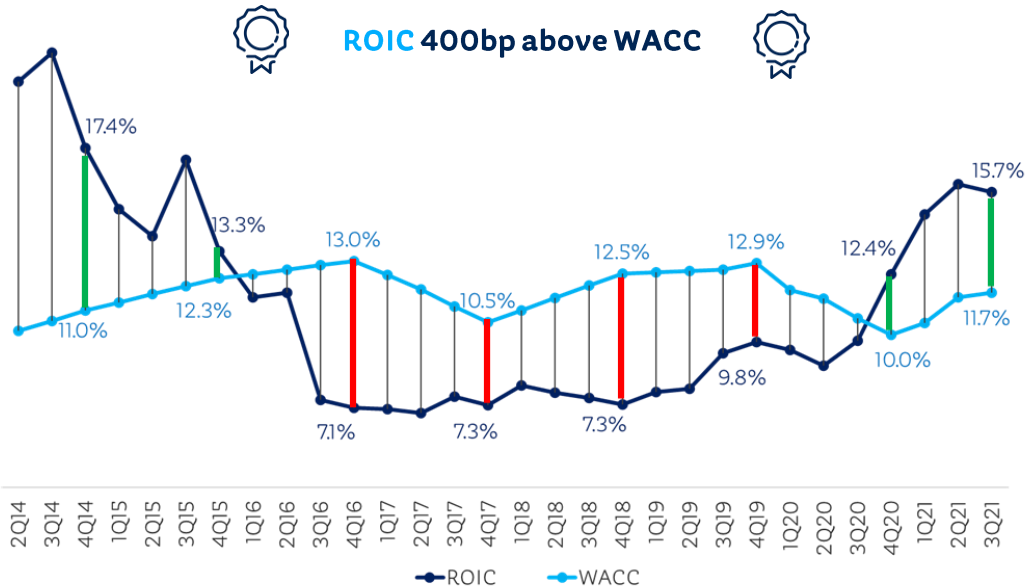
September 2021

Cash and Cash Equivalents	2,166
Other Assets	10,591
<b>Total Assets</b>	<b>12,756</b>
Debt	4,163
Other Liabilities	2,566
<b>Total Liabilities</b>	<b>6,729</b>
Equity	6,027
<b>Liabilities + Equity</b>	<b>12,756</b>




## Net debt / EBITDA



# ROIC vs Cost of Capital



Improvement in ROIC through the Flow transformational program:

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



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



# Thank you!

## INVESTOR RELATIONS

Mariana Fernandez  
[mfernandez@rotoplas.com](mailto:mfernandez@rotoplas.com)

Maria Fernanda Escobar  
[mfescobar@rotoplas.com](mailto:mfescobar@rotoplas.com)

