

4Q & Full Year 2018 Grupo Rotoplas

Mexico City, February 14, 2019

Grupo Rotoplas reports its results for the fourth quarter, full year 2018 and 2019 guidance

Grupo Rotoplas S.A.B. de C.V. (BMV: AGUA) (“Rotoplas” or “the Company” or “the Group”), Latin America’s leading provider of individual and integrated water solutions, today announced its unaudited financial results for the fourth quarter and full year ended December 31, 2018. The information within has been prepared based on International Financial Reporting Standards (IFRS).

All values in this document are expressed in millions of Mexican pesos and may vary due to rounding.

Quarterly Results 4Q18 vs 4Q17

(Millions of MXN)

- Net Sales grew by 26.4% and Adjusted¹ EBITDA by 57.1%, with a 310 basis points increase in the EBITDA margin, which reached 15.8%.
- Rotoplas posted growth in all countries in which it operates, except for Brazil.
- Mexico revenues were boosted by product sales, while Argentina posted a substantial increase in sales due to the integration of IPS, a flow company acquired in July 2018. The growth in other countries was mainly driven by the incorporation of the e-commerce platform in the United States.
- Gross and operating margins increased by 280 basis points due to higher prices and improved cost efficiency.
- Higher net interest costs, as well as a loss from a monetary position in Argentina², negatively affected net income.
- The Company was able to successfully issue the first re-opening of Sustainable Bond AGUA 17-2X in October, for a total amount of \$1 billion pesos.

Annual Results 2018 vs 2017

(Millions of MXN)

- Net Sales grew by 18.0% and Adjusted¹ EBITDA by 25.4%, with a full year EBITDA Margin reaching 16.0%, an improvement of 90 basis points YoY.

¹ Adjusted EBITDA includes one-time expenses (donations and acquisition related expenses) for amounts of \$2 million in 4Q18, \$38 million in 2018, \$27 million in 4Q17 and \$32 million in 2017.

² As Argentina accumulated inflation was greater 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. For more details, see section “Argentina”.

- Sales in Mexico increased by 6.5%, while sales in Argentina increased by 55.0%, a result of the integration of IPS. Other countries grew 29.0% as a whole, driven primarily by the inclusion of the e-commerce platform in the United States.
- Currency depreciation and hyperinflation in Argentina, as well as an increase in interest costs, affected the net income of the Company.
- In 2018 Rotoplas published its contribution to the UN's SDGs (Sustainable Development Goals derived from the UN's 2030 Agenda), becoming the first company in Mexico to do so.
- During 2018 Rotoplas developed a model for social value creation, that measures the social impact of its water solutions, such as rainwater collection, outdoor bathrooms and drinking fountains.

2019 Guidance

- Based on available information, we expect growth in net sales greater than 10% compared to 2018, and an EBITDA margin between 16% and 17%.

Analysis and Discussion of Leadership

"During 2018, Rotoplas faced a complex environment in Mexico and Latin America; however, despite market conditions, we were able to report a strong growth of 18.0% in sales and 25.4% in adjusted EBITDA. We are pleased with the results that were obtained, which illustrate our solid business model and its strong positioning in the Mexican market, as well as a growing presence in the Americas.

With the IPS acquisition in Argentina in July of last year, we consolidated our portfolio of products and strengthened our leadership in the country. Moreover, IPS contributes an important export platform to support our future expansion in the region. In Peru, we were also able to improve our market position, strengthening our portfolio by developing the flow category. We were able to improve our presence throughout Latin America, integrating new platforms and developing synergies that we believe will be a key growth factor in the future of the Company.

The e-commerce platform has driven strong results in the United States, and we are confident it will continue to improve profitability going forward, as well as in its replicability in other regions. We are convinced that e-commerce will be one of the most important growth factors for Rotoplas in the future.

The service platform continues expanding according to the Group's diversification strategy. During the year we were able to improve the contribution of this platform to EBITDA, as well as expanding the purification, residential, commercial, and water treatment plant clients base. We continue investing in order to create a solid foundation for our water services business which we believe will be an important pillar for future growth and profitability.

Our goal for 2019 is to enhance our brand positioning and strengthen our leadership in the countries where we are already present, which will allow us to continue to grow as a Group. We will focus on consolidating our recent acquisitions, expanding our service platform, and developing synergies that will maximize our profitability. Through the evolution of our business model and the creation of social value, we have become leaders in our key markets, providing the best services and products so that the population can have access to more and better water, while ensuring value creation for our investors", stated Carlos Rojas Mota Velasco, Chairman of the Board and CEO of Rotoplas.

Selected Financial Information

(Millions of MXN)

	4Q18	4Q17	Var.	2018	2017	Var.
Net Sales	2,058	1,629	26.4%	7,859	6,660	18.0%
Gross Profit	851	627	35.7%	3,097	2,628	17.8%
<i>Gross Profit Margin</i>	41.3%	38.5%	280 bp	39.4%	39.5%	(10) bp
EBIT	221	129	70.9%	846	730	16.0%
<i>EBIT Margin</i>	10.7%	7.9%	280 bp	10.8%	11.0%	(20) bp
Net Income	31	94	(67.3%)	374	533	(29.9%)
<i>Net Income Margin</i>	1.5%	5.8%	(430) bp	4.8%	8.0%	(320) bp
EBITDA	324	181	79.0%	1,222	972	25.7%
Adjusted EBITDA ¹	326	207	57.1%	1,259	1,004	25.4%
<i>EBITDA Margin</i>	15.8%	12.7%	310 bp	16.0%	15.1%	90 bp

Summary of Sales & EBITDA

(Millions of MXN)

	4Q18	4Q17	Var.	2018	2017	Var.
Net Sales	2,058	1,629	26.4%	7,859	6,660	18.0%
Individual Solutions (Products)	1,912	1,435	33.2%	7,133	5,899	20.9%
Integrated Solutions (Services)	146	193	(24.5%)	726	762	(4.7%)
Mexico	1,106	1,027	7.7%	4,563	4,286	6.5%
Argentina	516	182	NA	1,391	897	55.0%
Others	436	420	3.8%	1,906	1,477	29.0%
EBITDA Margin	15.7%	11.1%	460 bp	15.5%	14.6%	100 bp
Adjusted EBITDA Margin ¹	15.8%	12.7%	310 bp	16.0%	15.1%	90 bp
Individual Solutions (Products)	16.7%	13.8%	290 bp	16.4%	15.7%	70 bp
Integrated Solutions (Services)	4.6%	4.5%	10 bp	12.1%	10.0%	210 bp
Mexico	21.1%	22.6%	(150) bp	22.3%	23.0%	(70) bp
Argentina	15.6%	(6.3%)	NA	11.9%	6.8%	510 bp
Others	0.8%	(3.0%)	380 bp	3.4%	(2.9%)	630 bp

¹ Adjusted EBITDA includes one-time expenses (donations and acquisition related expenses) for amounts of \$2 million in 4Q18, \$38 million in 2018, \$27 million in 4Q17 and \$32 million in 2017.

- **Net Sales & EBITDA**

Net sales increased 26.4% during the trimester compared to 4Q17, reaching \$2,058 million, mostly due to the integration of the IPS acquisition in Argentina, the implementation of the e-commerce platform in the United States, and good operating performance in Mexico. Government sales represented 3.4% of total sales.

In the full year, sales grew 18.0% compared to 2017, reaching \$7,859 million. Government sales represented 4.6% of net sales.

Quarterly and annual sales were both benefited by the acknowledgement of inflation and affected negatively by the devaluation of the Argentinian currency. In both cases, the effect of devaluation was greater than the effect of inflation, which in turn decreased the Group's growth (*see note in section "Argentina" for more information about the effect of hyperinflation on results*).

Rotoplas reported an **adjusted EBITDA** growth of 57.1% in 4Q18 compared to 4Q17, with EBITDA reaching \$326 million pesos, a margin of 15.8% of total sales, and an increase of 310 bp when compared to 4Q17. The expansion in the margin is explained by higher prices, cost efficiencies and lower raw material prices.

During the full year, Adjusted EBITDA¹ grew 25.4% compared with 2017, with EBITDA reaching \$1,259 million pesos, a 16.0% margin of net sales, a 90 bp expansion compared with the previous year.

- **Net Sales and EBITDA by Solution (products and services)**

Results by Solutions

(Millions of MXN)

Individual Solutions (Products)

	4Q18	4Q17	Var.	2018	2017	Var.
Net Sales	1,912	1,435	33.2%	7,133	5,899	20.9%
EBITDA	319	199	60.6%	1,172	928	26.3%
EBITDA Margin	16.7%	13.8%	290 bp	16.4%	15.7%	70 bp

Integral Solutions (Services)

	4Q18	4Q17	Var.	2018	2017	Var.
Net Sales	146	193	(24.5%)	726	762	(4.7%)
EBITDA	7	9	(23.7%)	88	76	15.0%
EBITDA Margin	4.6%	4.5%	10 bp	12.1%	10.0%	210 bp

The net sales of **Individual Solutions (Products)**, including storage, flow or piping and improvement, grew 33.2% in 4Q18, reaching \$1,912 million pesos, derived mainly from the increase in piping products, which was related to the performance of IPS, and the increase of water heater and storage tank (*tinaco*) sales. During the full year, product sales grew 20.9% vs 2017, reaching \$7,133 million, driven by flow and storage products.

The product's EBITDA margin during 4Q18 was 16.7%, an increase of 290 bp when compared to 4Q17, in line with Grupo Rotoplas' expansion margin. In 2018, the margin closed at 16.4%, an expansion of 70 bp vs 2017.

Total sales in **Integral Solutions (Services)** fell by 24.5% in 4Q18, when compared to 4Q17, reaching a total of \$146 million pesos, mainly due to a reduction in auto-sustainable sales (rural rainwater harvesting system, composting bathroom and family-orchard-type agricultural irrigation system). During the full year, sales decreased 4.7% vs 2017, reaching \$726 million affected mainly by the previously mentioned reduction in auto-sustainable solutions sales through the government channel.

The drinking water purification platform continues to grow, reaching 49 cities at the end of 2018, consistent with our plan for expanding the number of residential and commercial purification points.

The quarterly EBITDA margin of services reached 4.6%, an increase of 10 bp compared with the same quarter of the previous year. In 2018 the EBITDA margin was 12.1%, an expansion of 210 bp. The costs involved with the expansion of the drinking water platform negatively impacted EBITDA by \$32 million.

- **Net Sales and EBITDA by Country**

	Mexico			Argentina			Others		
	4Q18	4Q17	Var.	4Q18	4Q17	Var.	4Q18	4Q17	Var.
Net Sales	1,106	1,027	7.7%	516	182	NA	436	420	3.8%
EBITDA	233	232	0.6%	80	(12)	NA	12	(13)	NA
EBITDA Margin	21.1%	22.6%	(150) bp	15.6%	(6.3%)	NA	2.8%	(3.0%)	580 bp

	Mexico			Argentina			Others		
	2018	2017	Var.	2018	2017	Var.	2018	2017	Var.
Net Sales	4,563	4,286	6.5%	1,391	897	55.0%	1,906	1,477	29.0%
EBITDA	1,020	986	3.4%	166	61	NA	74	(42)	NA
EBITDA Margin	22.3%	23.0%	(70) bp	11.9%	6.8%	510 bp	3.9%	(2.9%)	680 bp

- **Mexico**

Net sales in Mexico grew 7.7% in 4Q18 vs 4Q17, reaching \$1,106 million pesos, driven by greater sales of products, specifically storage and flow. The growth was counterbalanced by less service sales caused by a fall in sales of auto-sustainable products such as rainwater harvesting system, composting bathroom and family-orchard-type agricultural irrigation system.

During the full year, sales in Mexico grew 6.5%, reaching \$4,563 million, driven by greater flow or piping sales for products and drinking water fountains for services. These robust results demonstrate Rotoplas' strong position in the country.

The **EBITDA margin** in Mexico reached 21.1%, a contraction of 150 bp vs 4Q17, explained by an increase in operating expenses related to the investment in the expansion of the drinking water platform.

The EBITDA margin closed at 22.3% in 2018, which represented a contraction of 70 bp compared to 2017, impacted primarily by the cost of the drinking water platform expansion, which had an effect of \$32 million pesos.

- **Argentina**

Net Sales in Argentina reached \$516 million pesos, \$334 million more than 4Q17, mainly as a result of IPS sales, as well as the organic growth driven by better prices and higher water heater sales.

During the year, sales in Argentina grew 55.0% reaching \$1,391 million pesos, driven by IPS sales and by better prices in organic sales.

Quarterly and annual sales were both benefited by the inflation adjustments and affected negatively by the devaluation of the Argentinian currency. In both cases, the effect of devaluation was greater than the effect of inflation, which in turn affected the Group's growth (*see note in section "Argentina" for more information about the effect of hyperinflation on results*).

The **EBITDA margin** in 4Q18 reached 15.6%, compared with a negative margin of 6.3% during the same period the previous year. The expansion was mainly driven by better management of other product segments and the contribution of IPS.

The EBITDA margin in 2018 closed at 11.9%, representing an expansion of 510 bp when compared to 2017. This expansion is explained by the better cost management and the contribution of IPS, which offset the higher raw material costs and operating expenses.

Note: Implementation of IAS 29, *Financial Reporting in Hyperinflationary Economies*.

Following the categorization of Argentina as a country with a 3-year cumulative inflation rate higher than 100%, the country is considered highly inflationary. In accordance with IAS 29, an adjustment for inflation has been made in the Financial Statements to consider changes in acquisitive power.

The International Accounting Standard IAS 29, *Financial Reporting in Hyperinflationary Economies* establishes that results from operations in Argentina must be reported as if they were hyperinflationary as of January 1, 2018, readjusting Financial Statements for inflation, accounting for changes in acquisitive power in the local currency.

As a result of the above, the effect of said full year readjustment resulted in an increase of \$72 million in financial expenses that negatively impacted the Comprehensive Financing Result, of which \$64 million correspond to a monetary position loss related to non-monetary asset and liabilities updates in the Balance Sheet.

Finally, adjustments for inflation in financial statements had a negative effect of \$66 million in Net Income.

- Others

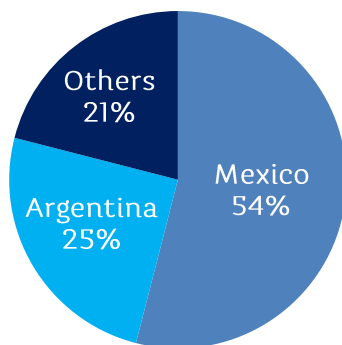
Net sales in the rest of the countries where Rotoplas operates grew 3.8% in 4Q18 vs 4Q17, reaching \$436 million pesos, mainly driven by sales on the e-commerce platform in the United States. Similarly, Peru and Central America showed growth driven by storage solutions. The positive results in these countries compensated for lower sales in Brazil, which is in line with plans to divest in this country.

During the year, sales grew 29.0% reaching \$1,906 million pesos, due to growth in the United States and Central America.

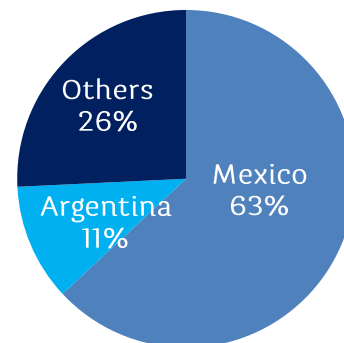
The **EBITDA margin** during 4Q18 reached 2.8% compared to a negative margin of 3.0%, while the 2018 margin closed at 3.9%, compared to a negative margin of 2.9%. This improvement in margin during both periods is due to greater sales volume and more efficiency in operating costs.

Quarterly Figures

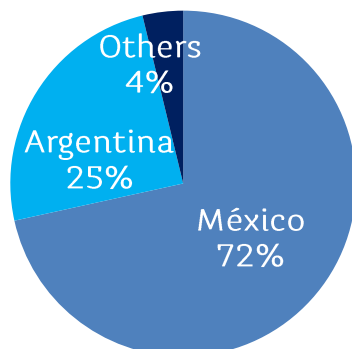
Sales 4Q18



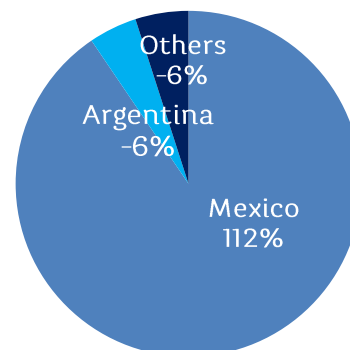
Sales 4Q17



EBITDA 4Q18

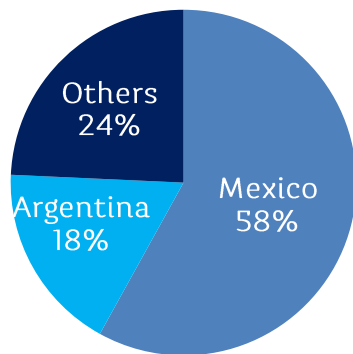


EBITDA 4Q17

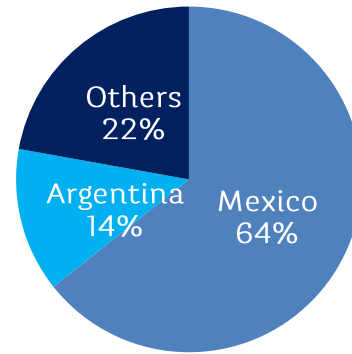


Annual Figures

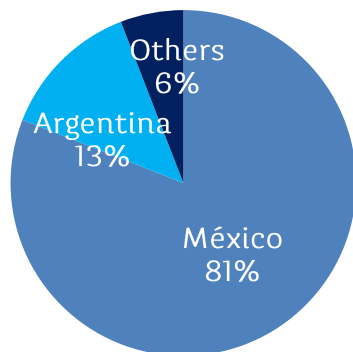
Sales 2018



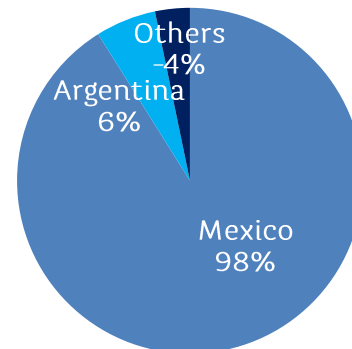
Sales 2017



EBITDA 2018



EBITDA 2017



Gross Profit

During 4Q18, the gross profit increased 280 basis points when compared to the same quarter in 2017, reaching 41.3%, driven by higher prices, fixed cost efficiencies, and lower cost of raw materials.

In 2018 the gross profit was 39.4% of net sales, in line with the previous year.

Operating Profit

The operating profit grew 70.9% during the quarter, reaching \$221 million pesos, which represented a margin of 10.7%, a growth of 280 basis points when compared to the same quarter of the previous year, in line with the increase in gross profit.

The operating profit in 2018 increased by 16.0% compared to 2017, reaching \$846 million, which represents a margin of 10.8%, compared to 11.0% in 2017. The decrease of 20 basis points conforms to the costs related with the expansion of the drinking water service platform.

Comprehensive Financing Result

The comprehensive financing result in 4Q18 was \$114 million pesos, compared to an expense of \$12 million during the same period of the previous year. This increase is mainly derived from greater financial costs, which reached \$152 million and was related to interest payments on a positive net debt and a loss from the monetary position in Argentina.

During the year, the comprehensive financing result was \$254 million, mainly derived from an increase in interest payments servicing debt and the loss from the monetary position of \$64 million in Argentina. *(See note in section “Argentina” for more information about the effect of hyperinflation on results).*

Net Income

Finally, net income in 4Q18 reached \$31 million pesos, a fall of 67.3% compared with 4Q17, mainly caused by the increase in interest payments due to the higher level of net debt, as well as by the hyperinflation in Argentina which caused a loss from the monetary position of \$64 million. On a lesser scale, higher taxes in comparison to the same period of the previous year also negatively influenced net income.

In 2018 net income fell 29.9% in comparison to 2017, reaching \$374 million pesos, impacted mainly by higher interest rates and loss from monetary position in Argentina registered on 4Q18. *(See note in section “Argentina” for more information about the effect of hyperinflation on results).*

Capex

(Millions of MXN)

	2018	%
Mexico	326	75.2%
Argentina	30	6.9%
Others	78	17.9%
Total	434	100.0%

Capital expenditure during 2018 represented 5.5% of sales. Capex was directed at energy efficiency, water treatment and recycling plants in Mexico, as well as the e-commerce platform in the United States.

Debt

(Millions of MXN)

	4Q18	4Q17	Var.
Total Debt	2,923	1,976	47.9%
Short Term Debt	7	4	88.6%
Long Term Debt	2,916	1,972	47.9%
Cash and Equivalents	1,050	1,557	(32.5%)
Net Debt	1,873	419	N/A

Financial Ratios

(EPS in MXN)

	2018	2017	Var.
Net Debt / EBITDA	1.5 x	0.4 x	NA
Total Liabilities/Stockholders' Equity	0.7	0.5	54.4%
Earnings Per Share	0.8	1.1	(29.9%)

The leverage at the close of 2018 is within the debt guidelines established by the Company of 2.0x Net Debt / EBITDA.

Financial Derivatives

(Million, MXN)

The use of financial derivatives is governed by the recommendations and policies issued by the Board of Directors and supervised by the Audit Committee, which provide guidelines on the management of foreign exchange risk, risk of interest rates, credit risk, the use of derivative and non-derivative financial instruments, and in excess cash investments.

On December 31, 2018, the market value of Grupo Rotoplas' positions was:

	Market Value
SWAP/CAP Interest Rate	35.4

Stock Repurchase Program

As of December 31, 2018, the repurchase fund had 23.9 million stocks in the treasury, which are worth \$623 million pesos.

Analyst Coverage

As of December 31, 2018, the analyst coverage was provided by:

- Grupo Bursátil Mexicano (GBM) – Liliana de León
- Actinver – José Cebeira
- Bank of America Merrill Lynch – Eric Neguelouart

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

(Non-audited figures, millions of MXN)

	4Q18	4Q17	Var.	2018	2017	Var.
Net Sales	2,058	1,629	26.4%	7,859	6,660	18.0%
Cost of Sales	1,207	1,002	20.5%	4,762	4,032	18.1%
Gross Profit	851	627	35.7%	3,097	2,628	17.8%
<i>Gross Profit Margin</i>	<i>41.3%</i>	<i>38.5%</i>	280 bp	<i>39.4%</i>	<i>39.5%</i>	(10) bp
Operating Expense	630	498	26.5%	2,251	1,899	18.5%
Operating Income	221	129	70.9%	846	730	16.0%
<i>Operating Income Margin</i>	<i>10.7%</i>	<i>7.9%</i>	280 bp	<i>10.8%</i>	<i>11.0%</i>	(20) bp
Comprehensive Financing Cost	(114)	(12)	NA	(254)	(0)	NA
Financial Income	37	31	21.2%	108	178	(39.4%)
Financial Costs	(152)	(42)	NA	(362)	(178)	NA
Earnings Before Taxes	107	118	(9.3%)	592	729	(18.8%)
Taxes	77	24	217.5%	218	196	11.1%
Net Income	31	94	(67.3%)	374	533	(29.9%)
<i>Net Income Margin</i>	<i>1.5%</i>	<i>5.8%</i>	(430) bp	<i>4.8%</i>	<i>8.0%</i>	(320) bp
EBITDA Ajustado	326	207	57.1%	1,259	1,004	25.4%
<i>EBITDA Margin</i>	<i>15.8%</i>	<i>12.7%</i>	310 bp	<i>16.0%</i>	<i>15.1%</i>	90 bp

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

(Non-audited figures, millions of MXN)

	2018	2017
Cash and Cash Equivalents	1,050	1,557
Accounts Receivable	1,764	1,658
Inventory	1,057	964
Other Current Assets	897	839
Current Assets	4,769	5,017
Property, Plant and Equipment -Net	2,653	2,519
Other Long-Term Assets	4,548	3,250
Total Assets	11,969	10,786
Short-term Debt with cost	7	4
Suppliers	1,314	929
Other Accounts Payable	295	334
Short-term Liabilities	1,616	1,267
Long-term Debt with cost	2,916	1,972
Other Long-Term Liabilities	554	253
Total Liabilities	5,087	3,492
Total Stockholders' Equity³	6,883	7,295
Total Liabilities + Stockholders' Equity	11,969	10,786

³ The change in the stockholders' equity mainly reflects the negative effect of conversion rates in subsidiaries of \$ 533 million, the profit for 2018 of \$ 374 million, payment of capital reimbursement for \$ 174 million and \$ 199 million of shares currently in treasury.

Conference Call

Grupo Rotoplas
(BMV: AGUA*)

Cordially invites you to their Fourth Quarter and
Full Year 2018 Conference Call.

Friday, February 15th,
10:00am Mexico City time (11:00am, EST)

The leadership team will comment on their fourth quarter results, followed by a question and answer session.

- **Carlos Rojas Mota Velasco** – Chairman of the board and CEO
- **Mario Romero Orozco** – VP of Finances and Administration

Webcast:

<http://public.viavid.com/index.php?id=132837>

Numbers:

Mexico 01-800-514-8435
United States 1-888-204-4368
Other Countries 1-323-794-2423
Conference Number: 6276010

The conference recording will be available afterwards on:

<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 individual and integrated water solutions for storing, piping, improving, treating and recycling water. With 40 years' experience in the industry and 20 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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