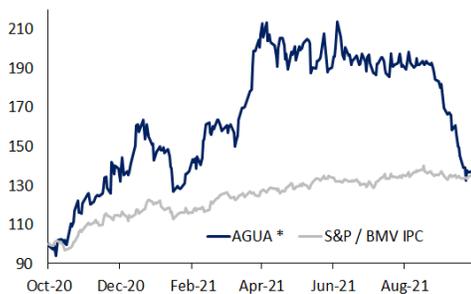


AGUA: 3Q21 Preview

Strong Sales Growth Offset by Lower Profitability Levels

AGUA*	BUY
Target Price (MXN\$)	\$ 45.00
Current Price (MXN\$)	\$ 23.68
Min / Max (L12M)	\$ 12.57 - 37.16
Expected Dividend (MXN\$)	\$ 0.45
Expected Return	91.9%
Market Cap (MXN\$ Mn)	11,514
Enterprise Value (MXN\$ Mn)	12,723
Outstanding Shares (Mn)	486.2
Float	23.7%
ADTV (MXN\$ Mn)	\$ 4.80



Opinion and Recommendation

We expect ROTOPLAS' strong revenue growth to be offset by higher raw material prices and freight costs, in addition to rebranding and marketing initiatives, which will likely derive into a lower EBITDA. The company has been gradually raising prices in order to improve its margins, although we believe that the benefits of such measures will take place more towards the end of the year. We recommend taking advantage of the recent correction in ROTOPLAS' share price due to the company's strong long-term outlook.

3Q21 Preview

We expect ROTOPLAS to register total revenues of MXN\$2,766 million, up 17.0% YoY. We believe that demand in the product business will remain high as a result of the Flow initiatives, droughts in Mexico, heat waves and water shortages in the United States, as well as new product launches. In the service business, the company has continued to experience a slow demand for water treatment plants. Bebbia is still a small business, while Rieggo is growing very gradually.

We expect the adjusted EBITDA to decline 16.9% YoY to MXN\$370 million due to the impact of higher raw materials and freight costs, rebranding and marketing initiatives. We project that the adjusted EBITDA margin will contract to 13.4% in 3Q21, from 18.8% in 3Q20.

We anticipate that ROTOPLAS will close with a MXN\$79 million net profit, more than double last year's MXN\$33 million net profit. The bottom line will benefit from lower FX losses, as well as a reduced tax rate.

October 15th, 2021

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