



3Q

22

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

*Corporate Presentation*

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**ADDITIONAL INFORMATION AND WHERE TO FIND IT**

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

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

Ticker: AGUA\*

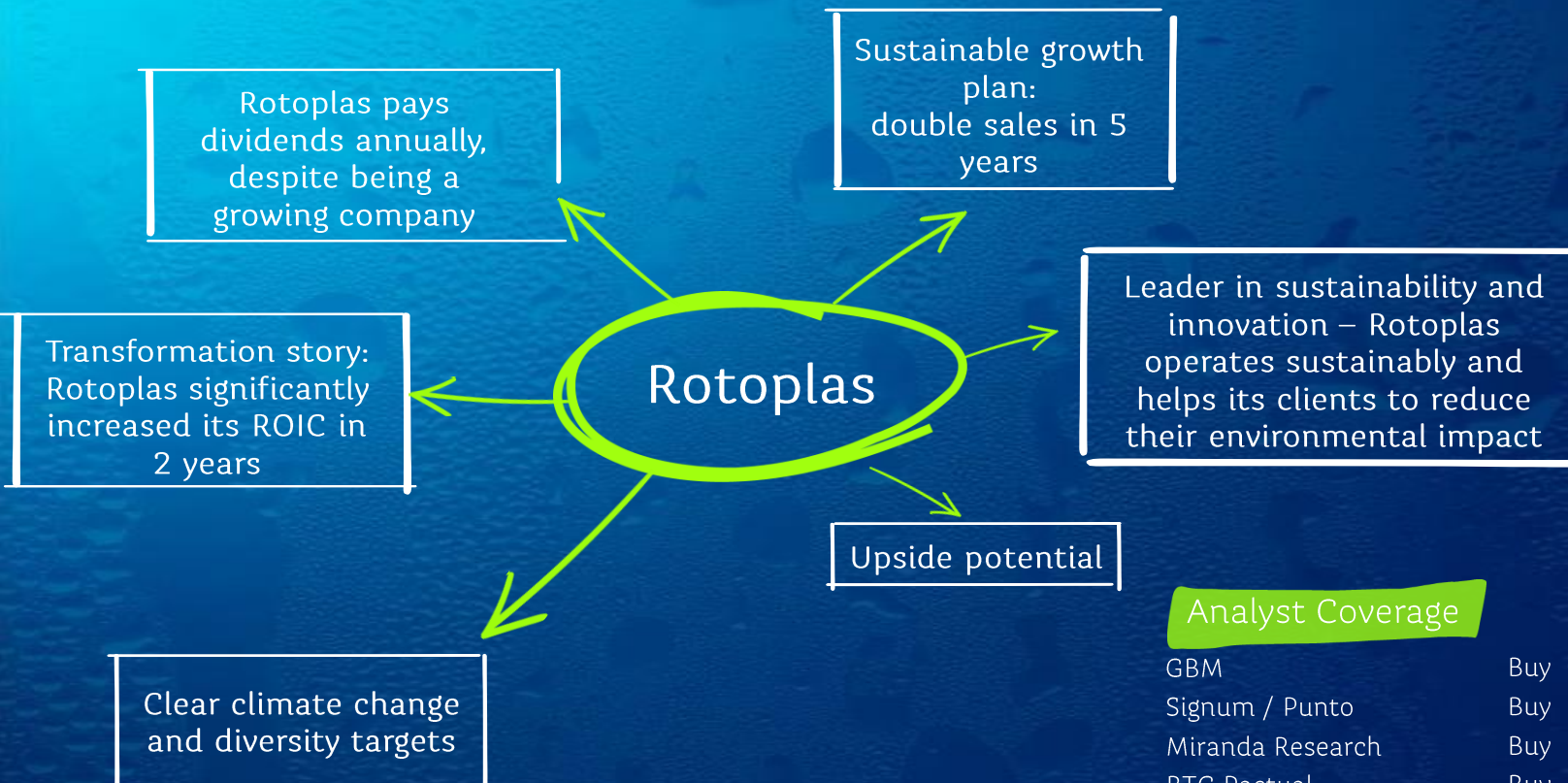


## In Rotoplas we are more and better water

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



# AGUA\* | Key messages



## Analyst Coverage

GBM	Buy	\$48.00
Signum / Punto	Buy	\$42.22
Miranda Research	Buy	\$45.00
BTG Pactual	Buy	\$39.50
Apalache	Buy	\$43.10
Consensus		\$43.56

# Investment Thesis



1 WATER  
A nascent industry of opportunities

2 PROVIDING SOLUTIONS  
Market leaders

3 WHERE WE ARE GOING  
Growth and value opportunities

4 STRONG FINANCIALS  
With sustainable focus



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

# 01

## 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

## Case Study – Mexico City



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

	2018	2030	$\Delta$
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 64.7 million pesos on water trucks in 2018 | 616 million liters

Economically and environmentally unsustainable



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



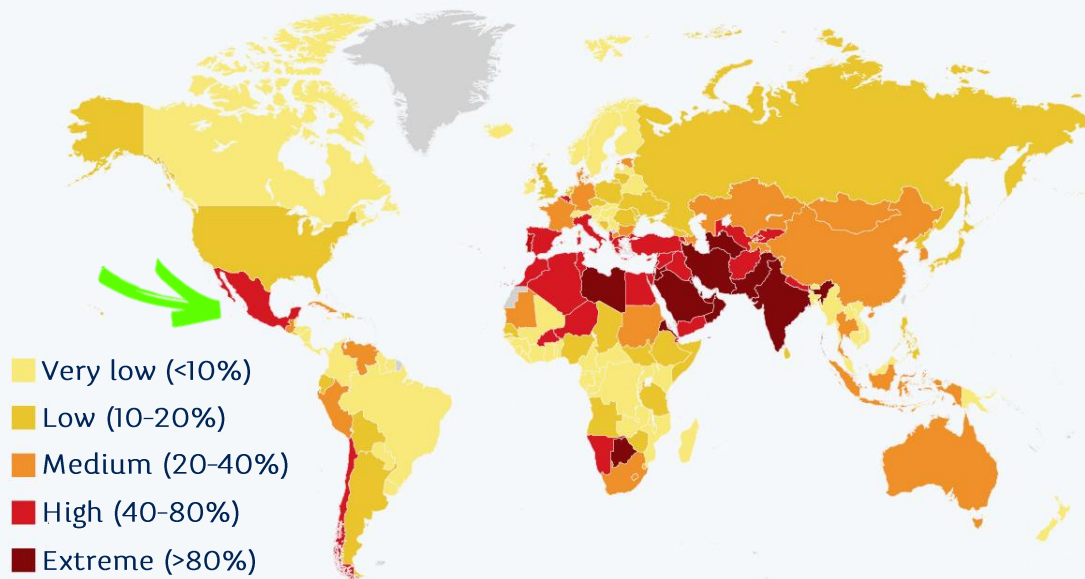
Renewable water in Mexico will decrease 11% by 2030



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

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

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



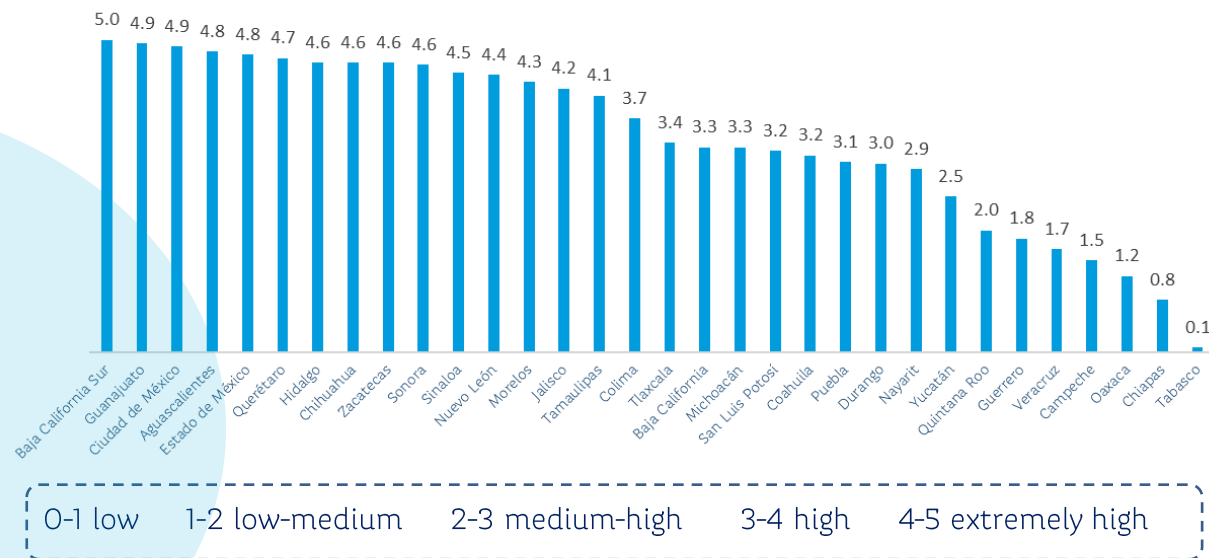
\*According to the proportion of water used annually with respect to the available supply.

Source: 2020 Ecological Threat Register

# Water situation in Mexico



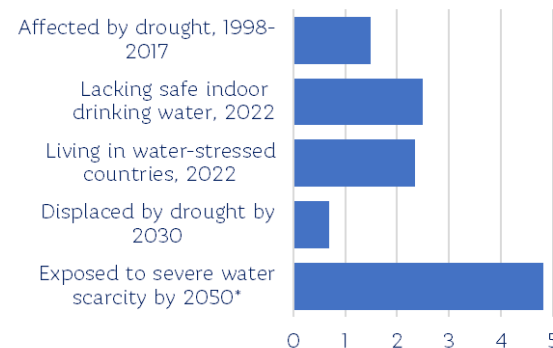
## General water risk<sup>1</sup>



## 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>

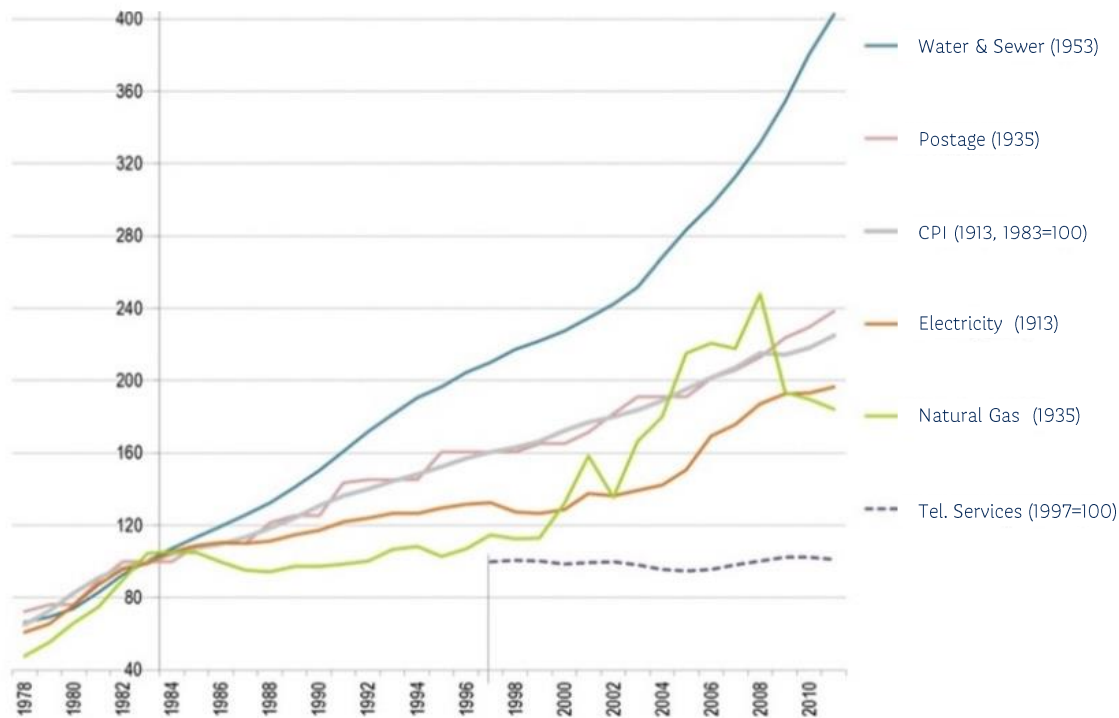


<sup>1</sup>In relation to the percentage of consumption over the total water available in a year.

<sup>2</sup>UN Global Land Outlook

## Water cost evolution | USA

### Trends in consumer prices (CPI) for utilities



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

# 02

## 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

## 3Q22 Water Market Leader



14 countries (14x)<sup>1</sup>  
83,000+ points of service  
3,300+ employees (7x)<sup>1</sup>  
30,000+ points of sale (10x)<sup>1</sup>  
27 product lines (14x)<sup>1</sup>  
19 plants (2x)<sup>1</sup>  
1 innovation center

Sales LTM

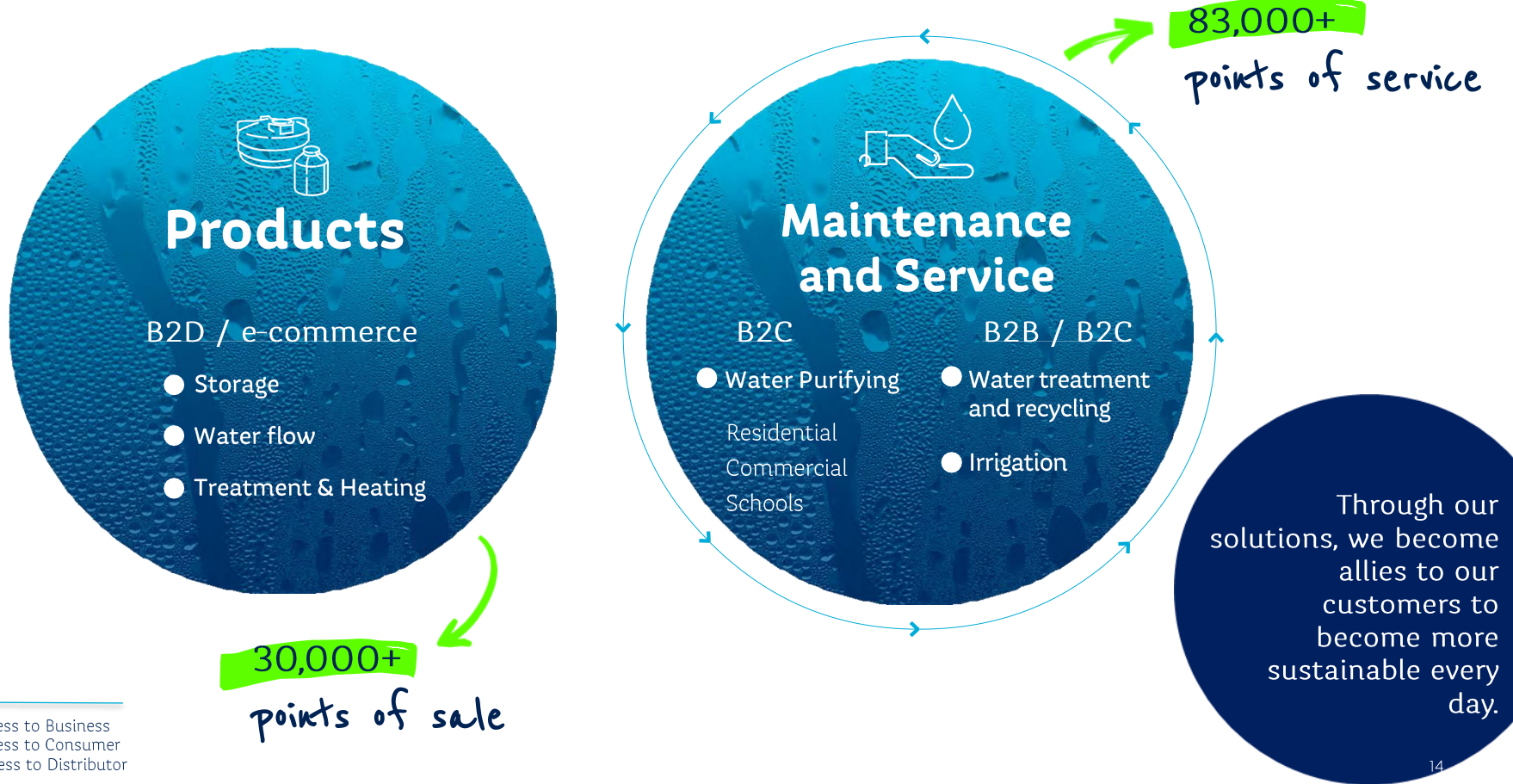
MXN 12,481mm (CAGR: 12.2%)<sup>1</sup>

EBITDA LTM

MXN 1,854mm (CAGR: 12.4%)<sup>1</sup>






<sup>1</sup> Compared to 1994

## Business Model | Decentralized Water Solutions








## Value Adaptation Solutions Traditional Businesses

-  Leading brands
-  Strong market share
-  Strong cash flow
-  Steady EBITDA – YTD \$1,668
-  Dividend payment

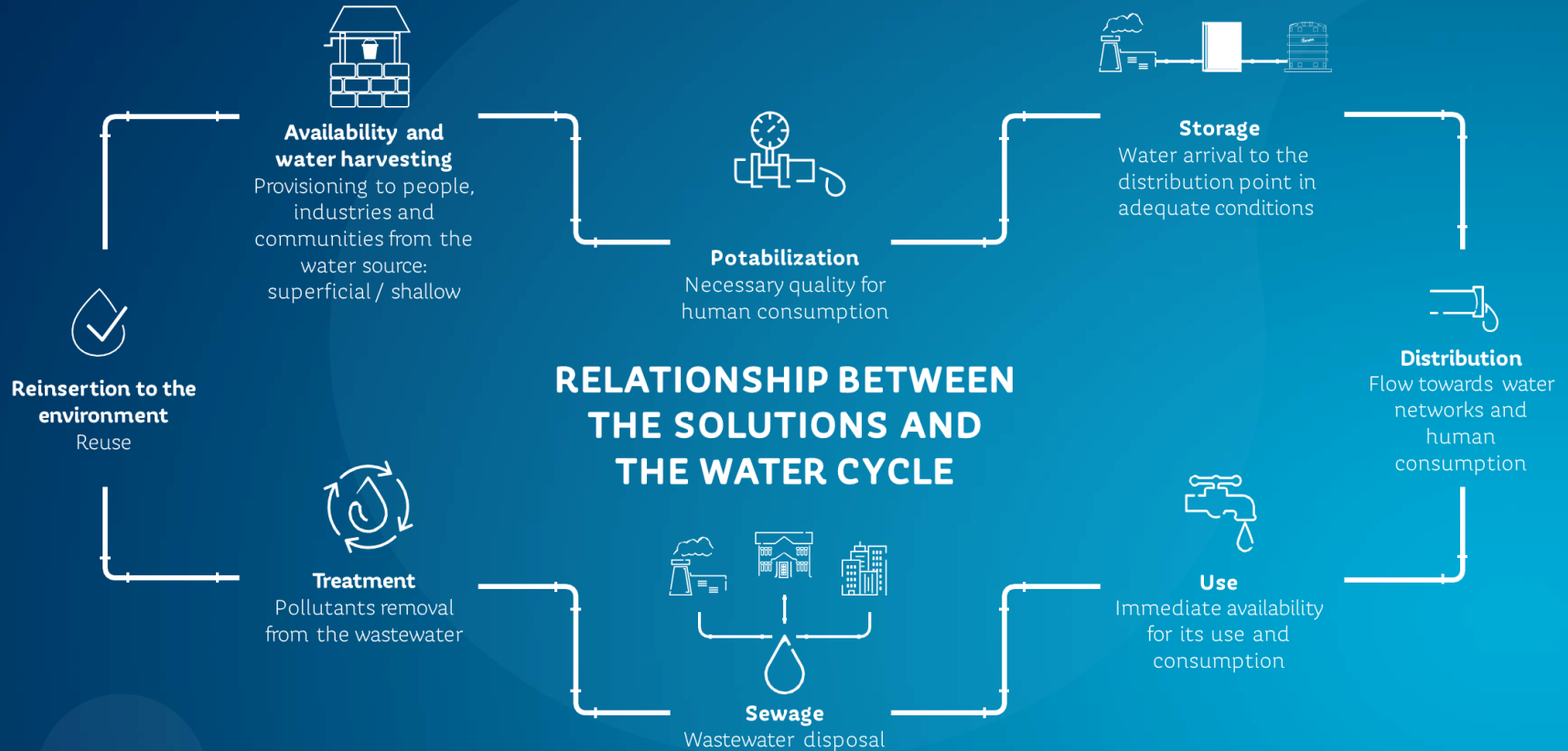
## Growth Mitigation Solutions New Businesses

-  Investment phase: negative cash flow
-  Negative EBITDA – YTD (\$236)
-  Strong earnings growth potential

**Acuantia**  **bebbia** 



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
- Water Desalination Plants
- Rainwater harvesting systems for industries (complementary to treatment plants).



Servicios de agua



### Drinking water purification

Residential and commercial purifiers

bebbia®

School drinking water fountains



### Management of agricultural water

Intelligent irrigation systems for the agricultural sector

riego®

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

#### Waterflow

- 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

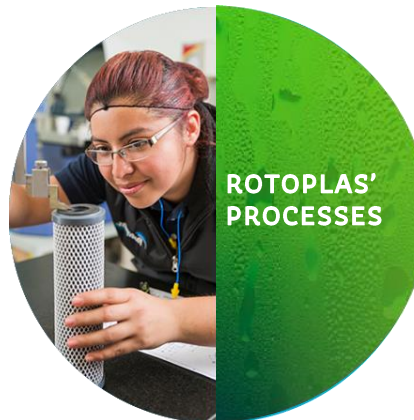
- Environmental awareness
- Regulation enforcement towards higher standards for residual water
- Increase in water prices

#### Irrigation

- Reduced water availability
- Inefficient irrigation methods dominate market
- Agricultural sector is not fully served

# Competitive Advantages

- Value
- Quality
- Social Responsibility



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

- Over **30,000** points of sale in America
- Over **83,000** points of **treatment, recycling and purification**



- Focused on **innovative** projects
- Rotoplas allocates **4% of its EBITDA to R&D\***

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

## Environmental Cards



**Water**  
Footprint



**Carbon**  
Footprint

# 360° Value | 2021-2025 Sustainability Strategy



**TCFD** | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

## 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

### 360° stakeholder impact



360° Value generation



## Results and Targets | ESG

### Profit

	2021	Target 2022	Target 2025
Suppliers evaluated with ESG criteria	-	20%	100%
Customer Satisfaction (NPS Score)	67	68	80

### Planet

CO <sub>2</sub> intensity - Scope 1 and Scope 2 per ton of processed resin	0.48	0.5	0.41
m <sup>3</sup> of water treated by our solutions (cumulative)	164K	314K	1.7 MM

### People

People with access to water and sanitation	330K	549K	1 MM
Women in the workforce	23%	24%	30%

**To be a  
carbon neutral  
company by 2040**

**30% women in  
our workforce by  
2025**

## Climate Change Strategy



- Renewable energy supply - solar panels -



- Incorporation of recycled resins (own and third party)



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



- Reuse of water by offering treatment and recycling services

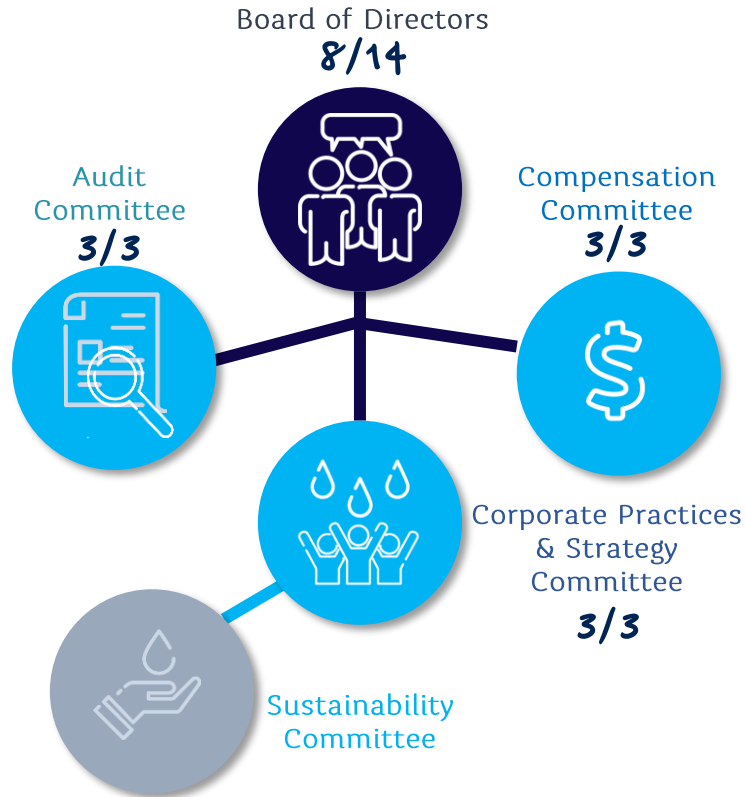


- Energy efficiency projects in rotomolding and compounds plants (e.g. fuel substitution and thermal sleeve replacement in gas injectors)

Main initiatives |  
energy & materials  
circularity



# 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** on the Board, 7% women
- Experience → Board Members with diverse **industry backgrounds** & more than 500 years of combined experience
- Meetings → 4 **Ordinary** Meetings annually

# 03

## WHERE WE ARE GOING

Growth and value  
opportunities



# Flow | Transformation Program

## A. Enhance performance of current portfolio

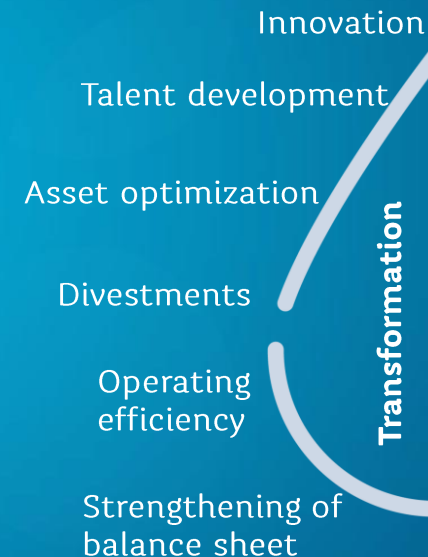
- Revenue levers
  - 1) Price & volume optimization
- Cost levers
  - 1) Procurement of materials
  - 2) Manufacturing efficiency
  - 3) Distribution costs optimization
- Working capital levers
  - 1) Inventory levels optimization
  - 2) Customization of accounts receivable & accounts payable policies

## B. Growth initiatives

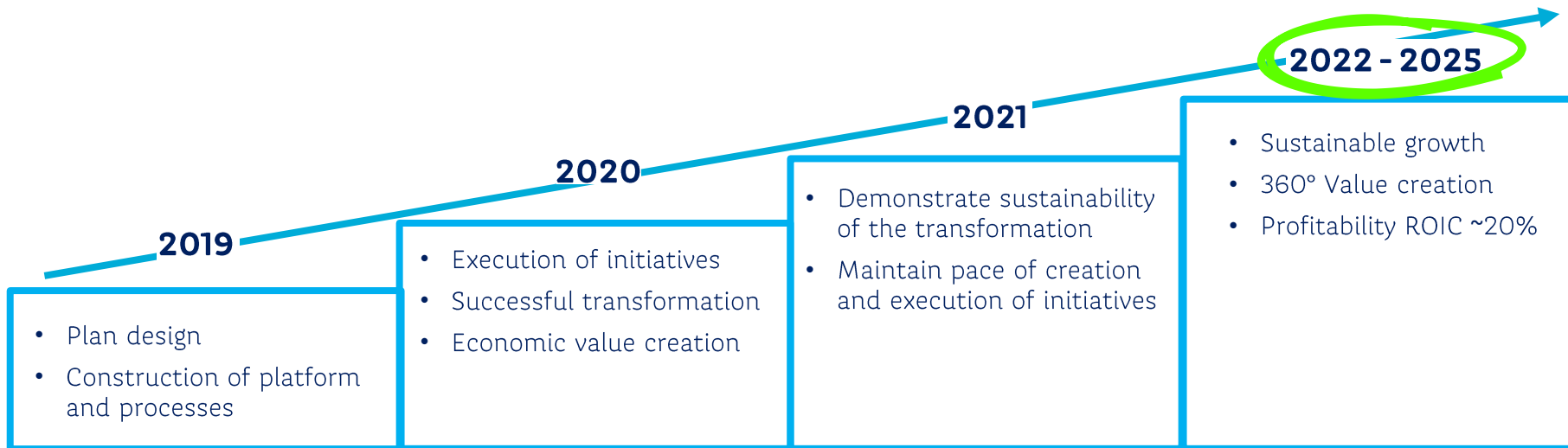
- Improve quality and execution on growth opportunities
- Clear set of opportunities:
  - 1) Cross Selling
  - 2) Boost the water-as-a-service platform
  - 3) Bolster growth of the e-commerce platform
- Improve capital allocation decisions

## C. Improve organizational health

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



# FLOW | Transformation

























# Cross selling opportunities

-  Mature market
-  Expanding market
-  Emerging market
-  Plan
-  Explore



PRODUCTS

SERVICES

Storage							
Waterflow							
Improvement							
Purification							
Treatment and recycling							
Irrigation							

## Strategy per country or region



### MEXICO

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



bebbia® rieggo®



### PERU

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



### USA

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



tank-depot.com

**Acuantia.**



### 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  
más adelante

**SEÑORIAL**  
Cero 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  
approval



Quarterly status  
update

Supported by a Capital Allocation Committee

# What's next for Rotoplas?

## 2025 Guidance

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

## Growth Avenues



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

bebbia®



Servicios  
de agua

**Acuantia.**



**ACUANTIA**  
United States

**Acuantia.**



**Launching of new solutions**



**Synergies between operations**



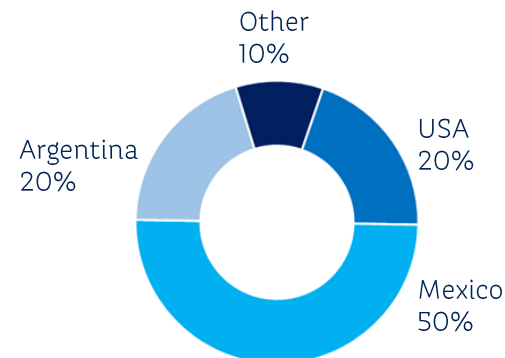
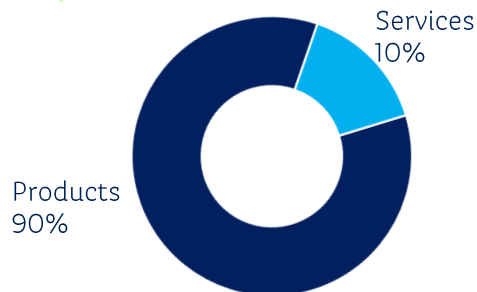
**D&A Platforms**



# 2025 Expected Growth

	Growth CAGR 21-25	
	Revenue	Adj. EBITDA
PRODUCTS	12 – 14%	12 – 14%
Mexico	10 – 12%	10 – 12%
Argentina	12 – 14%	9 – 11%
USA	29 – 31%	44 – 46%
Other	15 – 17%	15 – 17%
SERVICES	30 – 32%~	Margin > 20%
TOTAL	14 – 15%	16 – 18%

## 2025 Revenues



— 2x Revenue

— Adj. EBITDA Margin >20%

# Guidance 2022

- Sales growth  $\geq 15\%$
- Adj. EBITDA Margin 15.5% - 16.5%
- Net Debt / Adj. EBITDA  $\leq 2.0x$
- ROIC = WACC + 100 bp






# 04

## STRONG FINANCIALS

With a sustainable focus

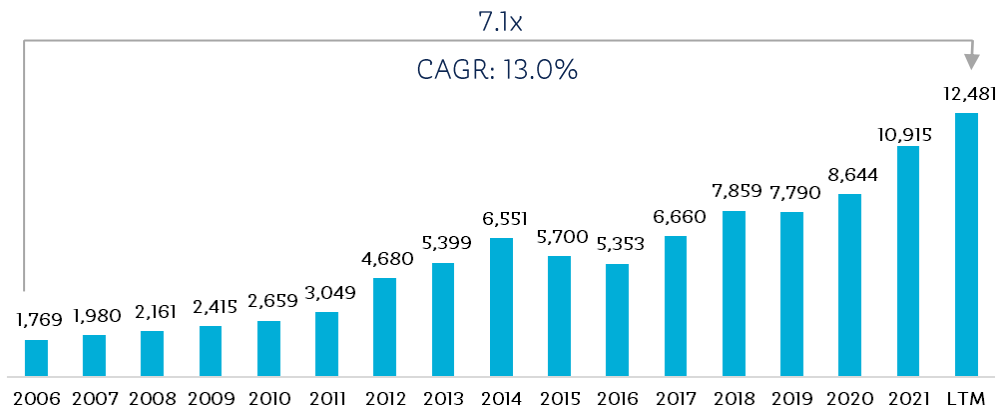


## Business Model Resilience

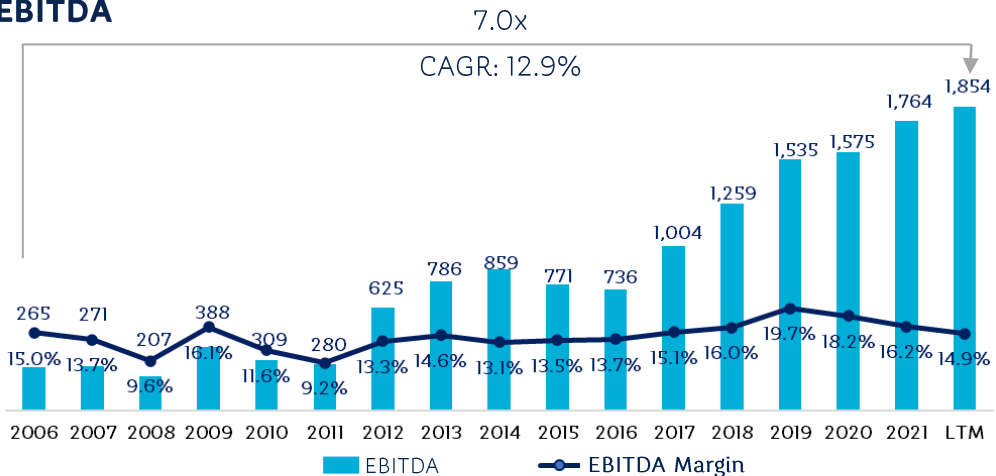
-  Continuous growth
-  Double-digit margins
-  Strong Management

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

## Sales



## EBITDA

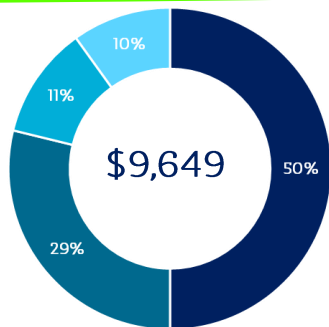


# 9M22 Results

MXN mm

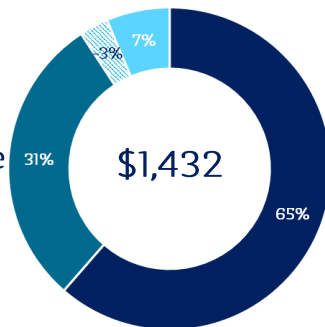


Sales per Country



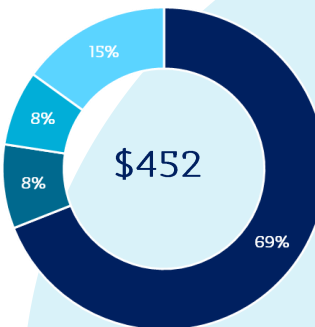
\$9,649

EBITDA per Country



\$1,432

CAPEX per Country



\$452

■ Mexico  
■ Argentina  
■ USA  
■ Other

Income Statement

	9M22	9M21	Δ %/bps
Net sales	9,649	8,114	19%
Cost of Sales	5,610	5,064	11%
<b>Gross Profit</b>	<b>4,039</b>	<b>3,050</b>	<b>32%</b>
Margin	42%	38%	430 pb
<b>Operating Income</b>	<b>1,133</b>	<b>737</b>	<b>54%</b>
Margin	12%	9%	260 pb
Financing Result	586	439	34%
Taxes	160	80	100%
<b>Adjusted EBITDA</b>	<b>1,432</b>	<b>1,256</b>	<b>14%</b>
Margin	15%	15%	(70) pb
<b>Net Profit</b>	<b>386</b>	<b>220</b>	<b>75%</b>

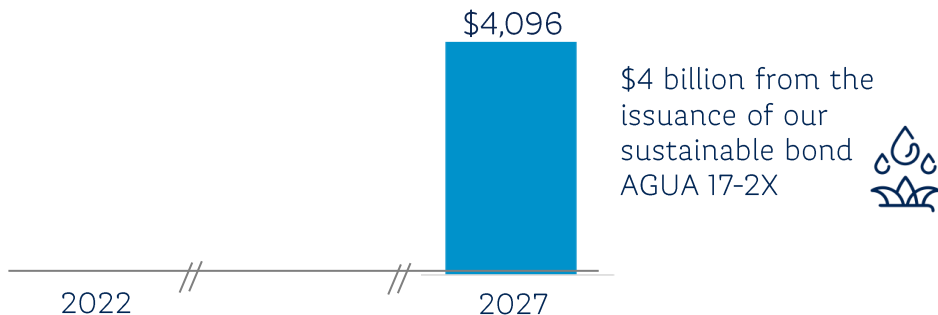
Cash Conversion Cycle  
60 daysInventory Days  
73Accounts Receivable Days  
59Accounts Payable Days  
72

Adjusted EBITDA considers: operating income plus depreciation and amortization, plus non-recurring expenses (donations and Flow implementation expenses). In 3Q21 it considers Ps. 75 million of Flow expense and Ps. 1 million donations. On a cumulative basis, it considers Ps. 225 million of Flow expenses and Ps. 9 million donations. During 2022, there were no adjustments for Flow expenses, and no donations.

# Sound Financials

MXN mm

## Debt Maturity Profile

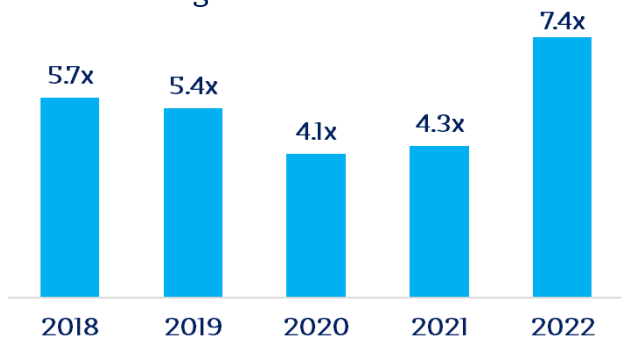


## Strong Balance Sheet to support growth

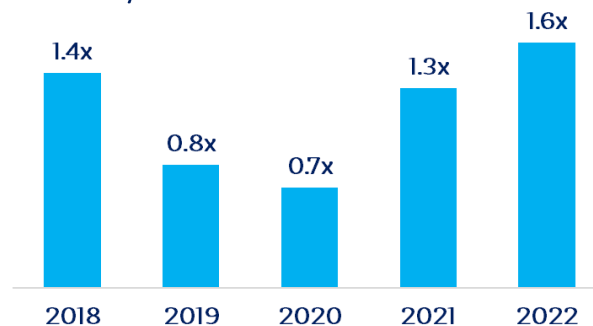
September 2022

Cash and Cash Equivalents	996
Other Assets	11,742
<b>Total Assets</b>	<b>12,738</b>
Debt	4,096
Other Liabilities	2,388
<b>Total Liabilities</b>	<b>6,484</b>
Equity	6,254
<b>Liabilities + Equity</b>	<b>12,738</b>

## Interest coverage\*



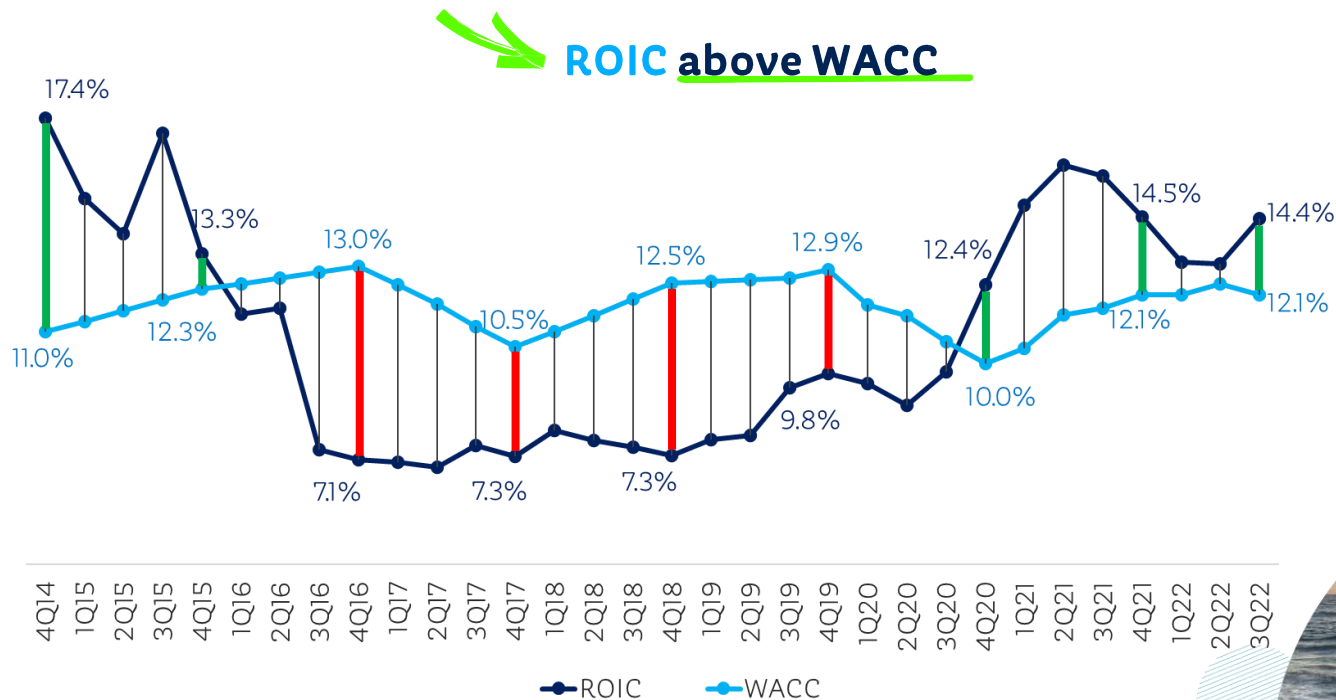
## Net debt / EBITDA



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

\*Calculation of interest coverage: EBITDA/Interest payable

## ROIC vs Cost of Capital



ROIC: NOPAT L12M/Average 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 4Q21 as they are one-off..



# Thank you!

## INVESTOR RELATIONS

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