

Rotoplas | Third Quarter 2021 Results

(AGUA*)

Mexico City, October 20, 2021. Grupo Rotoplas S.A.B. de C.V. (BMV: AGUA*) (“Rotoplas” or “the Company”), America’s leading company in water solutions, reports its unaudited third quarter results from July to September. The information has been prepared in accordance with the International Financial Reporting Standards (IFRS).

Figures are expressed in millions of Mexican pesos.

3Q21 vs 3Q20 | HIGHLIGHTS

- ④ Rotoplas once again reported record quarterly **net sales**, which were up 21.4%, driven by greater market share, the launch and adoption of new solutions, and an increase in prices. The price increases occurred after the Company decided to absorb higher raw material costs and maintain competitive prices to strengthen its brand positioning during the first half of the year.
 - **Product sales** increased by 24.2%, with double-digit growth in the three categories: storage, water flow, and improvement. Likewise, Mexico, the United States, and Argentina all reported double-digit growth.
 - **Service sales** represented 4.4% of revenue and contracted by 18.4% due to the lack of revenue in the drinking fountain business as a result of pandemic related school closures. Excluding that business line, services would have grown by 4.1%.
- ④ **Gross margin** decreased 660 bps to 34.9%, impacted by the sustained higher-than-expected increase in logistics and raw material costs in all regions.
- ④ **Adjusted EBITDA¹** reached Ps. 364 million with a 12.7% margin, 610 bps lower than 3Q20. Increases in raw material costs remained above the estimated level and were not sufficiently offset by price increases, representing an estimated impact of Ps. 210 million to EBITDA.
- ④ **Net income** for the period was Ps. 20 million compared to Ps. 38 million in 3Q20, due to a lower operating income.
- ④ **ROIC** closed at 15.7%, an improvement of 590 bps vs the same quarter of the previous year and 400 bps above the cost of capital.
- ④ In July, GBM released the “**Deep Dive AGUA**” report with an updated target price of \$47.0 and ranked AGUA as **market outperformer**.

¹Adjusted EBITDA considers: operating income + depreciation and amortization + non-recurring expenses (donations and Flow implementation expenses). In 3Q21 it considers Ps. 75 million of Flow expense and Ps. 1 million donations and in 3Q20 Ps. 75 million of Flow expenses and Ps. 4 million donations.

- ④ **Coverage was initiated** by Miranda Global Research and Miranda ESG, with a target price of \$45.0, making Rotoplas the **first issuer in the BMV** with ESG coverage.

CUMULATIVE 2021 vs 2020 | HIGHLIGHTS

- ④ **Net sales** grew 31.0%, driven by 22% of the *Flow* initiatives now being operational. The initiatives are focused on sustainable value generation, such as the development of new products and sales channels. In addition, the changes in consumer habits have driven the demand for water management solutions.
 - **Product sales** increased 34.5%, driven by double-digit growth in all countries and all three categories. Sales from solutions launched during the last twelve months represent 1.6% of total sales.
 - **Service sales** contracted 13.9%, impacted by the lack of revenue in drinking fountains. Excluding this business line, services would have grown 14.2%.
- ④ **Gross margin** contracted by 410 bps, mainly impacted by raw material and freight price increases and the Company's decision to absorb these increases in the first half of the year. The margin for the period was 37.6%.
- ④ **Adjusted EBITDA¹** increased 14.3% to Ps. 1,256 million. The **margin** amounted to 15.5%, 220 bps lower than 2020 due to the impact on gross margin.
Through price increases, 34% of the effects of increased materials costs were offset, resulting in an estimated net impact of Ps. 340 million on EBITDA.
- ④ **Cumulative net income** reached Ps. 220 million, 81.7% higher than the same period of the previous year without considering the non-recurring financial gain from the closure of foreign exchange rate hedges in March 2020.
- ④ At the end of September, the **Net Debt / Adj. EBITDA leverage ratio** closed at 1.2x.
- ④ The Company allocated 4.7% of sales to **CapEx** and has experienced an increase in **working capital** as a result of accelerated growth and the need to guarantee the supply of materials in a tight supply chain environment.
- ④ Despite the increase in working capital, the **cash conversion cycle** was optimized by 26 days compared to the same period in 2020.

KEY FIGURES | FINANCIAL DATA

		3Q			9M		
		2021	2020	%Δ	2021	2020	%Δ
Income Statement	Net Sales	2,870	2,364	21.4%	8,114	6,194	31.0%
	% gross margin	34.9%	41.5%	(660) bps	37.6%	41.7%	(410) bps
	Operating Income	190	276	(31.2%)	737	732	0.7%
	% margin	6.6%	11.7%	(510) bps	9.1%	11.8%	(270) bps
	EBITDA	287	366	(21.4%)	1,021	993	2.8%
	Adjusted EBITDA ¹	364	445	(18.1%)	1,256	1,099	14.3%
	% margin	12.7%	18.8%	(610) bps	15.5%	17.7%	(220) bps
	Net Income ²	20	41	(50.5%)	220	503	(56.3%)
% margin	0.7%	1.7%	(100) bps	2.7%	8.1%	(540) bps	
Balance Sheet	Cash and cash equivalents	2,166	3,394	(36.2%)			
	Total Debt	4,163	4,151	0.3%			
	Net Debt	1,998	757	NM			
Cash Flow	Operating Cash Flow	257	1,163	(77.9%)			
	CapEx	378	207	82.4%			
	Working Capital	(494)	86	NM			
Other	Net Debt / Adj. EBITDA	1.2 x	0.5 x	0.7 x			
	ROIC	15.7%	9.8%	590 bps			
	Cash Conversion Cycle	58	84	(26) days			

OPERATING FIGURES | January – September 2021

Operating	New solutions	11	e-commerce clients	30,000+
	Employees	3,506	bebbia users	56,000+
	Government transactions	3.6%	CO ₂ saved (vs bottled water)	10,775 tons

¹ Adjusted EBITDA considers: operating income + depreciation and amortization + non-recurring expenses (donations and Flow implementation expenses). In 3Q21 it considers Ps. 75 million of Flow expense and Ps. 1 million donations and in 3Q20 it considers Ps. 75 million of Flow expense and Ps. 4 million donations. Cumulatively, it considers Ps. 225 million of Flow expenses and Ps. 9 million for donations in 2021 as well as Ps. 96 million expense for Flow and Ps. 9 million for donations in 2020.

² Net income before discontinued operations.

MESSAGE | CEO

Dear Investors,

We are pleased with the traction that the *Flow* program has achieved, as organizational discipline and alignment have led us to consecutive record sales in every quarter of the year.

The combination of external and internal growth drivers has boosted sales at a Group level; however, I would like to highlight the accelerated growth and profitability improvement in the United States and Argentina in particular.

In the period, we continued to strengthen our products and services offerings by launching the *Tuboplus* brand for water flow in Central America. We continue to develop new initiatives that will provide us with growth and profitability in the mid and long-term.

After maintaining competitive prices during the first half of the year to prioritize market share, we carried out price increases during the quarter to offset inflationary pressures in raw materials and freight costs. Due to the absorption time and the cost increases above our estimates, these price increases were insufficient to protect margins. We continue to pursue strategies to monetize our portfolio and remain focused on achieving our annual EBITDA target.

We maintain a solid balance sheet, which gives us the flexibility and strength to support growth. We have invested 4.7% of YTD sales in technological upgrades for the manufacturing plants and to increase our production capacity, as well as in the digitalization of certain business lines such as [bebbia](#) in Mexico and [Acuantia](#) in the United States.

We are convinced that the future lies in technology and data analysis, so we have strengthened our IT team to be ready for the “Rotoplas of the future”. Our headcount has increased by 5% in the last 12 months, yet sales per employee have increased 21% during the same period. I believe that we continue to build with clarity the path to achieve the sustainable growth plan we set out for 2025.



Carlos Rojas Aboumrad

INVITE | EARNINGS CALL

Thursday, October 21 | 10:00am Mexico City Time (11:00am, EST)

Carlos Rojas Aboumrad (CEO) | Mario Romero Orozco (CFO)

Link: https://rotoplas.zoom.us/webinar/register/WN_tqx4NAtUROKQNII0ivKtrQ

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GUIDANCE | 2021-2025

	Metric	2021 Guidance	2021 Revised Guidance	2025 Objectives
Guidance	Increase in net sales	≥ 10.0%	≥ 17.0%	2x sales (vs 2020)
	Adjusted EBITDA Margin	≥ 19.0%	17.0 - 18.0%	≥ 20.0%
	Net Debt/Adj. EBITDA	≤ 2.0x	≤ 2.0x	≤ 2.0x
	ROIC	ROIC = WACC + 100 bps	ROIC = WACC + 200 bps	ROIC ~20%

In July, the Company decided to increase the guidance for sales growth and decrease the Adjusted EBITDA margin due to the increase in demand and the restrictions within the supply chain observed during the first half of the year. However, the annual EBITDA objective was not adjusted in absolute terms, since a greater sales growth should offset a smaller margin.

Additionally, the Company expect to be closing the year with a ROIC at least 200 bps higher than the cost of capital, an increase of 100 bps compared to the previous guidance.

ROTOPLAS' RESPONSE | COVID-19

Rotoplas continues to implement initiatives to combat the spread of COVID-19.

- Operating Level:

- ④ Administrative staff continue to work remotely.
- ④ Strict safety and hygiene protocols are maintained to protect operational plant and field service personnel.
- ④ As part of the protocol, periodic screening tests such as molecular tests, serological tests (IgG) and rapid tests (IgG/IgM) are taken.
- ④ Scheduled sanitizations are carried out in all workplaces.
- ④ Activities with stakeholders continue to be held virtually.

- Operational status:

		3Q21 Operations
Country or Region	Mexico	Continuous operations.
	Argentina	
	United States	
	Peru	
	Central America	

- Commitment to Stakeholders:

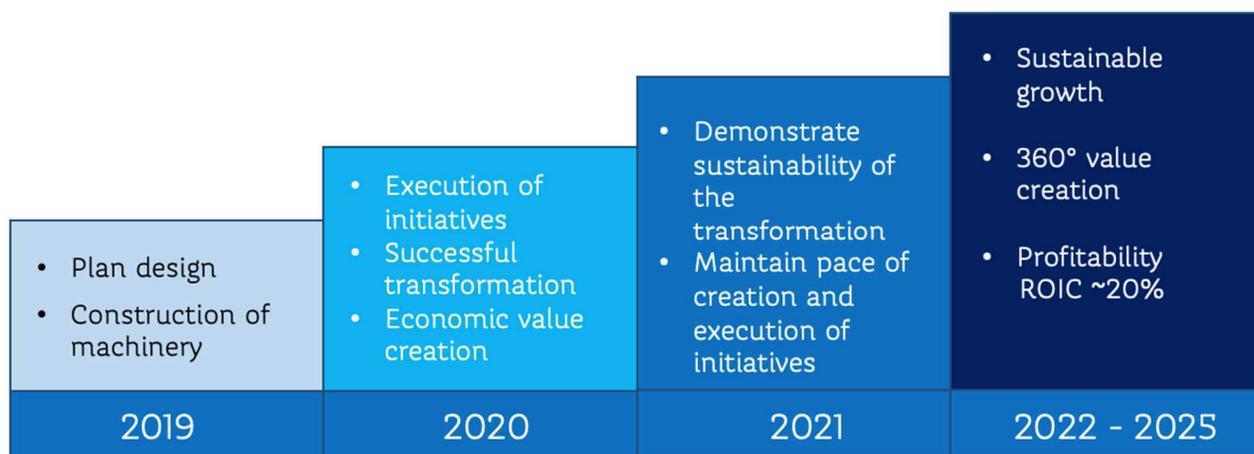
As part of Rotoplas' responsibility to keep stakeholders informed, a monthly newsletter is shared with the status of each country's operation, the guidelines to follow, and registration forms in case they have to visit any of the offices or plants.

TRANSFORMATION PROGRAM | *FLOW*

In 2019, Rotoplas began the “Flow” transformation program to focus the business on economic value creation and sustainable growth. The strategy is based on initiatives that are divided between three pillars:

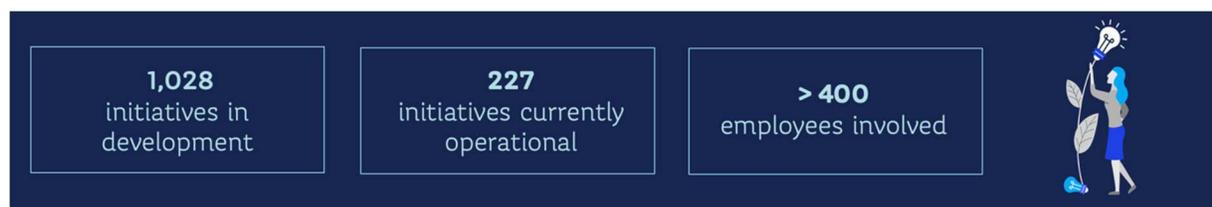
- A. Profitability of the Current Portfolio
 - levers for income, cost, expenditure and working capital
- B. Growth Initiatives and Execution
 - improve the execution of growth opportunities and capital allocation decisions
- C. Organizational Culture and Health
 - leadership, operational discipline, talent development, accountability and organizational climate

Flow has evolved and has become part of the culture of innovation and continuous improvement:



In 2019, an in-depth analysis of the Company and its opportunities was carried out to design a roadmap. By 2020, with various initiatives completed, the main goal of value creation of a ROIC above the cost of capital was achieved.

In 2021, Rotoplas will focus on demonstrating the sustainability of the transformation through continued growth and improvement in profitability. From January to September, the following stands out:



SALES & EBITDA | BY REGION AND SOLUTION *(millions of Mexican pesos)*

Figures by geographic region

		3Q			9M		
		2021	2020	%Δ	2021	2020	%Δ
Mexico	Sales	1,465	1,295	13.1%	4,320	3,653	18.2%
	Adj. EBITDA ¹	193	264	(26.8%)	756	815	(7.1%)
	% Margin	13.2%	20.4%	(720) bps	17.5%	22.3%	(480) bps
Argentina	Sales	730	475	53.7%	1,801	1,067	68.8%
	Adj. EBITDA ¹	123	96	27.5%	277	132	NM
	% Margin	16.9%	20.3%	(340) bps	15.4%	12.4%	300 bps
United States	Sales	370	267	38.7%	989	767	28.9%
	Adj. EBITDA ¹	24	6	NM	66	6	NM
	% Margin	6.4%	2.2%	420 bps	6.7%	0.8%	590 bps
Other	Sales	305	328	(6.8%)	1,005	707	42.2%
	Adj. EBITDA ¹	24	79	(69.1%)	156	146	6.8%
	% Margin	7.9%	24.0%	(1,610) bps	15.5%	20.7%	(520) bps

Figures by solution

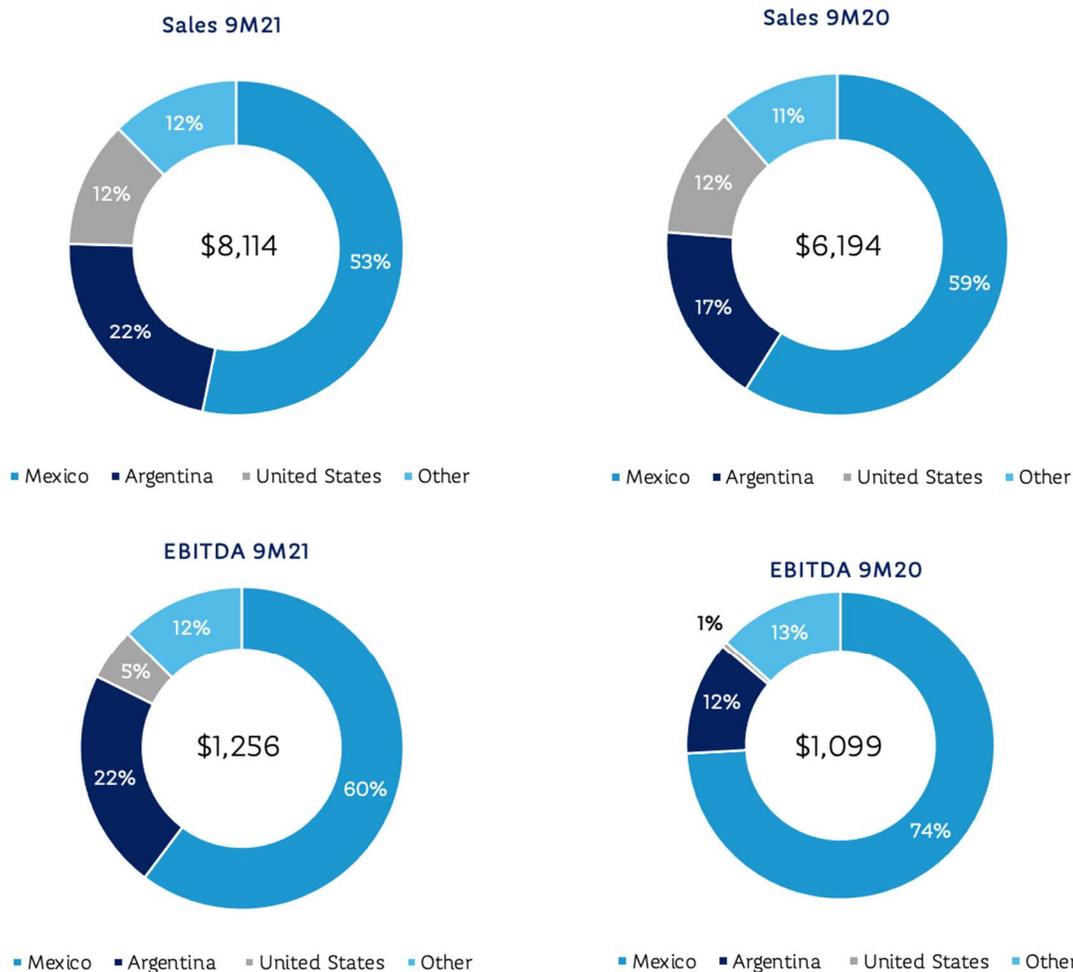
		3Q			9M		
		2021	2020	%Δ	2021	2020	%Δ
Products	Sales	2,743	2,208	24.2%	7,728	5,746	34.5%
	Adj. EBITDA ¹	388	453	(14.4%)	1,306	1,113	17.4%
	% Margin	14.2%	20.5%	(630) bps	16.9%	19.4%	(250) bps
Services	Sales	127	156	(18.4%)	386	448	(13.9%)
	Adj. EBITDA ¹	(24)	(8)	NM	(50)	(14)	NM
	% Margin	(19.0%)	(5.4%)	NM	(13.0%)	(3.1%)	NM

Adjusted EBITDA

	3Q			9M		
	2021	2020	%Δ	2021	2020	%Δ
EBITDA	287	366	(21.4%)	1,021	993	2.8%
Flow Implementation Costs	75	75	0.5%	225	96	NM
Donations	1	4	(69.6%)	9	9	(0.2%)
Adj EBITDA. ¹	364	445	(18.1%)	1,256	1,099	14.3%

¹ Adjusted EBITDA considers: operating income + depreciation and amortization + non-recurring expenses (donations and Flow implementation expenses). In 3Q21 it considers Ps. 75 million of Flow expense and Ps. 1 million donations and in 3Q20 it considers Ps. 75 million of Flow expense and Ps. 4 million donations. Cumulatively, it considers Ps. 225 million of Flow expenses and Ps. 9 million for donations in 2021 as well as Ps. 96 million expense for Flow and Ps. 9 million for donations in 2020.

Since the third quarter of 2020, “one-off” expenses began to be recognized for the implementation of the *Flow* program. These are non-recurring expenses that have short and long-term benefits for income, expenses, working capital, and organizational culture to ensure permanent and positive change.



Mexico

Net sales increased by 13.1% vs 3Q20 driven by a double-digit growth in the three product categories (storage, water flow and improvement), which offset weaker services results.

Product sales benefited from the market share gained in previous quarters, price increases, and improvements to loyalty plans. During the quarter, air conditioning piping was integrated into the product portfolio.

Service sales decreased due to the drop in water fountains revenues and the slow recovery of water treatment and recycling plants.

bebbia continues to show an accelerated growth rate, doubling the level of sales year over year. On the other hand, *rieggio* recorded sales related to its first projects and continues to focus on closing opportunities in high-value crops.

Cumulative net sales increased by 18.2% to Ps. 4,320 million, driven by double-digit growth in products which offset lower sales in services.

During the year, investments were made in technology to upgrade manufacturing plants and increase production capacity, as well as to digitalize some of the businesses.

In the first nine months of the year, solutions such as water softeners, electric showers and a new filter model have been integrated into the improvement product portfolio. Likewise, flexible hoses and air conditioning pipes have been added to the offerings in the water flow category.

The speed of growth, mainly within the storage and water flow categories, has doubled that of the market, indicating an increase in market share.

Adjusted EBITDA for the quarter was Ps. 193 million, 26.8% lower than 3Q20, mainly related to the increase in raw material and logistic costs, which were not offset by the price increases in the region.

The **adjusted EBITDA margin** was 13.2% compared to 20.4% in 3Q20 and cumulative **adjusted EBITDA** reached Ps. 756 million, with a 17.5% margin.

Argentina

Net sales for the quarter increased 53.7% vs 3Q20 and 68.8% vs 9M20, driven by an increase in volume in the three categories (storage, water flow and improvement). The launch of new products and the development of new sales channels also contributed to sales growth and improved brands positioning in the country.

During the period, priority was given to satisfying the demand for export sales, which increased 21.5% and represented 6% of total sales for the quarter.

Adjusted EBITDA for the quarter reached Ps. 123 million, a 27.5% increase compared to the same quarter of the previous year as a result of a firm pricing policy and strict cost control. There has been a sequential improvement over the last three quarters.

Cumulative EBITDA reached Ps. 277 million vs Ps. 132 million in the first nine months of 2020. The **adjusted EBITDA margin** was 15.4%, an increase of 300 bps driven by a dynamic trade policy and an improved mix of sales by product and channel.

NOTE: Adoption of IAS 29, Financial Reporting in Hyperinflationary Economies.

Due to Argentina experiencing inflation above 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.

International Accounting Standard (IAS) 29, Financial Information in Hyperinflationary Economies establishes that the results of operations in Argentina should be reported as if they were hyperinflationary as of January 1st, 2018. Moreover, an adjustment for inflation in the Financial Statements should be made to account for the change in the purchasing power of the local currency.

In 9M21, the impact of the above resulted in an increase of Ps. 48 million in financial expenses, negatively impacting the Comprehensive Financing Result. After accounting for taxes, the effect on net income amounts to Ps. 53 million.

United States

Net sales for the quarter increased by 38.7% to Ps. 370 million, driven by e-commerce penetration and the development of the septic business. In addition, the growth of agriculture in the West Coast and the migration of the population to areas with less water infrastructure are factors that have increased the demand for water solutions.

The Company's robust purchasing power allowed an increase in product inventory to face the expected rise in prices from suppliers, resulting in an expansion in the **adjusted EBITDA margin** of 420 bps to 6.4%.

On a cumulative basis, **net sales** reached Ps. 989 million, a 28.9% increase compared to 2020, driven by the demand for water solutions for agriculture and residential use, as well as the launch of septic solutions through the brand *Acuantia* and an improvement in **websites** user experience.

Cumulative adjusted EBITDA was Ps. 66 million, an improvement compared to Ps. 6 million in the same period of the previous year. The **cumulative adjusted EBITDA margin** was 6.7%, a 590 bps increase vs 9M20.

Other Countries

Net sales from other countries (Peru, Guatemala, El Salvador, Costa Rica, Honduras, Nicaragua, and Brazil) reached Ps. 305 million in the quarter, a 6.8% decline when compared to the same period of last year. This result was especially affected by Peru, since, despite the growth in local currency, the depreciation of the currency affected growth in Mexican pesos. Cumulatively, **net sales** increased by 42.4% vs 9M20.

In **Peru**, the water flow category continued to develop, as well as new sales channels for storage and improvement. In July, the Ps. 52 million loan with the government was prepaid.

In **Central America**, all countries, except Guatemala, had double-digit growth. During the quarter, *Tuboplus* was launched in Guatemala and flexible hoses were integrated into the solutions portfolio in all 5 countries.

In **Brazil**, the brand *Acuantia* was formally adopted for the water treatment plant business. In addition, the customer prospecting and sales process continues to be adjusted to allocate resources to the opportunities with the highest conversion rate, and to speed up the quote process.

During the period, the set-up, operation, and maintenance process for the first water treatment plants in Brazil continued.

Adjusted EBITDA reached Ps. 24 million in the quarter, a 69.1% decrease explained by the sustained increase in raw material prices, which could not be offset by the price increases. The **cumulative adjusted EBITDA** increased 6.8% compared to the same period of 2020 to reach a margin of 15.5%.

ANALYSIS | COSTS AND EXPENSES

Gross Profit

The **gross profit** for the period increased by 2.2% to Ps. 1,003 million. The **gross margin** contracted by 660 bps, from 41.5% in 3Q20 to 34.9% in 3Q21. This reduction was due to the sustained raw material cost increase, which was above what was expected, as well as the logistics cost increases.

During the quarter, the additional price increases within the product portfolio were insufficient to offset the raw material cost hikes.

Cumulatively, **gross profit** reached Ps. 3,050 million, 18.2% higher than the same period of last year. However, the **cumulative gross margin** contracted by 410 bps due to the Company's strategy of absorbing raw material cost increases during the first half of the year to strengthen its market share.

Operating Income

Operating income amounted to Ps. 190 million for the quarter, 31.2% lower vs 3Q20, because of lower gross income. Despite the recognition of Ps. 75 million in expenses for the implementation of *Flow* and Ps. 1 million for donations, the increase in expenses remains below the sales growth, showing operating leverage.

Cumulatively, **operating income** increased by 0.7% to Ps. 737 million. The **cumulative operating margin** was 9.1%, 270 bps lower compared to the same period of 2020 due to the raw material cost increase and its impact on the gross margin.

Comprehensive Financing Result

The **comprehensive financing result** for 3Q21 was Ps. 162 million, in line with Ps. 163 million in 3Q20. Expenses for the quarter include Ps. 120 million for debt interests, commissions and leasing, as well as Ps. 26 million for valuation of financial instruments and Ps. 16 million for monetary positioning in Argentina. During the quarter, the loan with the Peruvian Government for Ps. 52 million was prepaid.

The **cumulative comprehensive financing result** was Ps. 439 million vs an income of Ps. 55 million for 9M20, related to the gains on financial instruments obtained in the first quarter of 2020.

Financial expenses for the period comprised the payment of interest, commissions and leasing for Ps. 341 million, Ps. 54 million for the valuation of financial instruments and Ps. 44 million for monetary positioning in Argentina.

Income Tax

Income tax for the third quarter was Ps. 8 million vs Ps. 72 million in 3Q20, a decrease of 88.4%.

Cumulatively, the registered **income tax** was Ps. 80 million in 2021, compared to Ps. 285 million in 2020, a decrease of 71.8% related to the tax generated for the gain in derivative financial instruments in 1Q20.

Net Result

The **net result** before discontinued operations in the quarter was a profit of Ps. 20 million, compared to profit of Ps. 41 million in 3Q20. This represents a 50.5% decrease related to lower operating income during the quarter.

The cumulative **net profit** before discontinued operations was Ps. 220 million, 82% higher compared to the same period of last year, without considering the non-recurring financial gain due to the closing of exchange rate hedges in March 2020.

CapEx

	9M				
	2021	%	2020	%	%Δ
Mexico	300	79%	92	44%	NM
Argentina	40	11%	58	28%	(30.3%)
United States	13	3%	2	1%	NM
Others	25	7%	56	27%	(55.4%)
Total	378	100%	207	100%	82.4%

Capital investments represented 4.7% of cumulative sales, an increase of 82.4% compared to the previous year.

Capital investments include:

- In Mexico, investments in new technology for storage solutions production, and in machinery to increase production capacity both in the storage and water flow categories.
- In Argentina, investments have been made in the automation of the improvement category plants and improvements in the storage and water flow plants.
- In the United States, resources were allocated to the digitalization of operations and the development of the septic business under the brand [Acuantia](#).
- CapEx allocated specifically to growth initiatives within the *Flow* program amounted to Ps. 188 million, which represents 49.9% of the total amount. This includes investments in all countries and in different categories or businesses.

ANALYSIS | BALANCE SHEET

Cash Conversion Cycle (Days)

	9M		
	2021	2020	Δ days
Inventory Days	59	58	1
Accounts Receivable Days	51	57	(6)
Accounts Payable Days	52	31	21
Cash Conversion Cycle	58	84	(26)

Inventory Days: Average Inventory / (3M Cost of Sales / 90)

Accounts Receivable Days: Average Accounts Receivable (3M Sales / 90)

Accounts Payable Days: Average Suppliers / (3M Cost of Sales / 90)

The 26-day optimization of the **cash conversion cycle** is the result of improved working capital management capabilities and an expansive growth.

Debt

	9M		
	2021	2020	%Δ
Total Debt	4,163	4,151	0.3%
Short-term Debt	165	83	98.2%
Long-term Debt	3,998	4,068	(1.7%)
Cash and Cash Equivalents	2,166	3,394	(36.2%)
Net Debt	1,998	757	NM

Debt Maturity Profile

Total debt amounted to Ps. 4,163 million and corresponds to the AGUA 17-2X sustainable bond, a short-term working capital loan in Argentina, and the provision for short-term interest payments. During the quarter, the loan with the Peruvian Government for Ps. 52 million was prepaid.

	Currency	Amount in MXN	Rate	Maturity
AGUA 17-2X Sustainable Bond	Mexican Pesos	Ps. 4,094 million	8.65%	June 2027
Argentinean Loan	Argentinian Pesos	Ps. 69 million	38.0%	December 2021

As of September 30, 2021, interest coverage (LTM Adjusted EBITDA / LTM interest payments) amounts to 4.2x.

FINANCIAL RATIOS

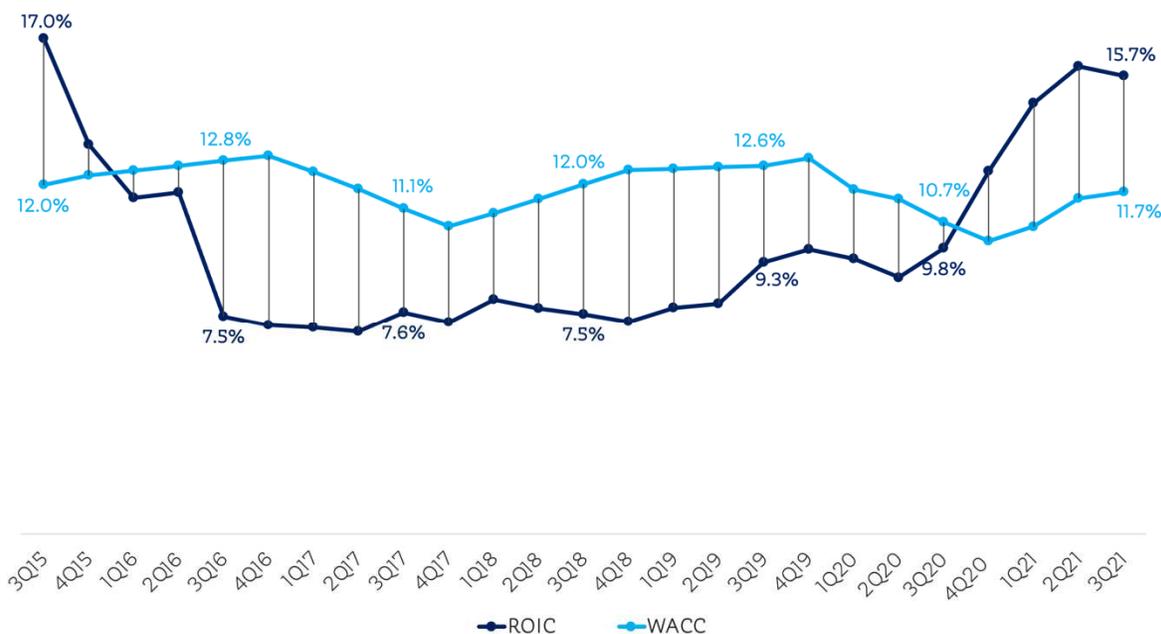
	9M		
	2021	2020	%Δ
Net Debt / Adjusted EBITDA ¹	1.2 x	0.5 x	0.6 x
Total Liabilities / Total Stockholders' Equity	1.1 x	1.0 x	0.1 x
Net Earnings per Share*	0.45	0.71	(36.1%)

* Net income after discontinued operations divided by 486.2 million shares, expressed in Mexican pesos.

Leverage as of the third quarter of 2021 was within the Company's debt guideline of 2.0x Net Debt/Adjusted EBITDA.

¹ Adjusted EBITDA considers: operating income + depreciation and amortization + non-recurring expenses (donations and Flow implementation expenses). In 3Q21 it considers Ps. 75 million of Flow expense and Ps. 1 million donations and in 3Q20 it considers Ps. 75 million of Flow expense and Ps. 4 million donations. Cumulatively, it considers Ps. 225 million of Flow expenses and Ps. 9 million for donations in 2021 as well as Ps. 96 million expense for Flow and Ps. 9 million for donations in 2020.

ROIC / Cost of Capital



ROIC: NOPAT L12M/Invested Capital t, t-1.

Invested Capital: Total Assets – Cash and cash Equivalents– Short-Term Liabilities.

ROIC excludes *Flow* program execution costs in 2Q20 - 3Q21 as they are non-recurring.

In line with the 2021-2025 business plan for sustainable growth, ROIC amounted to 15.7% at the end of September, a 590 bps increase vs the previous year and 400 bps higher than the cost of capital, creating economic value that will continue to positively impact stakeholders.

Financial Derivatives

The use of derivative financial instruments 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 exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of excess liquidity.

As of September 30, 2021, the market value of Grupo Rotoplas' positions was:

		Market Value
Instrument	MXN/USD exchange rate forward	Ps. (19.8) million

ESG | ENVIRONMENTAL, SOCIAL AND GOVERNANCE

During the quarter, the following advances in sustainability matters stood out:

- During the period, Rotoplas Peru obtained the ESR (Socially Responsible Company) distinction and Grupo Rotoplas improved its MSCI rating from BB to BBB.
- Results were published for the "A Fluir" call for proposals to supply and install water collection systems in communities with high and very high levels of social marginalization and lack of basic services. More than 300 civil society organizations registered, and five winners were selected. More than 120 rainwater collection systems will be donated to provide 730,000 liters of water to communities in the regions of Oaxaca, Chiapas, Estado de México, Querétaro and Veracruz.
- Diversity and inclusion training were provided at Group level. Additionally, the Company participated in the Global Compact's Target Gender Equality accelerator, which will optimize the establishment of gender balance goals and the Company's policies and processes to exceed best practices at industry level.
- Rotoplas was part of different forums and sessions such as Water Week in Stockholm, where the best practices of the Water Communities in Latin America were recognized. In addition, the Company participated in working groups for the Business Advisory Council of the 2030 Agenda, such as Sustainable Water, Diversity, LGBTIQ and people with disabilities inclusion.
- The development of comprehensive internal auditor's team specialized in ISO management systems in the areas of Quality, Environment, Occupational Health and Safety. Benefits: facilitating the achievement of integral certifications, identification of deviations and continuous improvement.

For more information on our ESG programs, visit our sustainability website: <https://rotoplas.com/sustentabilidad/home-eng/>

AGUA* | PERFORMANCE & ANALYST COVERAGE

		3Q		
		2021	2020	%Δ
AGUA*	Last price	25.95	17.91	44.9%
	P/BV	2.1 x	1.4 x	0.7 x
	EV/EBITDA	8.3 x	6.3 x	2.0 x

Treasury Shares:

As of September 30, 2021, the Company had 31.9 million shares in the treasury, equivalent to an invested amount of Ps. 673 million. To date, no treasury shares have been cancelled.

Analyst Coverage

As of September 30, 2021, analyst coverage is provided by:

		Recommendation	TP
GBM	Liliana de León ldeleon@gbm.com	Buy	\$47.00
SIGNUM/PUNTO CASA DE BOLSA	Alain Jaimes alain.jaimes@signumresearch.com	Buy	\$42.22
MIRANDA RESEARCH	Martín Lara / Marimar Torreblanca martin.lara@miranda-gr.com marimar.torreblanca@miranda-partners.com	Buy	\$45.00

FINANCIAL STATEMENTS

Income Statement (unaudited figures, in millions of Mexican pesos)

	3Q			9M		
	2021	2020	%Δ	2021	2020	%Δ
Net Sales	2,870	2,364	21.4%	8,114	6,194	31.0%
COGS	1,867	1,383	35.0%	5,064	3,613	40.2%
Gross Profit	1,003	981	2.2%	3,050	2,581	18.2%
% margin	34.9%	41.5%	(660) bps	37.6%	41.7%	(410) bps
Operating Expenses	812	705	15.3%	2,313	1,848	25.1%
Operating Income	190	276	(31.2%)	737	732	0.7%
% margin	6.6%	11.7%	(510) bps	9.1%	11.8%	(270) bps
Comprehensive Financing Result	(162)	(163)	(0.9%)	(439)	55	NM
Financial Income	4	22	(80.2%)	86	459	(81.3%)
Financial Expenses	(166)	(185)	(10.2%)	(524)	(404)	29.6%
Earnings Before Taxes	29	114	(74.6%)	300	788	(61.9%)
Taxes	8	72	(88.4%)	80	285	(71.8%)
Net Income¹	20	41	(50.5%)	220	503	(56.3%)
% margin	0.7%	1.7%	(100) bps	2.7%	8.1%	(540) bps
Adjusted EBITDA ²	364	445	(18.1%)	1,256	1,099	14.3%
% margin	12.7%	18.8%	(610) bps	15.5%	17.7%	(220) bps
Profit (Loss) from Discontinued Op.	-	(3)	NM	-	(159)	NM
Net Profit after Discontinued Op.	20	38	(46.0%)	220	344	(36.1%)

¹ Net income before discontinued operations.

² Adjusted EBITDA considers: operating income + depreciation and amortization + non-recurring expenses (donations and Flow implementation expenses). In 3Q21 it considers Ps. 75 million of Flow expense and Ps. 1 million donations and in 3Q20 it considers Ps. 75 million of Flow expense and Ps. 4 million donations. Cumulatively, it considers Ps. 225 million of Flow expenses and Ps. 9 million for donations in 2021 as well as Ps. 96 million expense for Flow and Ps. 9 million for donations in 2020.

Balance Sheet (Unaudited figures, in millions of Mexican pesos)

		9M		
		2021	2020	%Δ
Balance Sheet	Cash and Cash Equivalents	2,166	3,394	(36.2%)
	Accounts Receivable	1,607	1,619	(0.7%)
	Inventory	1,424	861	65.3%
	Other Current Assets	771	673	14.5%
	Current Assets	5,968	6,548	(8.9%)
	Property, Plant and Equipment - Net	2,485	2,335	6.4%
	Other Long-term Assets	4,358	4,091	6.5%
	Total Assets	12,811	12,974	(1.3%)
	Short-term Debt	165	83	98.2%
	Suppliers	1,039	564	84.4%
	Other Accounts Payable	945	1,197	(21.1%)
	Short-term Liabilities	2,149	1,844	16.6%
	Long-term Debt	3,998	4,068	(1.7%)
	Other long-term Liabilities	582	625	(6.9%)
	Total Liabilities	6,729	6,536	3.0%
	Total Stockholders' Equity	6,082	6,438	(5.5%)
	Total Liabilities + Stockholders' Equity	12,811	12,974	(1.3%)

Cash Flow (Unaudited figures, in millions of Mexican pesos)

		9M		
		2021	2020	%Δ
Cash Flow	EBIT	737	732	0.7%
	Depreciation	284	261	9.0%
	Tax	(128)	(162)	(21.0%)
	Working Capital	(494)	86	NM
	Other ²	(142)	246	NM
	Operating Free Cash Flow	257	1,163	(77.9%)
	<i>Operating Free Cash Flow Conversion (%)</i>	<i>34.9%</i>	<i>158.8%</i>	<i>NM</i>
	Net Interest	(253)	(166)	52.3%
	Dividends	(206)	(173)	19.0%
	CapEx	(378)	(207)	82.4%
	Repurchase Fund	(237)	(571)	(58.5%)
	Mergers and Acquisitions	41	130	(68.8%)
	Short and Long-Term Debt	(133)	1,129	NM
	Leases	(41)	(35)	15.7%
	Other ³	23	277	(91.6%)
	Net Change in Cash	(927)	1,546	NM
	Initial Cash Balance	3,092	1,848	67.3%
Final Cash Balance	2,166	3,394	(36.2%)	

² Other includes Ps. (112) million in prepaid expenses in 2021.

APPENDICES

PRESS RELEASES | 3Q21

- ④ Grupo Rotoplas initiates Market Maker agreement with BTG Pactual – October 6
- ④ Invitation to 3Q21 Results Conference – October 6
- ④ Rotoplas operations status update during September – October 1
- ④ Rotoplas operations status update during August – September 1
- ④ Resolutions adopted by the 2021 Extraordinary Shareholders' Meeting – August 20
- ④ S&P Global Ratings maintains Grupo Rotoplas' 'mx AA-' rating with stable outlook – August 11
- ④ Call to the Meeting – August 3
- ④ Power of Attorney and Proxy Form – August 3
- ④ Proposals to the GESM – August 3
- ④ Rotoplas operations status update during July – August 2
- ④ Coverage Initiated by Miranda Global Research and Miranda ESG – July 20
- ④ GBM releases "Deep Dive AGUA" with \$47 target price update, market outperformer – July 7
- ④ Rotoplas operations status update during June – July 2

For more information, please refer to the Relevant Events section on our website:

<https://rotoplas.com/investors/relevant-events/#1>

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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 expectations 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 water solutions, including products and services for storing, piping, improving, treating and recycling water. With over 40 years of experience in the industry and 19 plants throughout the Americas, Rotoplas is present in 14 countries and has a portfolio that includes 27 product lines, a services platform and an e-commerce business. Grupo Rotoplas has been listed on the Mexican Stock Exchange (BMV) under the ticker "AGUA" since December 10, 2014.

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