

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

## Corporate Presentation

Third Quarter 2019

## Forward-looking statements

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### ADDITIONAL INFORMATION AND WHERE TO FIND IT

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

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

Ticker: AGUA\*

# Investment Considerations

1 **WATER**  
A nascent industry of opportunities

2 **PROVIDING SOLUTIONS**  
Market leaders

3 **WITH A CLEAR PURPOSE**  
Sustainable long-term model “more and better water”

4 **WHERE WE ARE GOING**  
Growth and value opportunities

5 **STRONG FINANCIALS**  
Sustainable focus

6 **WHY OWN AGUA?**  
Momentum



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

# 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	$\Delta$
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 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)

# 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

## 2018 Water Market Leader



14 countries (14x)<sup>1</sup>  
 10,800+ points of service  
 3,300+ employees (7x)<sup>1</sup>  
 27,000+ points of sale (9x)<sup>1</sup>  
 27 product lines (14x)<sup>1</sup>  
 22 plants (3x)<sup>1</sup>  
 3 innovation centers (3x)<sup>1</sup>

Sales  
 MXN 7,859mm (CAGR: 12.1%)<sup>1</sup>

EBITDA  
 MXN 1,259mm (CAGR: 12.8%)<sup>1</sup>

## LTM19 Water Market Leader



14 countries (14x)<sup>1</sup>  
 18,000+ points of service  
 3,300+ employees (7x)<sup>1</sup>  
 27,500+ points of sale (9x)<sup>1</sup>  
 27 product lines (14x)<sup>1</sup>  
 19 plants (2x)<sup>1</sup>  
 3 innovation centers (3x)<sup>1</sup>

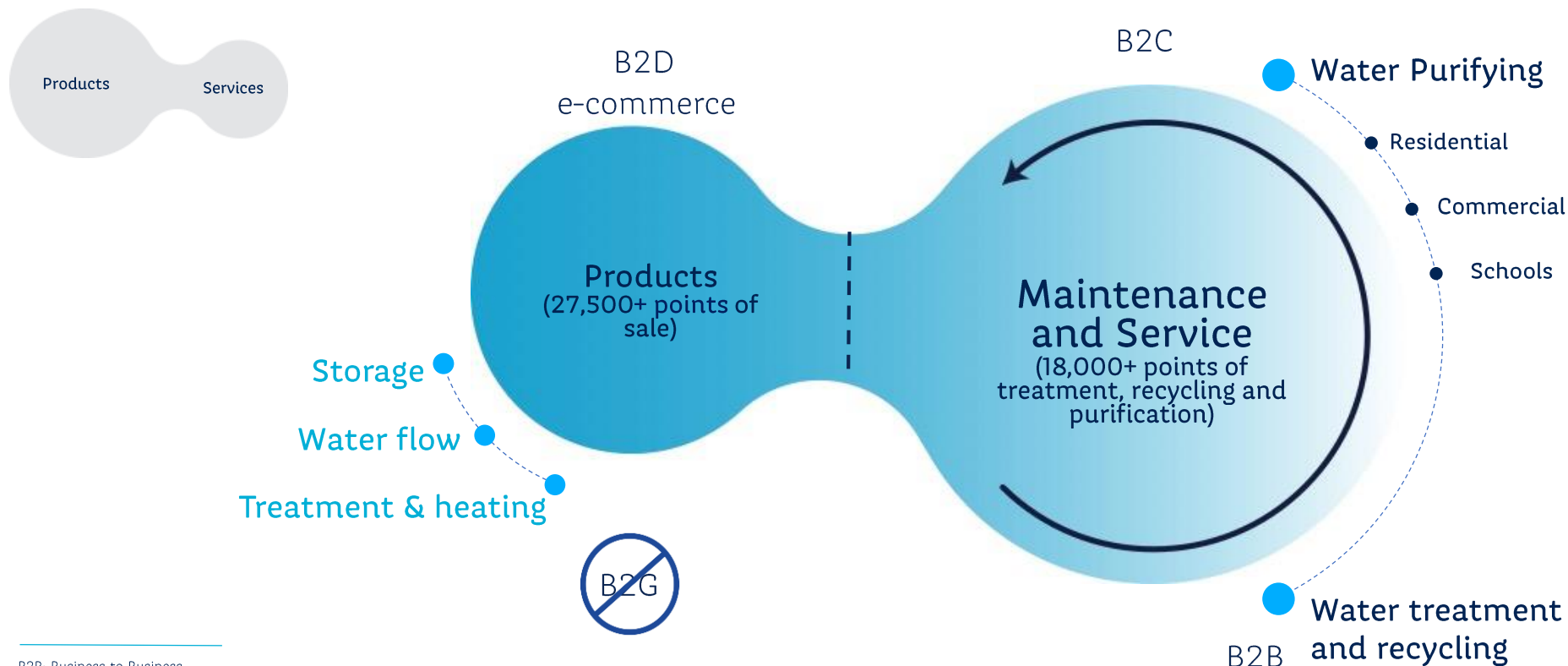
Sales  
 MXN 8,017mm (CAGR: 12.3%)<sup>2</sup>

EBITDA  
 MXN 1,367mm (CAGR: 13.5%)<sup>2</sup>

<sup>1</sup> Compared to 1994.  
<sup>2</sup> CAGR 2006 – LTM19

# Decentralized Water Solutions | Business Model

TODAY -----> EVOLUTION



# Portfolio | Products and Services

## PRODUCTS

### STORAGE



Water Tanks



Cisterns



Industrial



Other

### WATER FLOW



Pipes



Valves



Pumps



Catch Pits

### TREATMENT & HEATING



Heaters



Biodigesters



Filters



Purifiers

### AUTO-SUSTAINABLE



Rural Rainwater Harvesting System



Outdoor bathroom

## SERVICES

### PURIFICATION



Residential



Institutional



Drinking Water Fountains

### TREATMENT AND RECYCLING

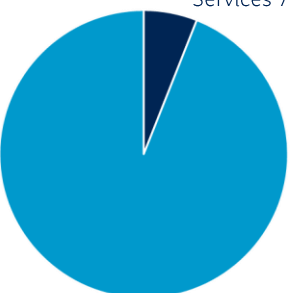


Wastewater Treatment Plants (WWTP)



Water Purifying Plants

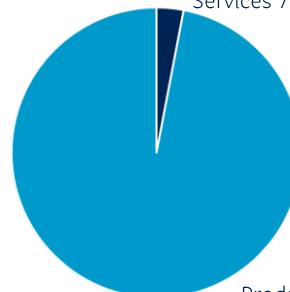
Revenue by Solution 9M19



Products 93%

Services 7%

EBITDA by Solution 9M19



Products 93%

Services 7%

# Favorable Growth Drivers | Tailwinds

WATER	PRODUCTS	Storage	<ul style="list-style-type: none"> <li>• Rapid urban growth = supply interruption → higher demand for water storage products</li> <li>• Water demand &gt; centralized system capacity (old infrastructure and poor city planning)</li> <li>• Growing trend of circular economy - use of recycled resins in water tanks</li> </ul>
		Flow	<ul style="list-style-type: none"> <li>• New technologies for cleaner and "zero leakage" water systems</li> <li>• Urban growth &gt; rural growth</li> <li>• Growing customer needs water data measurement &amp; control</li> </ul>
		Treatment & heating	<ul style="list-style-type: none"> <li>• Lack of centralized sewage infrastructure in developed &amp; developing countries</li> <li>• Energy efficiency for a sustainable world</li> <li>• Increasing levels of contamination in water tables</li> </ul>
	SERVICES	Purification	<ul style="list-style-type: none"> <li>• New generations seeking to reduce water &amp; carbon footprint = sustainment = Ø plastic bottles</li> <li>• Largest generation (millennials) favors subscription economies</li> <li>• Large addressable markets (i.e. 86% people drink bottled water in Mexico)</li> </ul>
		Treatment & recycling	<ul style="list-style-type: none"> <li>• Environmental awareness</li> <li>• Regulation enforcement towards higher standards for residual water</li> <li>• Increase in water prices</li> </ul>

# Positioning and strategy by country | region

Rotoplas seeks to provide solutions that solve the current needs of each region



- Focus on e-commerce platform
- Multi-brand platform for water, agricultural and industrial products

E-commerce platform



- Maintain product leadership
- Bolster services (WWTP, bebbia, and drinking water fountains)

- Storage
- Water flow
- Treatment

- Purification
- Treatment and recycling



- Maintain market positioning in the region

- Storage
- Treatment

- Future



- Complete product portfolio with organic development of the water flow segment
- Leadership in water treatment and water heating

- Storage
- Treatment
- Heating

- Future



- Maintain presence in products segment
- Evaluate future water treatment plants opportunities

- Storage

- Future



- Seek profitability by increasing prices in line with inflation
- Product diversification by range
- Bolster the export platform

- Storage
- Water flow
- Treatment
- Heating

- Future

3

## WITH A CLEAR PURPOSE

Sustainable long-term model  
“more and better water”

# 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 **27,500 points of sale** in America
- Over **18,000 points of treatment, recycling and purification**

UNIQUE  
DISTRIBUTION AND  
SERVICE NETWORK

WATER  
INNOVATION

- 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

# ESG focus



+24,000 hrs<sup>1</sup>

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



+7,800<sup>1</sup>

plumbers trained and 350 certified as “Water solutions advisors”



+1,100,000<sup>2</sup>

children benefited



+80%

energy from sustainable sources



Circular economy “Green Project”

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

SOCIAL

CORPORATE  
GOVERNANCE

ENVIRONMENTAL

SUSTAINABILITY  
MODEL



53% 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
- ESG Bloomberg score 59.5 - **Top 10 in Mexico**

2018 GRI Exhaustive Standards and verified Annual Report  
2017 GRI Exhaustive Standards  
2016 Annual Integrated Report elaborated under GRI  
Standards  
2015 Annual Integrated Report under GRI 4

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

<sup>1</sup>During 2018.

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



# Best Corporate Governance Practices



## Our board of directors:

- Transparency — ➤ 53% Independent **Members**
- Diversity — ➤ 5 **international** Board Members
- Innovation — ➤ Represented by 4 different **generations**
- Equality — ➤ **Gender equality** in the Board
- Experience — ➤ Board Members with **diverse industry backgrounds & more than 500 years of combined experience**

# 4 WHERE WE ARE GOING

Growth and value opportunities

“...throughout this transformation effort, Rotoplas should achieve a **ROIC greater than WACC** in less than 18 months”

*Carlos Rojas | CEO  
Flow's program kick off  
August 2019*

## A. Enhance performance of current portfolio

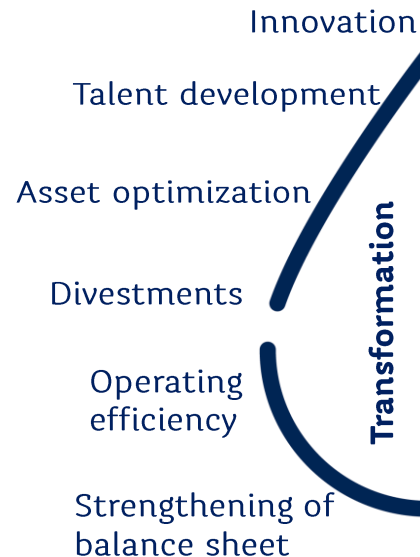
- Revenue levers
  - 1) Price & volume optimization
- Cost levers
  - 1) Procurement of materials
  - 2) Manufacturing efficiency
  - 3) Distribution costs optimization
- Working capital levers
  - 1) Inventory levels optimization
  - 2) Customization of accounts receivable & accounts payable policies

## 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



# Cross selling opportunities

Rotoplas seeks to expand its solutions portfolio to meet population needs in every region

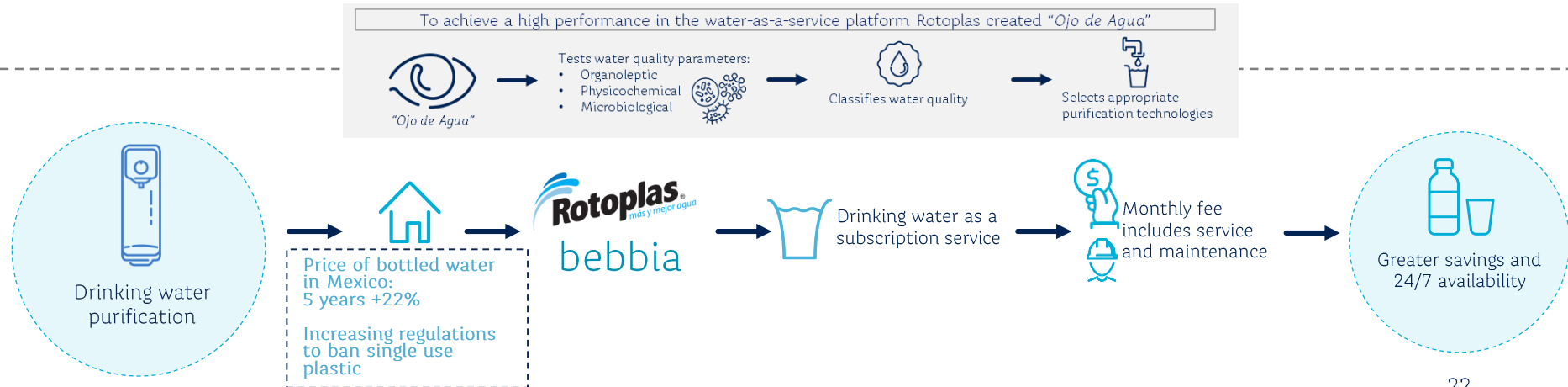
		 Current offering  Plan	 USA	 Mexico	 Central America	 Peru	 Brazil	 Argentina
WATER	PRODUCTS	Storage						
		Flow	---				---	
		Treatment & Heating						
	SERVICES	Purification	---		---	---	---	---
		Treatment & Recycling	---		---			---

# Water-as-a-Service Platform

## Mega Trends



On-site treatment & recycling - the future of urbanization (less energy, more reliability, more sustainable)



Purification at the point of use (less friction, more sustainable)

# E-commerce platform in the USA

## The platform:



#1 online retailer of water storage products



Access to a nationwide manufacturing footprint through Tank Co. strategic alliance



Innovation in the water space (storage, septic) to address the pressing needs



Order online and pick up purchases at our stores

## Different channels available:



Web



Phone



Store



Mobile

## Our brands:

PlasticWaterTanks

plasticwatertanks.com



plastic-mart.com



tank-depot.com

# 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



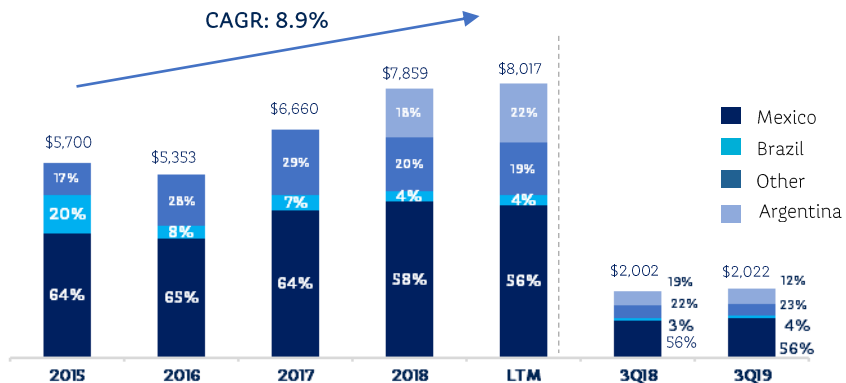
# 5 STRONG FINANCIALS

With a sustainable focus

# Track Record of Growth and Profitability

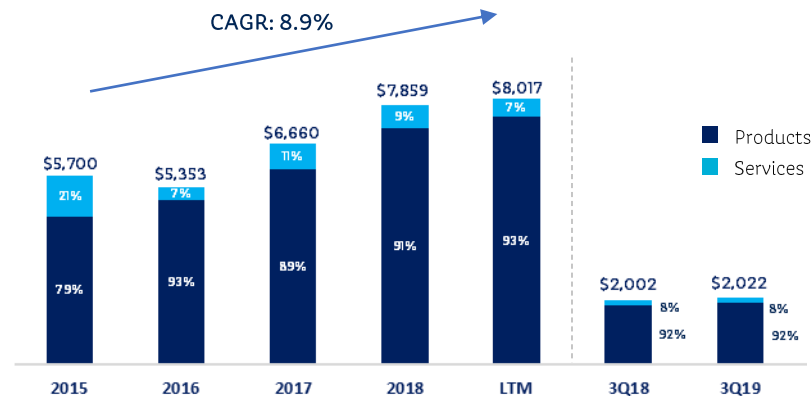
## Revenue by Country

MXN mm



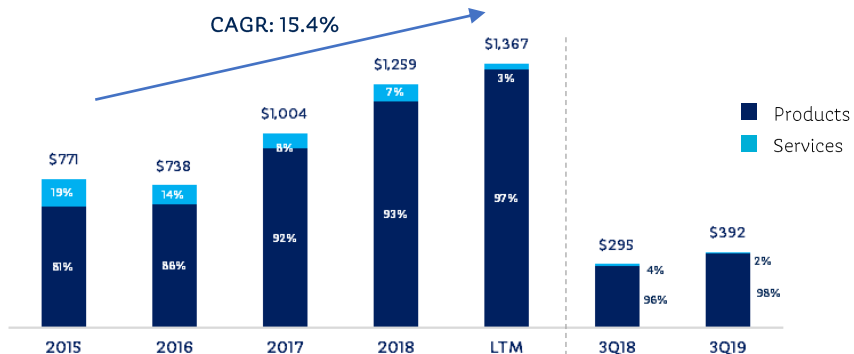
## Revenue by Solution

MXN mm

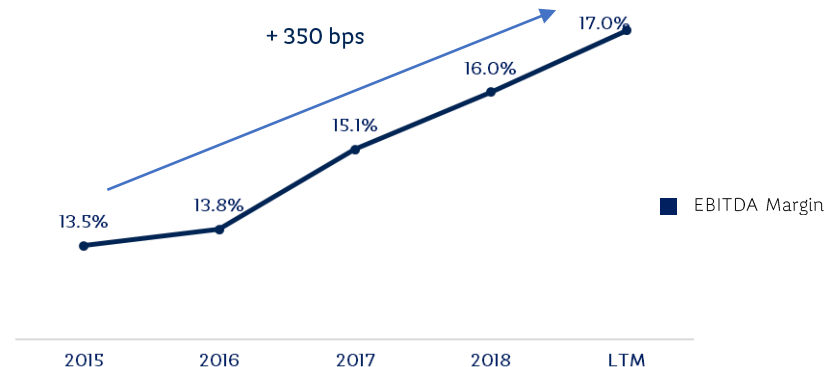


## Adjusted EBITDA by Solution

MXN mm



## Adjusted EBITDA Margin

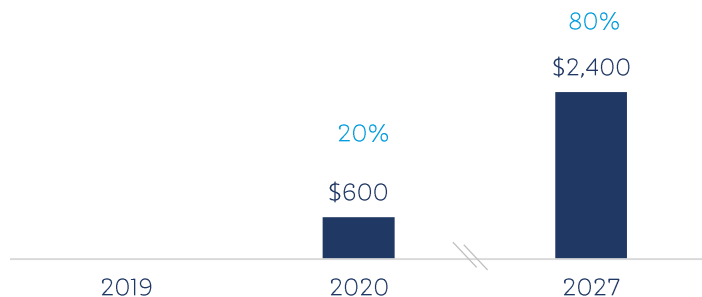


# Sound Financials

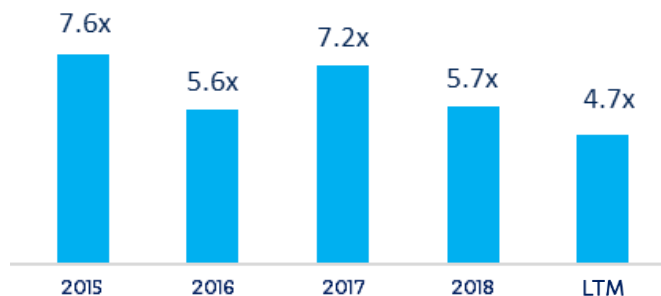
MXN mm



## Debt amortization calendar



## Interest coverage\*

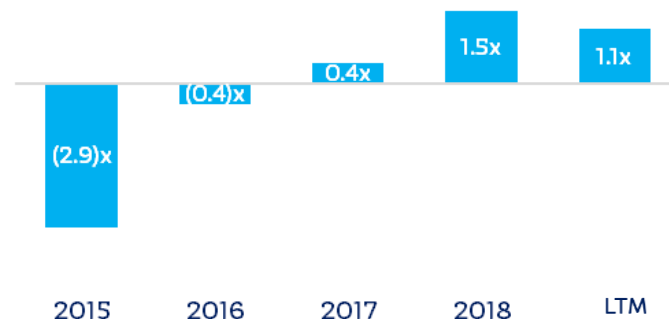


## Strong Balance Sheet to support growth

September 19

Cash and Equivalents	\$1,546
Other Assets	\$9,895
<b>Total Assets</b>	<b>\$11,440</b>
Debt	\$2,982
Other Liabilities	\$2,112
<b>Total Liabilities</b>	<b>\$5,094</b>
Equity	\$6,346
<b>Liabilities + Equity</b>	<b>\$11,440</b>

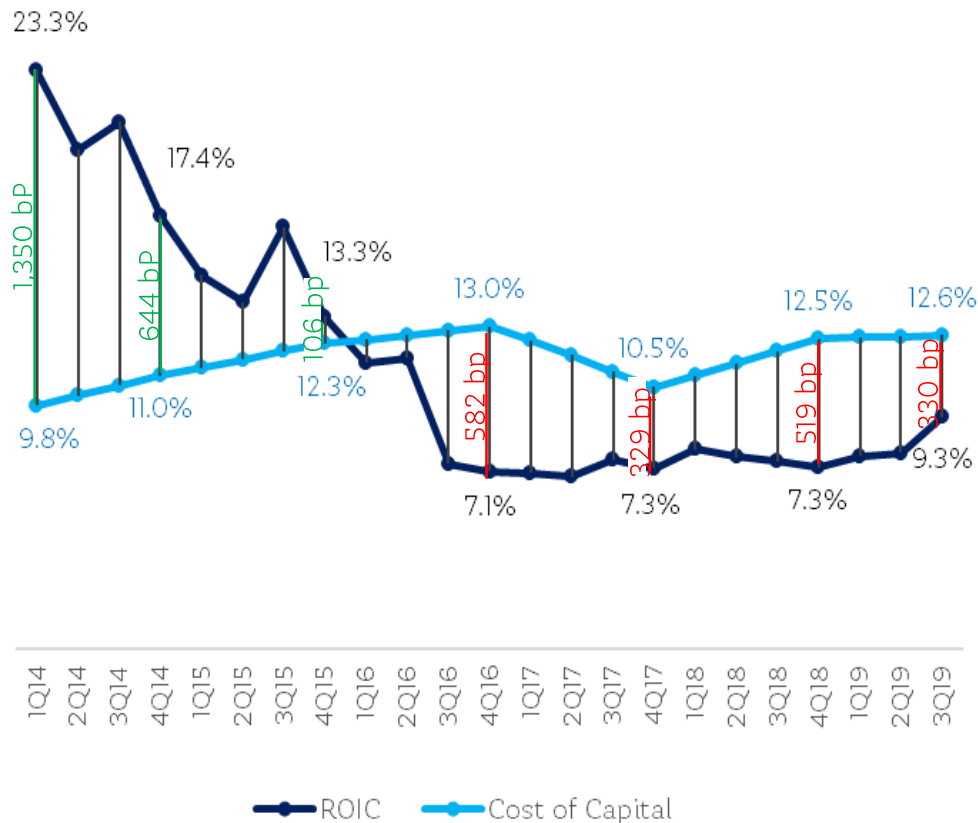
## Net debt / EBITDA







\*Considers interest payments from interest bearing liabilities.

\*Interest coverage: EBITDA/Interest payments.

# ROIC vs Cost of Capital



Improvement in ROIC generating an inflection point derived from:

-  Low return asset divestment strategy
-  Optimization of working capital
-  Greater productive efficiency in the manufacturing process
-  Strict discipline in expenses

6

# WHY OWN AGUA?

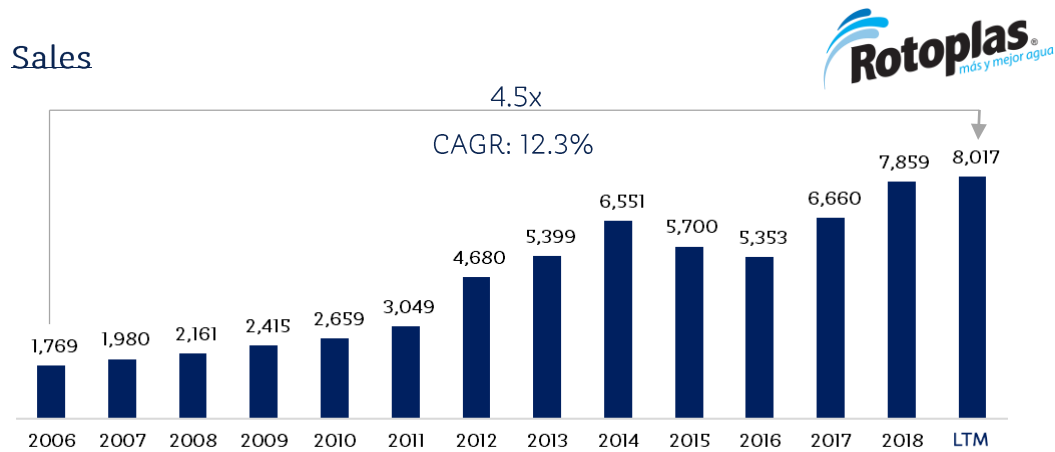
Momentum

# Business Model Resilience

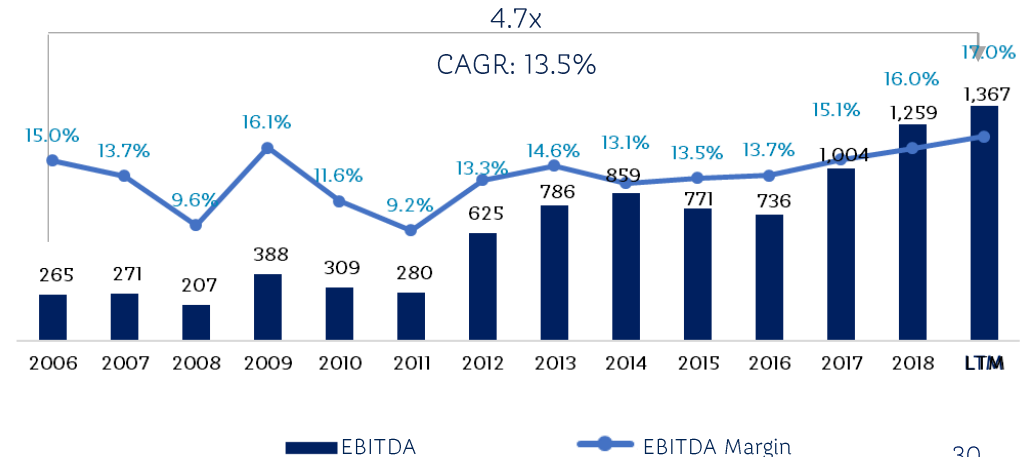
- Continuous growth
- Double digit margins
- Strong Management

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

## Sales



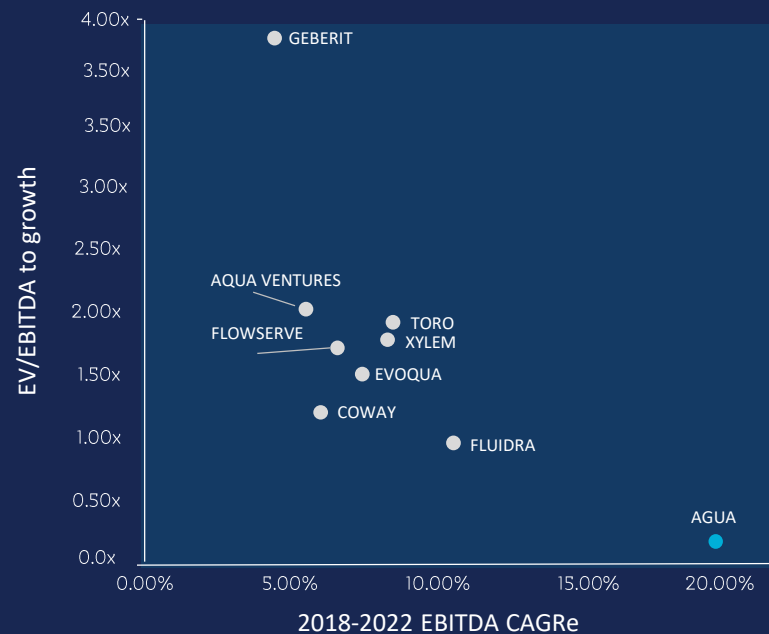
## EBITDA





## AGUA\* vs peers

	EBITDA CAGR (18e-22e)	EV/EBITDA to growth
AGUA	20.18%	0.28x
XYLEM	8.81%	1.78x
TORO	8.70%	1.90x
COWAY	6.23%	1.31x
FLOWSERVE	7.29%	1.58x
FLUIDRA	11.61%	0.99x
AQUA VENTURES	5.99%	1.99x
EVOQUA	7.59%	1.49x
GEBERIT	4.89%	3.82x



Source: Bloomberg.

# Thank you!

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