

Grupo Rotoplas (AGUA*)

Earnings Results Conference Call 4Q19

February 13th, 2020

Forward Looking Statements

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Carlos Rojas Aboumrad
CEO



Mario Romero Orozco
CFO

Flow, a roadmap to fulfill our mission

For people to have more and better water

The background of the slide features a photograph of a woman with long dark hair, wearing a blue raincoat, looking upwards with a joyful expression as rain falls around her. The image is partially covered by large, semi-transparent blue and green circular shapes. The equation "ROIC = WACC" is centered over the image.
$$\text{ROIC} = \text{WACC}$$

- ROIC improved by 250 bp
- Cash Conversion Cycle shortened by 14 days

Second reopening | AGUA 17-2X

What are Sustainable Bonds?

Bonds that finance projects with a social and environmental focus and are aligned with the UN's Sustainable Development Goals (SDG).



Eligible Projects

Projects which offer viable and basic infrastructure to provide clean water and sanitation to communities.

Categories and projects where Rotoplas participates

01. Drinking Water Solutions

Water fountains and filters

02. Water Storage

Rain harvesting systems and water tanks

03. Drainage Treatment and Sanitation

Outdoor bathrooms, biodigestors

04. Water and Wastewater Treatment

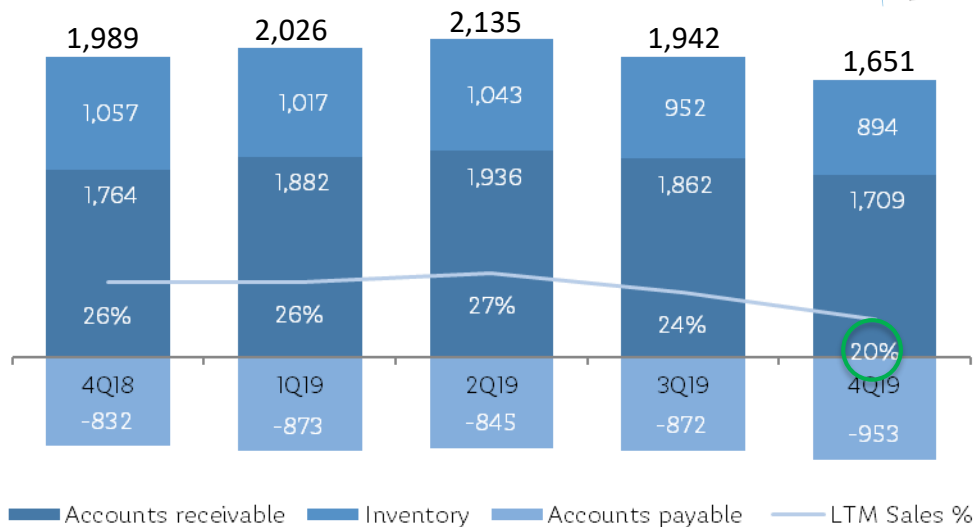
Wastewater treatment and recycling plants and R&D acquisitions

Working Capital

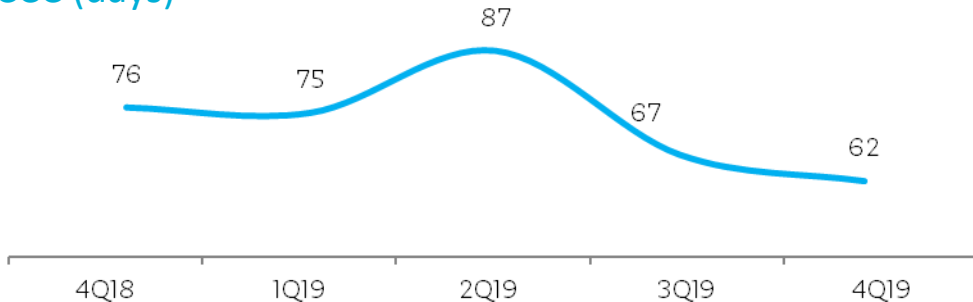
Million MXN

14 day improvement due to:

- Negotiation with suppliers
- Better accounts receivable collection
- Efficient inventory management



CCC (days)



Fulfillment of guidance 2019

	Guidance	Reported	
Sales growth	Single digit	4.0%	✓
EBITDA Margin	16-17%	17.5%	✓
Net Debt / EBITDA	< 2.0x	0.8x	✓

Flow | Transformational Program

Profitability of current portfolio

- Revenue levers
- Cost levers
- Working capital levers

Growth initiatives

- Improve quality and execution on growth opportunities
- Clear set of opportunities:
 - Cross-selling opportunities
 - Boost water as a service platform
 - Bolster growth of e-commerce
- Improve capital allocation decisions

Improve Organizational Health

- Management of organizational change
- Project diligence and accountability
- Organizational Climate revision
1) through OHI and GPTW
- Surveys

Transformation

- Innovation
- Talent development
- Improve capital allocation decisions
- Asset optimization

Financial Highlights

Sales & EBITDA | Mexico



Mexico

- Business model resilience
- Better traction in service platform
- 2019 EBITDA margin increased by 240 bp reaching 24.7%

	4Q19	2019
Δ Sales	5.4%	-1.1%
Δ EBITDA	13.4%	9.4%

Mexico | Water as a service platform

Million MXN



Sytesa – Wastewater treatment and recycling plants WWTP

- The portfolio grew by 23%
- + 99 additional WWTP equivalent units in 2019
- +30 WWTP under construction
- 11 new clients in different industries: manufacturing, mining, hotels, shopping centers

WWTP equivalent unit:

\$7 million contract

7 years

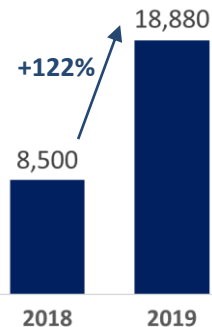
\$1.5 million CapEx



Bebbia

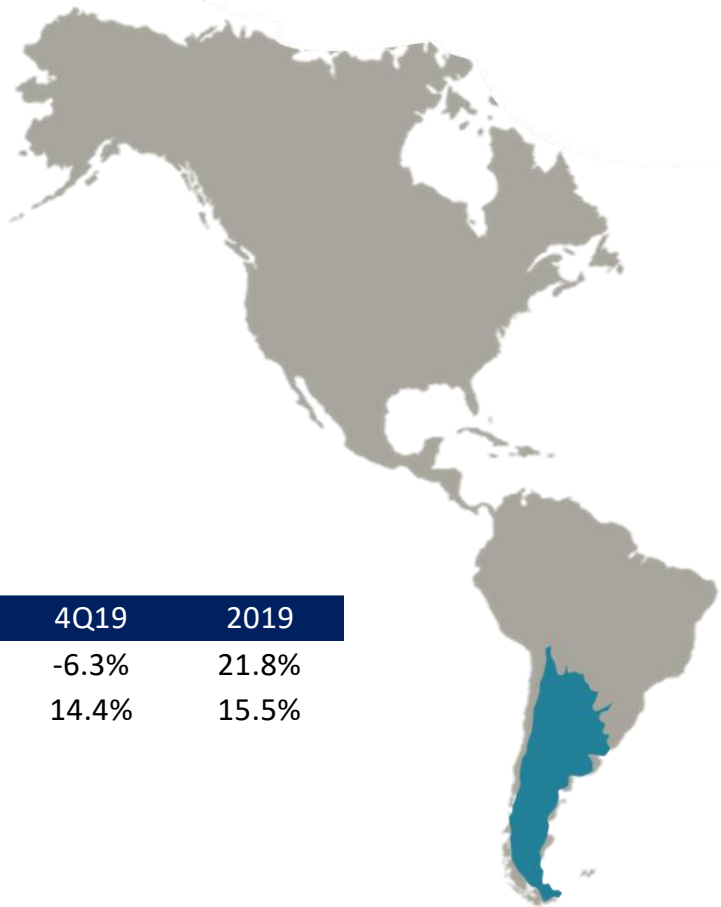
- Sales grew by 99%
- 2016 – 2019 CAGR of 100%
- 6% churn rate
- Presence in 107 municipalities in Mexico

Purification Units



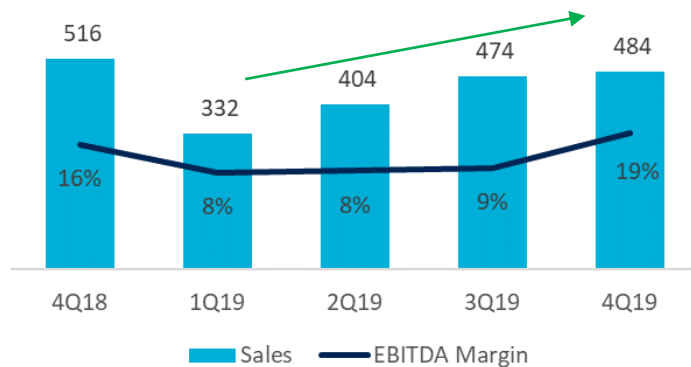
Sales & EBITDA | Argentina

Million MXN



	4Q19	2019
Δ Sales	-6.3%	21.8%
Δ EBITDA	14.4%	15.5%

		Market Share
Storage		
Water flow	 Instalamos confianza AGUA, GAS y DESAGÜE	
Improvement (water heaters)	 Calor que perdura	



Sales & EBITDA | Other

Central America

- Country-specific commercial policies
- Commercial strategy focused on the northern cone (Guatemala, El Salvador and Honduras)

Peru

- Launching of Water Flow category
- Storage sales benefitted from water shortages in Lima

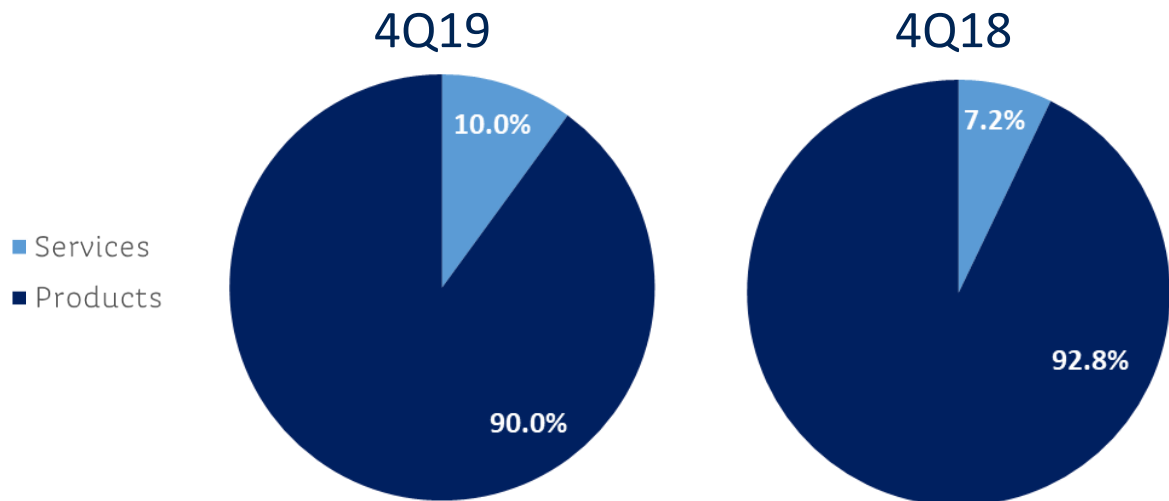
USA

- Consolidation of the strategy to focus on e-commerce platform
- Technological update of the platform & strengthening of the commercial team
- Multichannel strategy (websites, call center, physical stores)

	4Q19	2019
Δ Sales	10.2%	3.2%
Δ EBITDA	29.4%	-9.6%

Portfolio Mix

- Good traction in the water as a service platform
- WWTP revenue recognition
- Continued positive trend in Bebbia (2x purification units)



Financial Highlights

Million MXN



Income Statement	4Q19	4Q18 ¹	Var (%)	2019	2018 ¹	Var.
Net Sales	2,108	2,039	3.4%	8,086	7,777	4.0%
Cost of Sales	1,215	1,186	2.4%	4,692	4,674	0.4%
Gross Profit	894	853	4.7%	3,395	3,103	9.4%
Gross Profit Margin	42.4%	41.8%	60 bps	42.0%	39.9%	210 bps
Operating Income	295	240	22.7%	1,067	926	15.3%
Operating Income Margin	14.0%	11.8%	220 bps	13.2%	11.9%	130 bps
Comprehensive Financing Result	(154)	(114)	35.4%	(557)	(251)	122.2%
Taxes	110	84	30.7%	250	279	(10.2%)
Net income before discontinued operations	32	43	(26.1%)	260	397	(34.2%)
Net income margin	1.5%	2.1%	(60) bps	3.2%	5.1%	(190) bps
EBITDA	382	333	14.6%	1,407	1,265	11.2%
Adjusted EBITDA ²	384	335	14.7%	1,413	1,303	8.4%
Adjusted EBITDA Margin	18.2%	16.4%	180 bps	17.5%	16.8%	70 bps
Profit / Loss from discontinued operations	(0.3)	-	NA	(147)	(9)	NA
Net Profit / Loss after discontinued operations	32	43	(25.6%)	113	386	(70.7%)

¹. For comparison purposes, these figures vary from the previously-reported in 2018. These now exclude the manufacturing operations in the United States of America as they have been considered as discontinued due to its sale in July 2019. This adjustment subtracts Ps. 82 million from yearly net sales and increases adjusted EBITDA by Ps. 44 million over the year; it also recognizes a loss from Discontinued Operations of Ps. 9 million in 2018.

². Adjusted EBITDA excludes non-recurring expenses (donations and expenses related to M&A) for amounts of Ps. \$3 million in 4Q19, \$6 million in 2019, \$2 million in 4Q18 and \$38 million in 2018. Additionally, for the sale of the manufacturing assets in the US, discontinued operations were segregated, increasing 2019 EBITDA by \$33 million and 2018 by \$44 million.

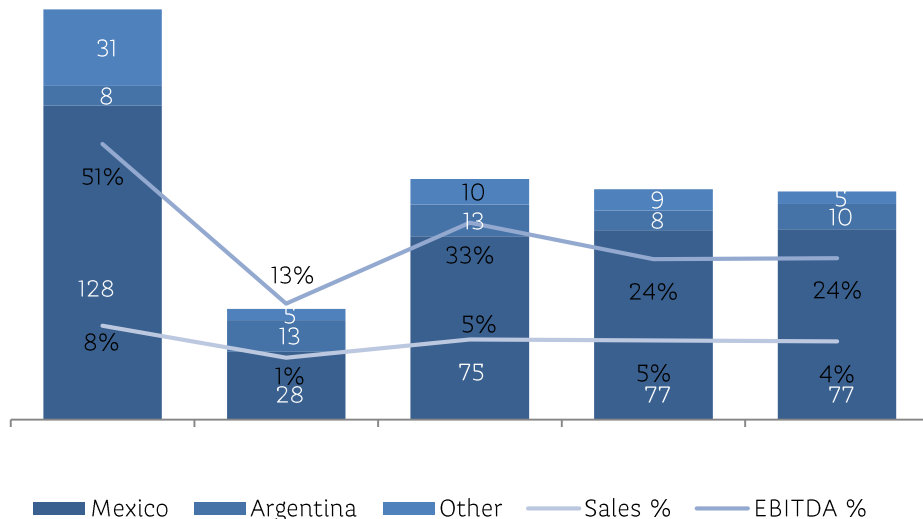
Current Leverage

Million MXN

Balance Sheet	2019	2018	Var (%)
Cash and cash equivalents	1,848	1,050	75.9%
Total Debt	2,935	2,923	0.4%
Net Debt	1,087	1,873	(41.9%)
Net Debt / Adjusted EBITDA	0.8 x	1.4 x	(0.7) x

CAPEX

Million MXN



Net Debt / EBITDA ratio
decreased from 1.4x to 0.8x

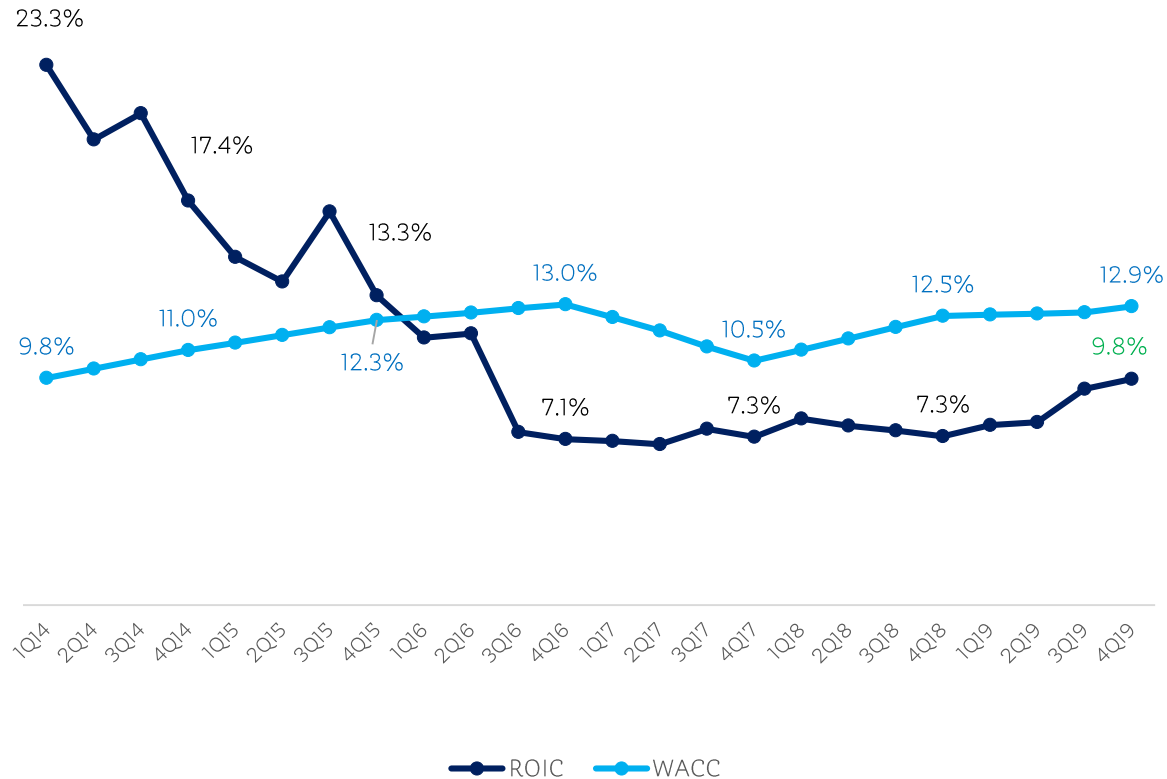
Leverage remains within the
established debt policy of
2.0x Net Debt / EBITDA

Sale of manufacturing assets
in the US increased \$762
million in cash position

ROIC vs. Cost of Capital

ROIC increased by 250 bp compared to December 2018.

Rotoplas faced an inflection point since 3Q19.



Climate change strategy

Understanding of the risks and business opportunities posed by climate change for Grupo Rotoplas

Approach:

- **Mitigation** – emissions reduction
- **Adaptability** –reduce vulnerability
- **Opportunities** – products and services



2020 Guidance

	Guidance
Sales growth	$\geq 10\%$
EBITDA Margin	$\geq 18\%$
Net Debt / EBITDA	$\geq 2.0X$
ROIC	$\geq WACC$





Q&A

Thank you