

## **Transcript 3Q25 - Earnings call**

### **Operator:**

Good morning and welcome to Grupo Rotoplas' results conference call. Please note that today's call is being recorded and all participants are currently in listen-only mode to prevent background noise. The host will open the floor for questions later. Today's discussion contains forward-looking statements. These statements are based on the environment as we currently see it and as such there may be certain risk and uncertainty associated with such statements. Please refer to our press release for more information on the specific risk factors that could cause actual results to differ materially. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, further events or otherwise. Please allow me to remind you that the company issued its earnings press release yesterday after market close. It can be found in the investor's section of its website. Also, the presentation for the call and the webcast link are in the investor's section.

Today's call will be hosted by Mr. Carlos Rojas Aboumrad, Chief Executive Officer and Mr. Andres Pliego, Chief Financial Officer. I will now turn the call over to the speakers.

### **Carlos Rojas:**

Good morning, everyone, and thank you for joining us.

This quarter's story is one of strategic resilience and disciplined execution. While we faced external headwinds and market contractions in key regions, our focus remained firmly on the variables within our control, demonstrating our ability to protect profitability and strengthen our financial position even in challenging environments.

Our response to the market's situation was clear and effective. Through cost and expense discipline, we achieved significant EBITDA growth and margin expansion. We executed a strategic 'defense play' that fortified our balance sheet, increasing our cash position and accelerating our cash conversion cycle. This reflects our commitment to financial discipline and building a more robust and adaptable company, continuously working towards our long-term objectives.

In our core business, we are not simply reacting to the market; we are actively shaping it through innovation and strategic positioning.

In Mexico, despite market pressures, our operational agility allowed us to deliver stable margins. We continued to innovate by launching a new pressurized storage solution, advancing our rainwater harvesting strategy, and continued to develop and integrate IoT solutions into our products to strengthen our market leadership.

In the U.S., the business executed an outstanding turnaround, delivering positive EBITDA for the second consecutive quarter. This was driven by a significant gross margin expansion, a direct result of our focus on supply chain productivity and streamlined operations.

Meanwhile, Central America and Peru continued their strong performance. And while Argentina remains a complex environment, our strategy has been to achieve financial self-sufficiency. Our disciplined cost and working capital management has enabled the operation to be sustained entirely with its own internal resources.

Our services pillar continues its strong trajectory, posting sales growth that validates our strategy of building a more resilient business with recurring, high-value revenues.

bebbia continues its strong performance. The business is scaling efficiently and improving its performance ratios, which speak directly to its long-term viability. Slower subscriber growth this quarter was a deliberate result of a planned stabilization of our new technology platforms, a necessary step to enhance our operational capabilities and prepare the business to accelerate its growth moving forward

Our water treatment businesses in Mexico and Brazil also delivered a strong performance, building a solid commercial pipeline that will fuel future growth.

We made tangible progress in our digital transformation this quarter, moving beyond platforms into intelligent automation that supports both our core and new businesses. We are advancing the continuous consolidation of our B2B and B2C e-commerce platforms, which are gaining traction and improving our customer experience.

We are also enhancing our capabilities with artificial intelligence. We have begun launching new conversational AI agents designed to provide instant, automated support to our clients and distributors. This strategic move allows our teams to focus on higher-value interactions and lays the groundwork for more scalable, tech-enabled growth across the organization.

Our ESG strategy received important external validations this quarter, confirming our industry leadership.

First, we increased our score in the S&P Global Corporate Sustainability Assessment achieving 71 points.

Second, we were recognized by CONAGUA as the first "Water-Responsible Company" in Mexico, a milestone that reflects our deep commitment to sustainable water management.

Third, we received the 2025 Sustainable Innovation Leadership Award (ELIS) from HSBC and EY in the Environmental category. With this achievement, we complete the full cycle of recognitions across the three ESG dimensions—Environmental, Social, and Governance—after having earned the Governance award in 2022 and the Social award in 2023.

And finally, we were included for the first time in Newsweek's "World's Most Trustworthy Companies 2025" ranking, a powerful validation of the trust we build with all our stakeholders.

Our disciplined execution in a volatile market is building a more balanced and resilient company. The key message today is that by focusing on what we can control, we are operating more efficiently, strengthening our financial position, and actively defending our market share. This strategic discipline is the foundation of our current performance and our future success.

The strong growth and improving profitability of our services business and international operations validate this strategy. This performance demonstrates that as conditions in our core markets of Mexico and Argentina normalize, Rotoplas will be better positioned, with a solid balance sheet and enhanced profitability, ready to create long-term, sustainable value for all our stakeholders.

Thank you. I'll now turn the call over to Andrés.

**Andrés Pliego:**

Thank you, Charlie, and good morning everyone.

I will now walk you through the financial performance in more detail.

Quarterly results were mostly affected by Argentina. Excluding Argentina, sales would have grown 3%, EBITDA 40%, and the EBITDA margin would have reached 15%.

The second challenging environment was Mexico, where heavy rains and a slowdown in residential construction affected product demand. To explain this in more detail: storage solutions are less needed when there are no water shortages or public rationing, while pipes and improvement categories are also impacted as construction activity slows during the rainy season. This year, we once again experienced record rainfall, following another record year in 2024.

As Charlie mentioned, all other regions and the services business performed very well, continuing to grow and improve profitability.

Regarding costs and expenses, discipline is yielding results. Cost of sales and SG&A both decreased year-over-year, reflecting higher efficiency and operating leverage, supporting a 15% increase in EBITDA during the third quarter.

For the first nine months, EBITDA remained below last year's level, but it's important to remember that 2024 saw exceptional demand from drought conditions in Mexico and a stronger first half in Argentina, as the recession had begun but was not yet in full effect.

Finally, although the Company recorded a 44% increase in operating income, an impact of approximately \$215 million was recognized due to foreign exchange losses and inflation effects in Argentina—both non-cash items. As a result, the quarter and year-to-date results reflect a net loss.

Regionally, we've already discussed Argentina and Mexico, so let me now elaborate on the other markets.

In the United States, sales were impacted by customer and vendor delays that prevented the shipment of part of the backlog. Excluding these delays, sales would have grown, and orders and backlog are increasing at a high single-digit rate.

Market conditions were mixed: drought conditions, municipal infrastructure projects, and data center construction supported demand, while farming, residential construction, and existing home sales remained soft. The Company captured additional value from supply chain efficiency initiatives and streamlined branch operations. EBITDA was positive for the second consecutive quarter, driven by SG&A productivity and gross margin expansion.

In our "Other" markets — Peru, Central America, and Brazil — we achieved double-digit growth and healthy margins, underscoring the strength of our diversified portfolio. We continue advancing with steady and profitable steps in these markets.

Looking at segment performance, we have already covered Products. Meanwhile, the Services segment accounted for 11% of quarterly sales and continued to post double-digit growth.

As Charlie mentioned, bebbia added over four thousand new active subscribers during the quarter — at a slower pace, as we completed the migration of our full technological platform, including e-commerce, field services, and CRM systems. During this transition, we intentionally limited the addition of new customers to have a smooth rollout. With the new platform now in place, we expect to resume our growth pace while improving customer satisfaction.

We have also added new features to enhance the user experience, such as appointment scheduling and real-time tracking of the technician who will provide the service.

At the same time, our water treatment operations in Mexico and Brazil maintained momentum. EBITDA losses narrowed year-over-year, driven by greater scale, tighter expense control, and improved unit economics — particularly at bebbia.

As mentioned earlier, maintaining financial discipline continues to be a top priority, supported by tight cash management, efficient working capital practices, and a selective approach to strategic CapEx. Operating cash flow increased 39% year-over-year, reflecting stronger execution and expense control.

On liquidity, our cash position remained stable, and net financial debt declined slightly year-over-year, underscoring our continued focus on preserving a sound financial profile.

Leverage stood at 3.18x Net Financial Debt to EBITDA, mainly reflecting the lower trailing twelve-month EBITDA, a slight decrease compared to the last quarter.

Total financial debt closed at 4.6 billion pesos, down 2% versus December. This figure includes 491 million pesos in short-term debt, primarily related to working capital, and 4 billion pesos in long-term debt, corresponding to our fixed-rate sustainability bond.

The blended cost of debt remained stable at 8.7%.

CapEx represented 4% of sales during the quarter, down 7% year-over-year. The majority of investments were directed toward the services business in Mexico and Brazil, mainly for the construction of water treatment plants and the acquisition of new bebbia systems.

Consistent with our disciplined capital allocation strategy, we continue to prioritize investments that strengthen our core operations.

Within services, most CapEx is linked to revenue-backed projects, meaning we deploy resources only once contracts are secured or client commitments are confirmed. This approach provides greater visibility and ensures attractive, measurable returns on investment.

Before moving to the Q&A session, I'd like to close by emphasizing that we remain focused on controlling what is within our reach. Despite external factors that are difficult to predict, we continue to build a leaner and more efficient organization — one that enhances profitability and strengthens our balance sheet, while staying true to our purpose and reason for being.

Thank you once again for your attention. We are now ready to take your questions.

**Operator:** Thank you. We will now begin the Q&A session. Our first question comes from Adonay Félix with Apalache. "Hello. Thank you very much for taking my questions. First, in the report, we see that service sales grew 50% during the quarter and *bebbia* surpassed 159,000 active subscribers. Could you share your growth expectations for *bebbia* growth towards 2026? And when do you expect this segment to reach break-even at the operating level?"

**Carlos Rojas:** Just, I'll start with growth. Thanks for your question, Mariana. So sorry, Adonay, and thanks for joining. *bebbia* actually had a bit of a slowdown in growth in *bebbia* because we implemented new technological platforms. And so, to stabilize them and having the minimum impact, negative impact on our customers, we didn't push as strongly new customers. But we do see this business performing really well, with continued validation of all of the hypotheses. And so, we continue also to evolve the business as we learn more about the business, and we do foresee it to continue to grow in similar rates as we've had in the past. Regarding profitability at the operating level, I don't know if you would like to comment anything regarding that Andrés.

**Andrés Pliego:** Sure, sure. Profitability continues to improve. Each quarter, we see a better profitability. So, we expect to become profitable in the next few quarters, as we have commented before. We don't specifically open *bebbia* as profitability, but we're in the right direction for sure. And yeah, we expect to continue high growth in the future, increasing profitability or improving profitability.

**Operator:** Thank you, guys. The second question from Adonay it's: "The report notes that the US operations delivered a second consecutive profitable quarter. Could you elaborate on the main drivers behind this improvement and whether current performance already reflects a structurally profitable operation, or if it remains influenced by temporary factors?"

**Carlos Rojas:** So, revenues in the US have not been able to grow, and we accomplished profitability based on our discipline on expenses and costs. And so, I do think that this is something that can be sustained. We are exploring avenues for growth beyond just demand increasing because of growth of the industry and both industrial and agri-industrial. And with a larger business, we will have operational leverage and so improving further profitability. So, I do think that we will be able to sustain these profitability levels going forward, and, with this discipline of cost and expenses. But we should be finding in the future other avenues for growth that should contribute to profitability with operational leverage.

**Andrés Pliego:** Yeah, probably just stress that both COGS and SG&A, as we mentioned in our remarks, were very much reduced, and that was across the company. But in the US, we also saw that trend. And we, those were structural changes that will continue for the future. It was not any one-offs that were in place.

**Operator:** We'll move on to the next question from Orlando Alcantara, BTG Pactual, to go deeper on COGS. "What was the cause for COGS turnaround for this quarter? What kind of savings were the main driver of COGS to drop 6% year over year? Was it an inventory management deficiency? And what role did raw material acquisition, direct labor, installation costs, and factory overhead played into the COGS efficiency? Can we expect further negative COGS growth into the following quarters? At what level?"

**Andrés Pliego:** Thank you, Orlando. I think it's all of the above. So, we, and all of the above, and again, in most of the regions, probably I would focus on Mexico and Argentina in our products businesses. Both Mexico and Argentina have reduced inventories, so yeah, part of that was inventory management. And also, raising prices are helping, and exchange rate is helping, as well. But also, efficiency in our lines of production. In Argentina, as we have reported, we have made significant changes in our

production lines. We have reduced operating personnel both in Mexico and Argentina, and that has been helping in productivity across the board. So, I would say it's improvements in most of the lines that compose the COGS, and in most of the businesses. We spoke about the US in the previous question; Mexico and Argentina both take a big toll on improving COGS. So yeah, I think it's across the board, generally.

**Operator:** Thank you, Andrés. We have another question from Orlando, and it's pretty similar, but now about OPEX. "What about operating expenses at the consolidated level? We observed a 10% drop in OPEX. What role did payroll, logistics, services, marketing expenses, and software leases played in this efficiency? Can we still expect further negative growth of OPEX in the following quarters?"

**Andrés Pliego:** Yeah, yeah. Similar to COGS, since you might recall but, since November last year, we have started a significant push towards efficiency. So, it's both in admin personnel, we have become more efficient, including AI tools in some of the marketing processes, for example. Also in the digital side, as we have reported previously. Investments, most of the investments have already been done. So, right now it's only about managing the contracts, the large contracts. But we're not seeing an increase in IT expenses, generally. So, it's across the board and it's structural. As you can see in the reports, we reduced almost 400 people from last year to this year, right. So that's, I would say, part goes into COGS and part goes into SG&A. So yeah, we're becoming a leaner, more efficient organization in general, that unfortunately, the market is not there both in Argentina and Mexico, as we have mentioned, but we're positioning ourselves with a very strong structure both in COGS and in SG&A.

**Operator:** Okay. Let's take our next question. It's from Martín Lara, Miranda Global Research. "How do you see the performance in Argentina going forward?"

**Carlos Rojas:** Hello, Martín, thanks for joining and your question. I think we're all looking forward to the elections that will take place this weekend, and that will be material on what will happen with the country. We are optimistic about Argentina continuing its path of transformation. There is a big shortage of housing, which would be a relevant driver for our business in Argentina. And so, as there is availability of credits for mortgages for homes in Argentina, the housing industry would grow materially. So, for this, we need lower interest rates and more financial stability in the

country. And so, I think that's going to depend a little bit on what happens in the next elections and the response to those elections. And I do think that at some point the market will come back, because the need for the housing is very large. Anything else that you'd like to comment?

**Andrés Pliego:** No, I think that's complete.

**Operator:** We have another question from Martín and it's: "In the US, are you experiencing customer delays in the fourth quarter 2025?"

**Andrés Pliego:** Not necessarily. Very similar, we're expecting, a very similar consistency in terms of customer demand going into the fourth quarter.

**Operator:** Good. So, the next question comes from Roberto Nava, GBM. "Given the challenging backdrop in Argentina and slower demand in Mexico, what are the top priorities for 2026 to sustain profitability and improve cash flow generation?"

**Carlos Rojas:** Hello, Roberto. Thanks for joining and for your question. Yeah, it's a great question. We are a very innovative company. We do see that there continue to be opportunities around the water space. And, while this year in Mexico, they were very different because we had a lot of rains, we had more rains — it was a record year — I think it was the most rains in the last 60 years. But even a lot of rains bring some other opportunities. So, we continue to innovate, develop our offering, and evolve the customer journey: how we serve our customers. And so, leveraging both new solutions for water opportunities and leveraging digital technologies, we continue to be market shapers in evolving how customers resolve their water needs. And so, specifically, we see for next year new products in the core of the business having growth, so that contributing to the Mexico products part of the business, regardless of the demand changes in the country. There is also high need in Mexico for new housing, and the government is looking to promote a program for new houses as well, to build new houses. And then, obviously, we do think that we will have growth in the services businesses, *bebbia* and wastewater treatment plants in Mexico and Brazil, and so that will also be driving growth for 2026. And, in the US, as I have mentioned, we are exploring other growth avenues, and I think that will start to deliver some results, also

contributing to the growth of the Company. Anything else that you'd like to share regarding 2026?

**Andrés Pliego:** Probably more of the same. But we will continue to control what it is within our reach, right? Which is, again, COGS, expenses, CapEx, investments.

**Carlos Rojas:** And innovation.

**Andrés Pliego:** And regardless of the market, we hope that it comes back. But regardless of the market, internally, all the structural changes that we have done and all the efforts that we have done will continue to happen. And just one last comment. The only businesses that are below, let's say, year on year, are Mexico and Argentina. The rest of the units, and geographies, and different services businesses are contributing to profitability, and we expect that to continue, right? So, if we continue to do what we have done in the last few quarters, we think we will come out really solid for when the market starts coming back, particularly in Argentina.

**Operator:** Up next, we have, another question from Roberto. "Are there any M&A or strategic partnerships or opportunities being evaluated to accelerate the services or treatment business?"

**Carlos Rojas:** No, no. Nothing material. We are doing partnerships with suppliers and other companies that have capabilities to continue to evolve our offering. It is a business that, as we are participating more with an approach of network where we are connecting the best solutions available in the world with the customer needs. We obviously do this in partnership with other companies, but no, no material M&A.

**Operator:** We'll take the next question from Rodrigo Salazar, AM Advisors. "You mentioned maintenance CapEx has been low. Are you concerned about potential underinvestment and its impact on operations once demand recovers? And what should we expect for total CapEx next year in terms of level and allocation between maintenance and growth?"

**Carlos Rojas:** Hello, Rodrigo. Thanks for joining. No, the lower maintenance CapEx is also related to efficiencies and evolution of our practices. So, we're not doing it in a way where we will not be able to serve increased demand when it's there. And in terms of your second part of this question regarding CapEx for next year, I think it really depends on our ability to grow the business. And it will also depend largely on demand from Mexico and Argentina. But we remain highly flexible and agile to deploy CapEx based on the cash flow generation of the business. So, nothing that needs to happen in a materially different way. We will pursue opportunities as we feel we are in a financially healthy position. Anything else?

**Andrés Pliego:** Probably just add that, I mean, we haven't compromised any maintenance at all. Right? We have done the CapEx needed. We have just been more, I would say, diligent or more cautious with spending. So, we don't have a backlog of maintenance CapEx. Also, the blow molding machines, newer machines, that we have invested in the last couple of years, need less maintenance at this point. So yeah, we're not compromising the operations at all.

**Operator:** Good. Rodrigo's second question is regarding *bebbia*. "Should we expect the pace of around 12,000 additions per quarter to continue, or could that accelerate once the tech investments are completed?"

**Carlos Rojas:** I think at some point we can experience growth in number of new customers per quarter. The tech capabilities is the most relevant thing for us to be able to serve customers at a growing rate in a more and more efficient and effective way. So, I think that the customers coming into the platform today are validating that this is the way they would prefer to consume drinking water. And so, we have a very small part of the market share. So as that hypothesis has been validated and we have the capability to serve them in bigger quantities per month, I think our number of new customers per quarter can increase.

**Operator:** Okay. So, one last question. And it's from Orlando, BTG Pactual. "Why interest rate on debt still high, 13.5%, despite lower Banxico rates?"

**Andrés Pliego:** Thank you, Orlando. I don't know where that 13.5% comes from. Our blended cost of debt is 8.7%. That is basically composed of our long-term sustainability

bond, is at 8.65. And then the short-term debt, which is 491 million pesos, it's at TIE plus 1, TIE plus 90, TIE plus 110. So, the blended it's 8.7. So yeah, I guess that's—

**Carlos Rojas:** And since the biggest part of the debt is the long-term debt with a fixed rate, that wouldn't change too much based on how rates change.

**Andrés Pliego:** Correct. 90% of the debt is fixed at 8.65.

**Operator:** The last question from Orlando, it's pretty much about debt. "Could you give more color on debt maturities?"

**Andrés Pliego:** So, we have again the 490 million pesos short term. Those are mostly one-year contracts, so short term, one year. And we continue to roll them over as needed. So, we use them precisely as working capital lines of credit, so we increase and decrease. So, those are mostly one-year loans. And then the sustainable bond is due in the summer of 2027, so about 15 months away. And we have started to look into the refinance of that, but we still have some time to refinance that one as well.

**Operator:** Perfect. So that was the last question. This concludes today's Q&A session. Any final comments?

**Carlos Rojas:** Thank you very much for joining and we're looking forward to seeing you next year.

**Operator:** Thank you, guys. See you next quarter.