

# AGUA (BUY, T.P. MXN\$44.00)

S&P Global Ratings confirmed 'mx AA-' ratings with stable outlook

S&P Global Ratings maintained the following ratings:

- 'mxAA-' National Scale Issuer Rating with Stable Outlook;
- 'mxAA-' National Scale Long-Term Debt rating of AGUA 17-2X domestic bonds.

In its statement, S&P mentioned that the reasons for the rating action includes: i) a temporarily lower liquidity position of Grupo Rotoplas related to its strategic plans, with a possible recovery by the end of 2023; ii) net leverage ratios continue to be resilient to the lower levels of cash available due to improvements in profitability and growth in sales; and, iii) Grupo Rotoplas continues to adhere to its FLOW operational transformation plan and the rating agency expects the company to reach its growth goals by 2025.

The Stable Outlook considers the expectation that Grupo Rotoplas will strengthen its operating profitability through strategies focused on mitigating the negative effects of higher raw material prices, higher inflation, as well as the costs related to the launch of new products and services. This will allow it to gradually increase its EBITDA generation and maintain leverage levels with an adjusted debt to EBITDA ratio below 1.5x over the next 12 to 18 months. In addition, S&P expects the company to continue diversifying its business segments into its services segment, while maintaining its other product segments. This will allow it to achieve significant increases in scale to compare favorably with higher-rated peers.

We reiterate a BUY with a MXN\$44.0/share target price given Grupo Rotoplas' favorable fundamentals.

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