

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

Corporate Presentation

Third Quarter 2020



Forward-looking statements

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ADDITIONAL INFORMATION AND WHERE TO FIND IT

rotoplas.com.mx/investors

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	Δ
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



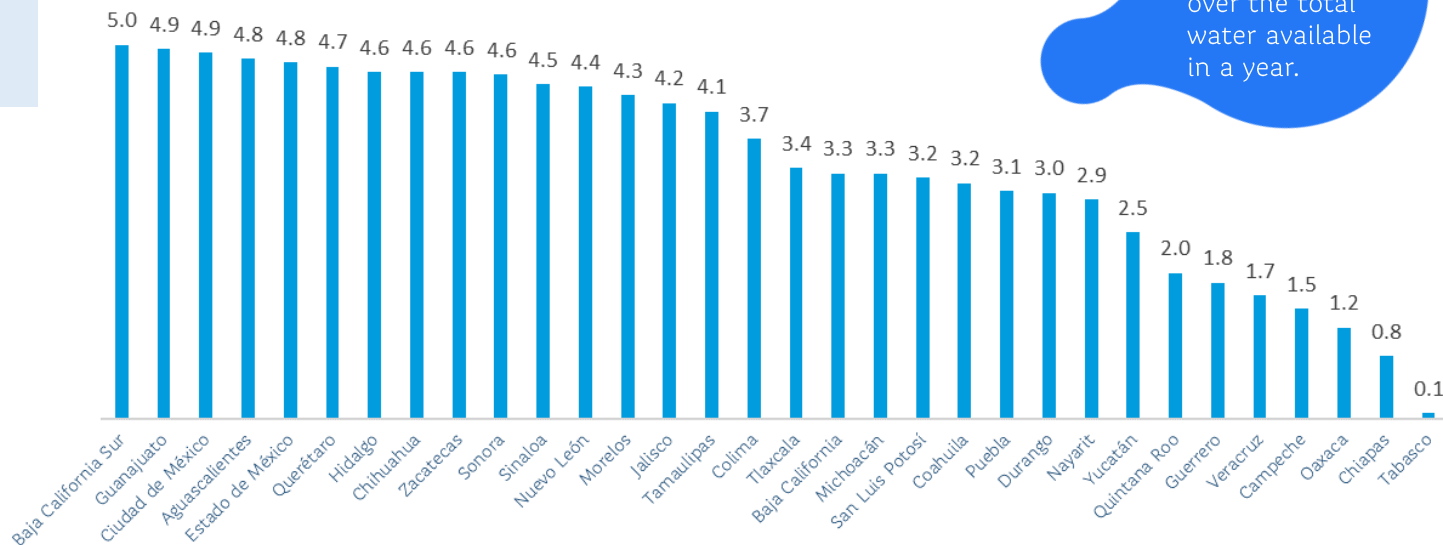
Mexico exceeds the world's average water footprint in 42% (1,978 vs 1,385 m^3 /hab/year)

Water situation in Mexico



General water risk¹

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



0-1 low

1-2 low-medium

2-3 medium-high

3-4 high

4-5 extremely high

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

3Q20 Water Market Leader



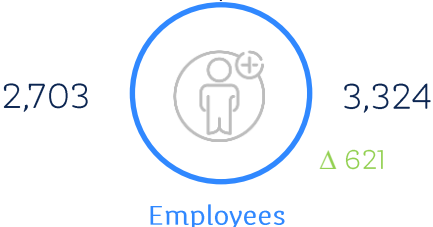
14 countries (14x)¹
 37,500+ points of service
 3,300+ employees (7x)¹
 27,500+ points of sale (9x)¹
 27 product lines (14x)¹
 18 plants (2x)¹
 1 innovation center

Sales
 MXN 8,230mm (CAGR: 4.2%)²

EBITDA
 MXN 1,501 mm (CAGR: 10.7%)²

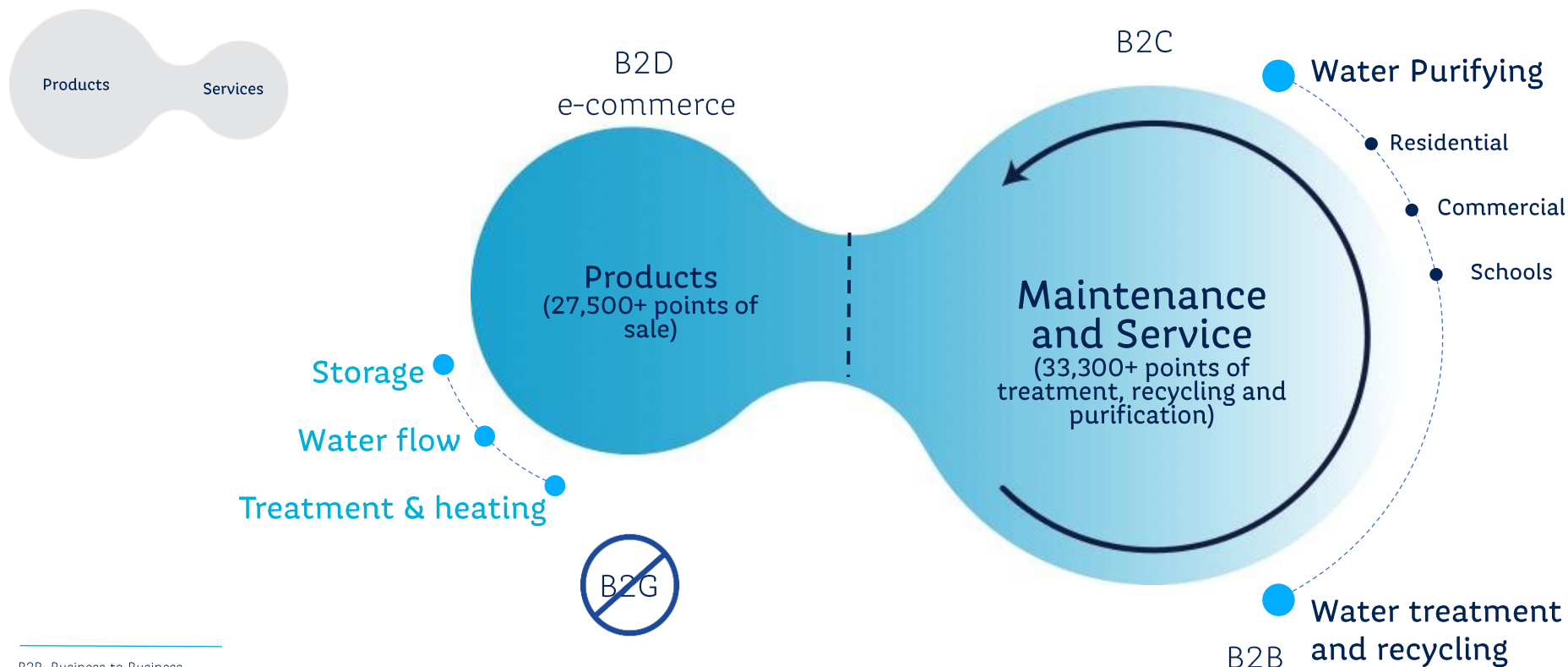
¹ Compared to 1994.
² CAGR 2014 – LTM20

Key metrics 2014 – LTM September 2020



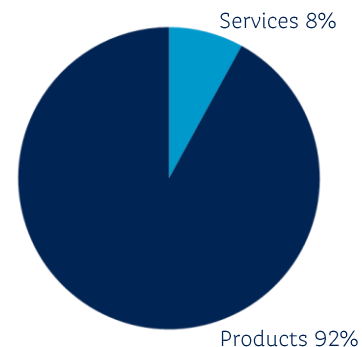
Decentralized Water Solutions | Business Model

TODAY -----> EVOLUTION

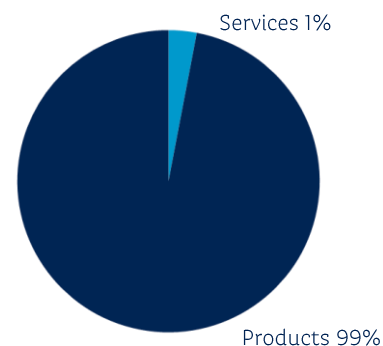


Portfolio | Products and Services

Sales by solution LTM*



EBITDA by solution LTM*



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

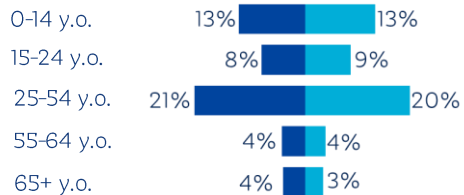
Favorable Growth Drivers | Tailwinds

WATER	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
		Flow	• 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

Strategy by country | region



Country demographics

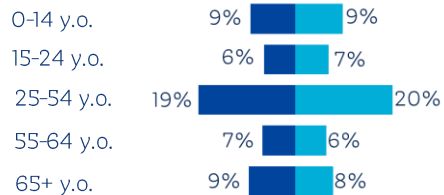


Rotoplas Strategy:

- Maintain product leadership
- Boosting services (PTARs, bebbia, drinking water fountains)



Country demographics

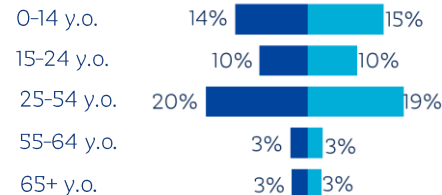


Rotoplas Strategy:

- Focus on the e-commerce platform
- Multi-brand platform focused on water storage, agricultural and industrial products



Country demographics



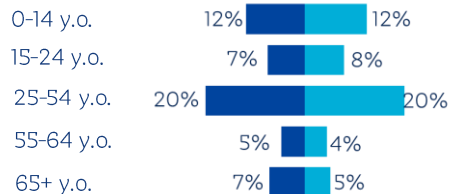
Rotoplas Strategy:

- Maintain market positioning in the region

Central America includes Guatemala, El Salvador, Costa Rica, Honduras and Nicaragua



Country demographics

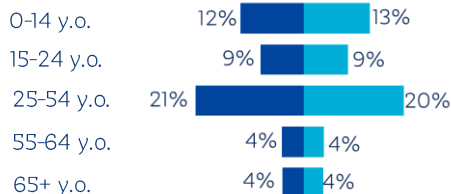


Rotoplas Strategy:

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



Country demographics

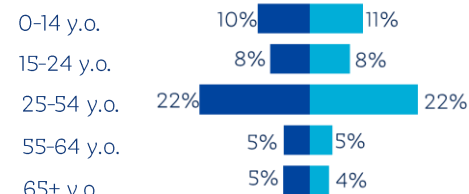


Rotoplas Strategy:

- Complete product portfolio with organic development of the water flow segment
- Leadership in water treatment and improvement (heaters)



Country demographics



Rotoplas Strategy:

- Maintain a presence in the country.
- Venture into the treatment and recycling plants market

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 **37,500 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



+19,000 hrs¹

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



+5,700¹

plumbers trained and 350 certified as “Water solutions advisors”



+1,100,000²

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 58.7 - **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

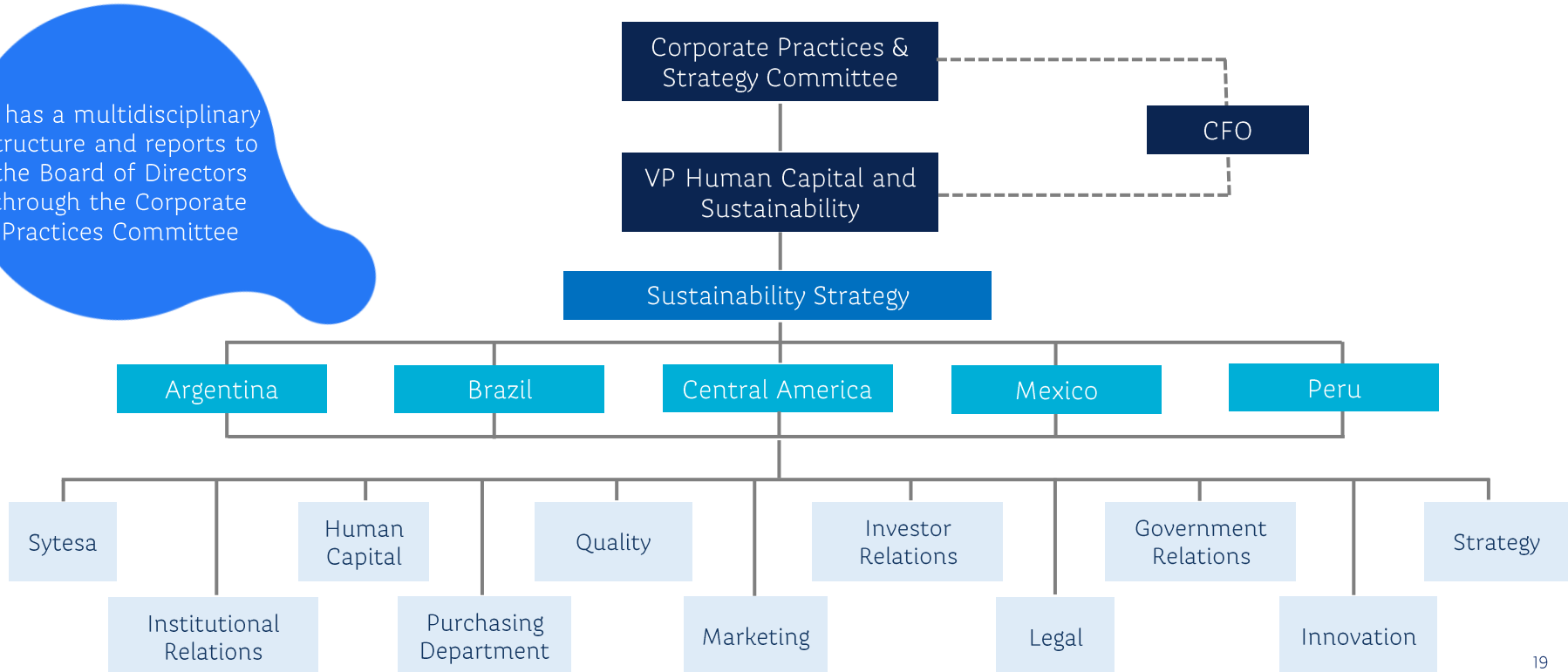
¹During 2019.

²Cumulative and including only INIFED water fountains beneficiaries.

Sustainability Organizational Structure

The Sustainability Committee is responsible for promoting, coordinating and monitoring the different initiatives related to the Sustainability Model and the Sustainability Strategy.

It has a multidisciplinary structure and reports to the Board of Directors through the Corporate Practices Committee



Climate Change Strategy



Access the full GHG 2019 report

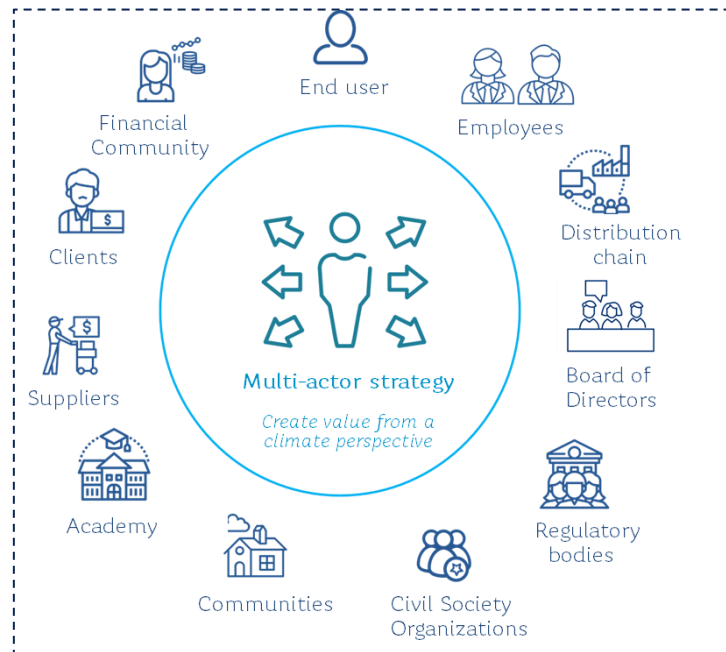


2019 GHG Goals



Seeks to mitigate risks and capitalize on opportunities raised by climate change for Rotoplas and its stakeholders

Rotoplas measures its GHG emissions scope 1,2,3 as well as its water footprint



	Mitigation	Reducing Greenhouse Gas Emissions (GHG)
	Adaptation	Reduce vulnerability to Climate Change
	Opportunities	Capitalize on opportunities in water & climate change - products and services

Action items for stakeholders:

1. Culture of leadership against climate change
2. Climate change in the supply chain
3. Strengthen Rotoplas' resilience using technology and innovation
4. Climate change criteria in distribution
5. Awareness of climate change mitigation and adaptation

Climate Change Strategy



- Renewable energy supply - solar panels -



- Incorporation of recycled resins (own and third party)



- Development of blow-molding process for the manufacture of water tanks, 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



Learn more about our Board of Directors 



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, 7% women
- Experience — ➤ Board Members with diverse **industry backgrounds** & more than 500 years of combined experience
- Meetings — ➤ 4 **ordinary** meetings annually

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

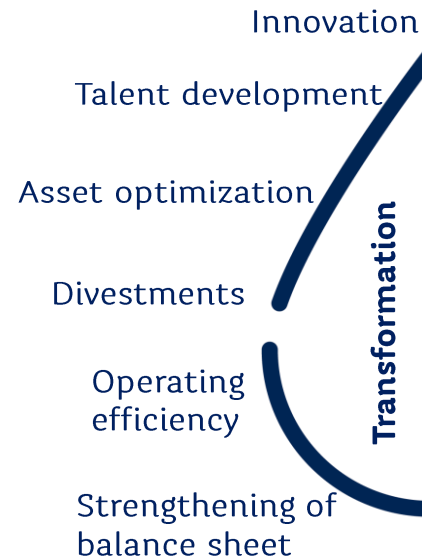
- Revenue levers
 - 1) Price & volume optimization
- Cost levers
 - 1) Procurement of materials
 - 2) Manufacturing efficiency
 - 3) Distribution costs optimization
- Working capital levers
 - 1) Inventory levels optimization
 - 2) Customization of accounts receivable & accounts payable policies

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
-  e-commerce
-  Plan

WATER

PRODUCTS

SERVICES

Storage

Flow

Treatment & Heating

Purification

Treatment & Recycling

Irrigation



















Strategy per country or region



MEXICO

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



bebbia® rieggo®

Sytesa® Empresa de Grupo Rotoplas



PERU

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



USA

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



tank-depot.com



plastic-mart.com

PlasticWaterTanks
plasticwatertanks.com



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
- No local debt



Instalamos confianza

SEÑORIAL
Calor que perdura



BRAZIL

- Develop service platform through water treatment & recycling plants

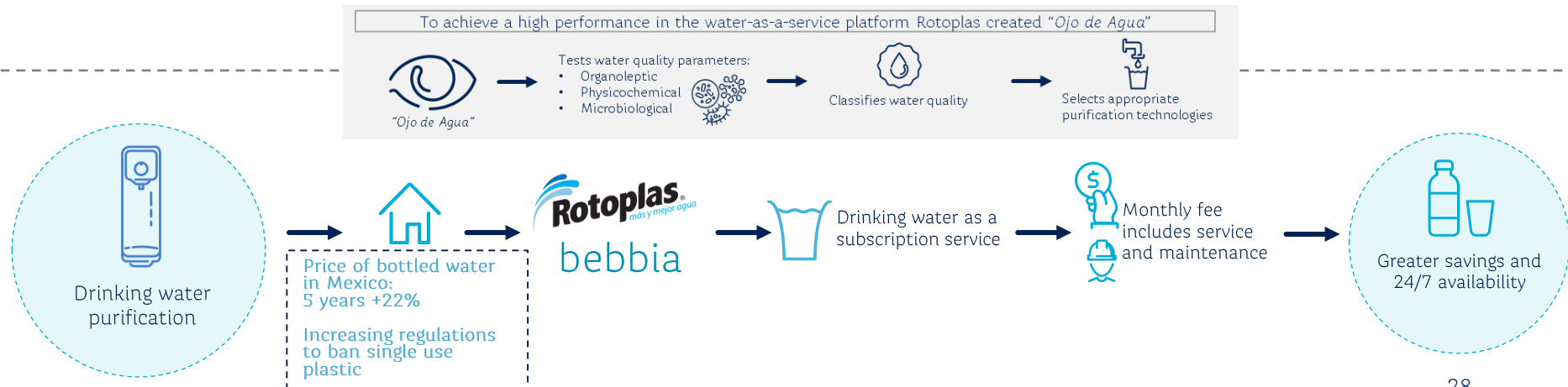
Sytesa® Empresa de Grupo Rotoplas

Water-as-a-Service Platform

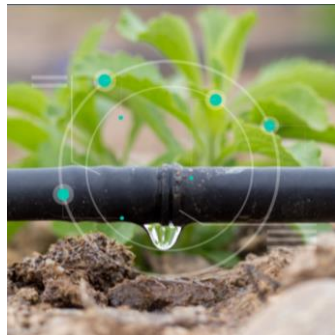
Mega Trends



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



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



Tailor-made, one-stop-shop, *full-service irrigation solutions*, including design, build, operate, maintain and digitize

- 50/50 JV with Renewable Resources Group

Value proposition

- Efficient water management in fields (save up to 30% in water)
- Improve performance of crops by up to 15%

Irrigation as a service

- Design of smart and sustainable solutions
- Real-time monitoring of water quality and humidity in fields
- End-to-end service
- Solutions at the best market price
- Customized payment options
- Financing and maintenance plans

Drip Irrigation
Micro aspersión

Target Market
US\$170 million
1.5M ha

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

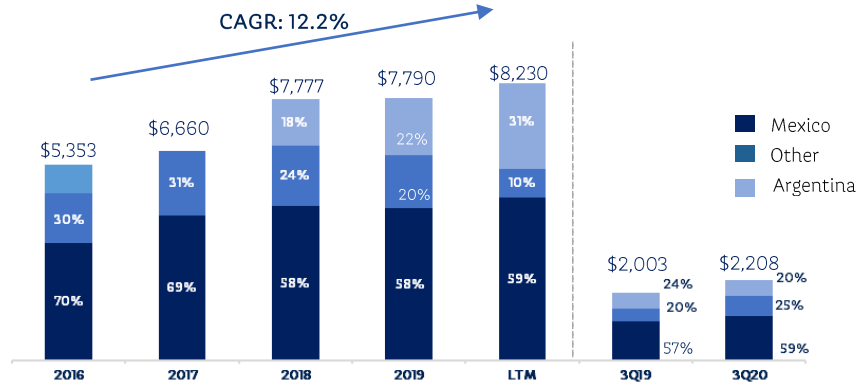
With a sustainable focus

Track Record of Growth and Profitability

MXN mm

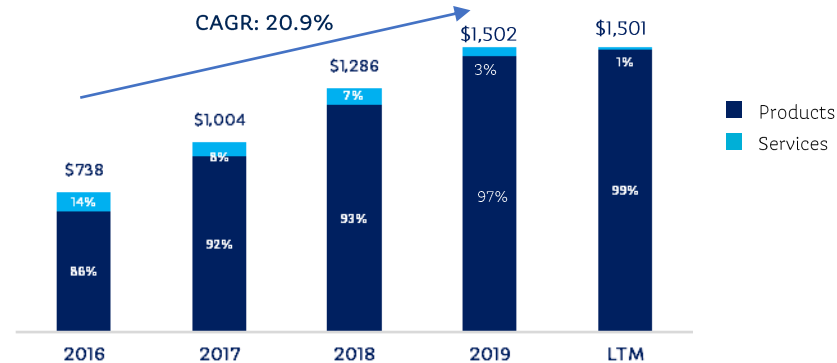
Revenue by Country

MXN mm



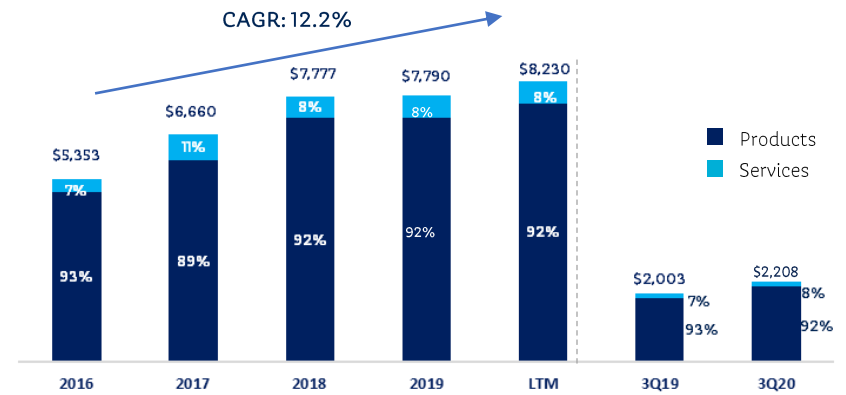
Adjusted EBITDA by Solution

MXN mm

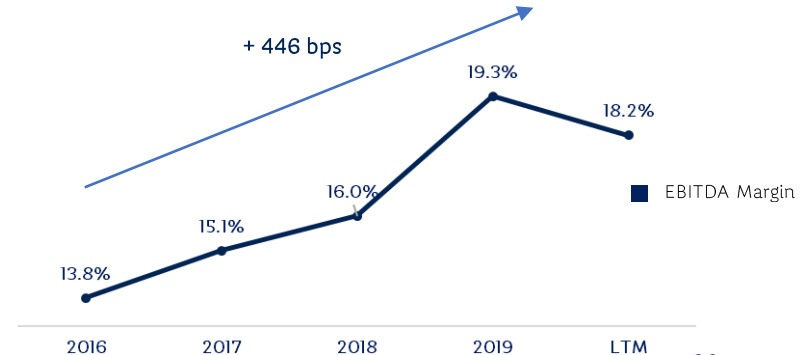


Revenue by Solution

MXN mm



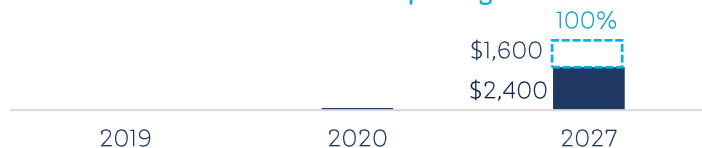
Adjusted EBITDA Margin



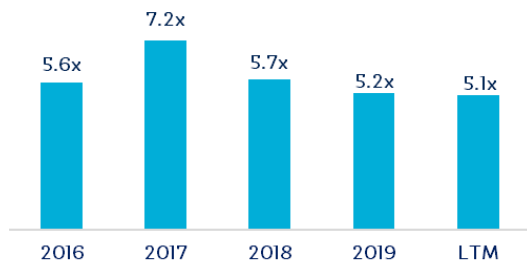
Debt amortization calendar Prior to second reopening



After second reopening



Interest coverage*



Strong Balance Sheet to support growth

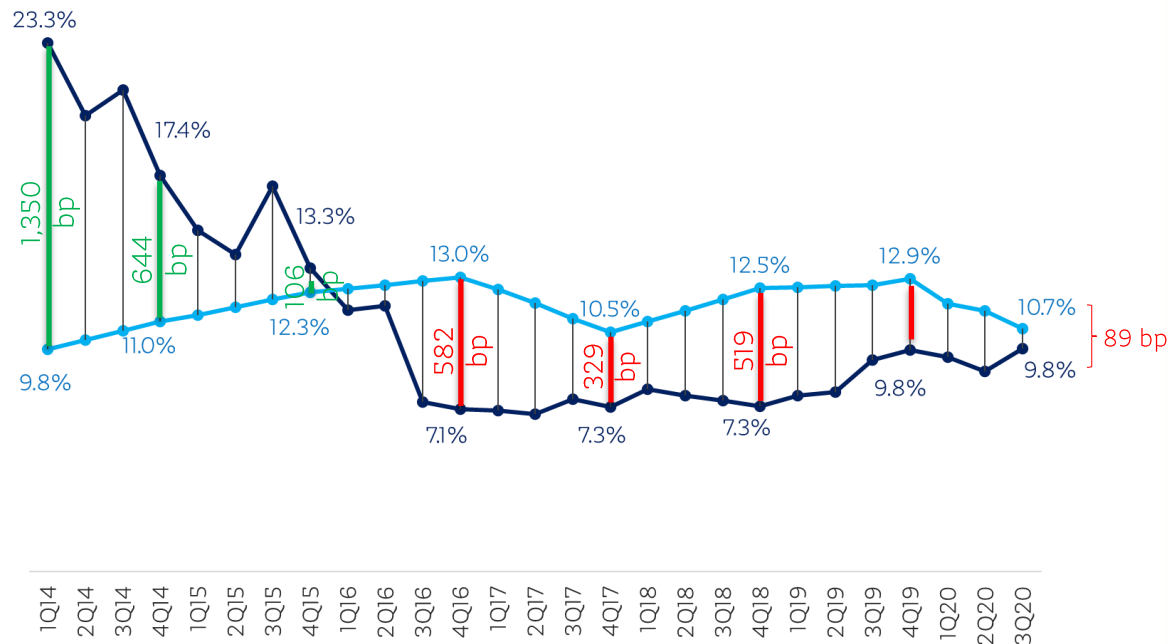
September 2020

Cash and Equivalents	\$3,394
Other Assets	\$9,580
Total Assets	\$12,974
Debt	\$4,151
Other Liabilities	\$2,385
Total Liabilities	\$6,536
Equity	\$6,438
Liabilities + Equity	\$12,974

Net debt / EBITDA



ROIC vs Cost of Capital



Improvement in ROIC through the Flow transformational program:

- Greater discipline in Capital Allocation (Control Tower).
- Optimization of working capital.
- Increased production efficiency in manufacturing process.
- Divestment strategy for low return assets.
- Strict discipline on spending.

6

WHY OWN AGUA?

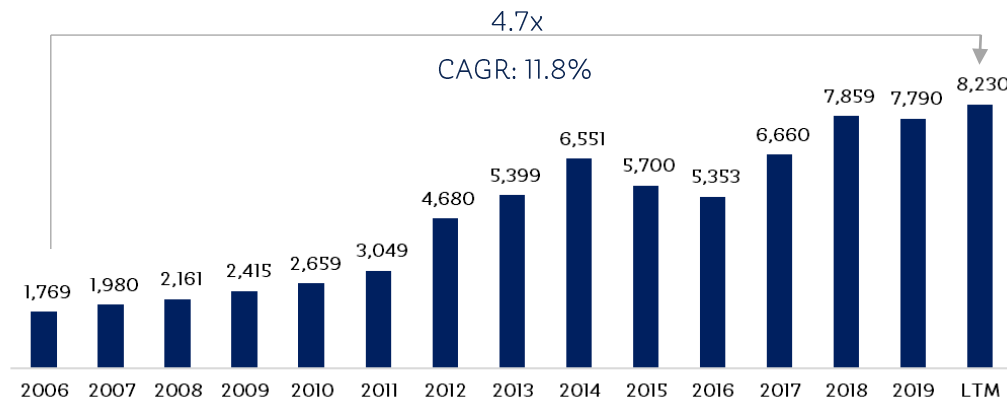
Momentum

Business Model Resilience

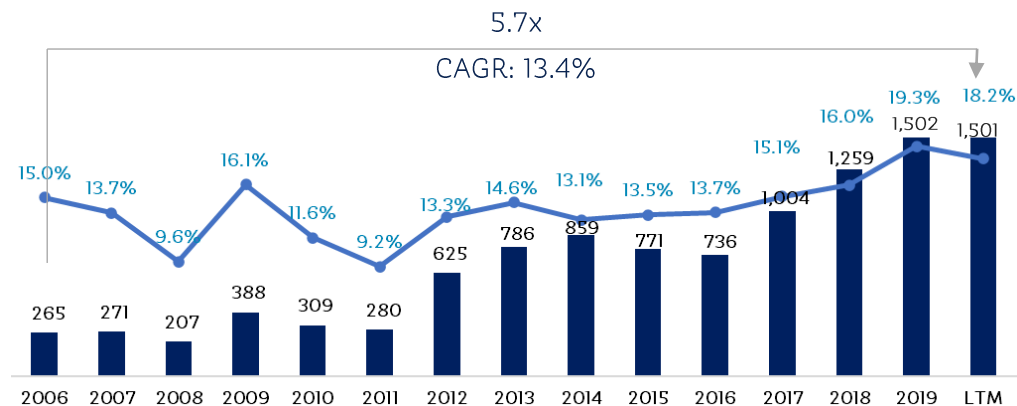
- Continuous growth
- Double digit margins
- Strong Management

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

Sales



EBITDA



■ EBITDA

—●— EBITDA Margin

Thank you

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