Bio Pappel

Bio Pappel, S.A. de C.V.

Corporates
November 3, 2025
*A NRSRO Rating**

Bio Pappel
HR BBB+ (G)
Stable Outlook

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Information Disclosure Form

Rule 17g-7

The Rating Action Commentary (RAC) associated with this disclosure form is an integral part of the form.

1. **Symbol, Number, or Score in the Rating Scale used by HR Ratings as required by Paragraph (a)(1)(ii)(A) of Rule 17g-7**

Entity/Instrument	Rating Action	Rating Type	Rating Code
Bio Pappel S.A. de C.V.	Ratified	Long Term Rating	HR BBB+ (G) / Stable Outlook

2. **Version of the Procedure or Methodology used to determine the credit rating as required by Paragraph (a)(1)(ii)(B) of Rule 17g-7:**

The rating assigned by HR Ratings to the Company is based in accordance with the following methodologies established by the rating agency:

- General Methodological Criteria, October 2024
https://www.hrratings.com/docs/metodologia/General_Methodological_Criteria_2024.pdf

3. Main assumptions and principles used in constructing the procedures and methodologies to determine the credit rating as required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- Based on the General Methodological Criteria:

    - Local and Global Scales

Any credit rating for a borrower or debt instrument is initially assigned on a Local Scale. HR Ratings Local Scale represents the different rating levels in which the results of a rating process can be categorized as set out in the appropriate methodology. This rating on the scale reflects the results of standardized processes, which are applicable in any political jurisdiction. The global scale considers the risks associated with the sovereign in question and faced by the borrower or debt instrument. This includes the convertibility, degradation and transferability risks for each country in a global scenario.

HR Ratings will use the global rating of the applicable sovereign, as an indicator for country risk, to convert the local credit ratings for borrowers and/or debt instruments into global credit ratings. The applicable sovereign rating may refer to one particular sovereign or a group of sovereigns depending on the case. In general terms, the downgrade will be equal to the difference, in terms of notches, between HR AAA (G) and the applicable sovereign's global rating. However, in some cases it may be appropriate not to take as a basis for the downgrade only the difference in the applicable sovereign's global rating from HR AAA (G). For example, when HR Ratings judges that the global credit rating of an applicable sovereign, or sovereigns, implies a greater or lesser degree of country risk for purposes of the conversion of local rated entities and debt. Also, when the analysis for a specific debtor or debt instrument suggests that its characteristics are such that its rating on the global scale should receive a modified rating differential.

A set of factors is used to determine the applicable jurisdiction or sovereign for assigning a global scale rating. The simplest case is that of a borrower operating in only one country and using only that country's currency. In such cases the global rating of sovereign of the country in which the borrower operates will be used as the basis for conversion. In other cases, an entity may have substantial operations in several jurisdictions, it would be appropriate to determine a weighted average of relevant sovereigns and apply a weighted sovereign differential notch to make the local to global conversion.

4. Potential limitations of the credit rating as required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- HR Ratings does not validate, guarantee or certify the accuracy, correctness or completeness of any information and is not responsible for any errors or omissions or for results obtained from the use of such information.
- Ratings and/or opinions assigned by HR Ratings are based on an analysis of the creditworthiness of an entity, issue or issuer, and do not necessarily imply a statistical likelihood of default.
- The credit ratings do not opine on the liquidity of the issuer´s securities or stock.
- The credit ratings do not consider the possible loss severity on an obligation default.
- The credit ratings are not an opinion of the market value of any issuer´s securities or stock, or the possibility that this value suffer a deterioration.

5. **<u>Information on the uncertainty of the credit rating as required by Paragraph (a)(1)(ii)(E) of Rule 17g-7</u>**

The Analysis Committee noted no material limitations on the reliability, accuracy and quality on the data relied on in determining the credit rating.

The Analysis Committee noted no material limitations on the scope of historical data or on the accessibility to certain documents or other information that would have better informed any credit rating listed in this disclosure form.

6. **Use of third-party due diligence services as required by Paragraph (a)(1)(ii)(F) of Rule 17g-7**

HR Ratings did not consider third-party due diligence information for the rating.

7. **Use of servicer or remittance reports to conduct surveillance of the credit rating as required by Paragraph (a)(1)(ii)(G) of Rule 17g-7**

HR Ratings did not use Servicer or Remittance Reports.

8. **Description of types of data about any obligor, issue, security or money market instrument relied upon for determining credit rating as required by Paragraph (a)(1)(ii)(H) of Rule 17g-7**

Among the main information used for the rating is:

- Internal Financial Statements from first quarter 2021 (1Q21) to third quarter 2024 (3Q24).
- Annual Audited by Deloitte Financial Statements for 2018 to 2023.
- Projections (2024-2030), budget, and guidelines.
- Quarterly operational information (volumes and price) from 4Q20-3Q24.
- Debt amortization schedule for 2024-2034.
- Note Purchase Agreement.
- Sustaintability Report 2023.
- Certificaction & Awards Summary.
- Capex Plan 2024-2027.
- Loans and Notes Terms and Conditions.

9. **Overall assessment of quality of information available and considered in determining credit rating as required by Paragraph (a)(1)(ii)(I) of Rule 17g-7**

The quality of the information provided by the entity is considered to be consistent with the quality observed in ratings that use a similar methodology.

10. Information relating to conflicts of interest as required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

The rating was solicited by the entity or issuer, or on its behalf, and therefore, HR Ratings has received the corresponding fees for the rating services provided. The following information can be found on our website at www.hrratings.com: (i) The internal procedures for the monitoring and surveillance of our ratings and the periodicity with which they are formally updated, (ii) the criteria used by HR Ratings for the withdrawal or suspension of the maintenance of a rating, (iii) the procedure and process of voting on our Analysis Committee, and (iv) the rating scales and their definitions.

11. Explanation or measure of potential volatility to the credit rating as required by Paragraph (a)(1)(ii)(K) of Rule17g-7

1. Factors that are reasonably likely to lead to a change in the credit rating:

- **Operating results below expectations.** If the Company fails to attract new demand or generate revenue from the planned new production plants, this could result in weakened FCF. If this reflects a weighted average of P$3,291m for 2025-2027, the rating could have a minimum negative impact.
- **Increase in Debt.** Under the scenario where the Company needs additional financing for its future production facilities openings, this could result in a higher net debt and if the Years of Payment metric reaches a weighted average of 2.6 years for 2025-2027, the rating could have a negative minimum impact.

2. The magnitude of the change that could occur under different market conditions determined by HR Ratings to be relevant to the rating:

- **Mexico Sovereign Debt.** Any change, positive or negative, to the sovereign rating for Mexico and its outlook would be reflected directly in the global rating of Bio Pappel. This could result in a positive or negative, minimum to strong impact on the rating.
- **Economic uncertainty.** An uncertain economic scenario could cause strong variations in the demand and/or prices of the Company's products. This could have a minimum negative impact on the rating if FCF levels reach an average of P$3,291m for 2025-2027.
- **Competitive Market.** A negative macroeconomic environment could lead to pricing competition, reduced operative margins, and a higher CAPEX. If this translates into an average level of DSCR below 2.2x for 2025-2027, this could result in a negative minimum impact on the rating.

NOTE: The Credit Analysis Committee must convene to review and discuss the changes that could occur under different market conditions. All the ratings issued by HR Ratings must be approved by the Credit Analysis Committee in accordance with the applicable methodology and the information available at the time. However, the magnitude of a potential change in the rating that could reasonably occur as a result of the impact of the factors listed above are characterized by the following summary chart:

Rating change impact	Number of notches
Minimum	(0-1)
Moderate	(2 - 3)
Strong	>3

12. Historical performance and expected probability of default and expected loss in event of default as required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

For historical performance for Bio Pappel, S.A. de C.V. rating, click on the link in the ratings table presented on the first page.

Our credit ratings need to be understood as rankings of the relative creditworthiness of different entities or credits. Creditworthiness takes into consideration both the ability and willingness to meet debt obligations in the manner prescribed in the relevant documentation. Default refers to the noncompliance of previously agreed obligations.

As our ratings measure relative creditworthiness, they do not necessarily reflect any specific statistical probability of default. However, HR Ratings provides to the market participants the default rate for historical default and loss statistics for the class or subclass of the credit rating. Although the default rate is not the expected probability of default or loss given default, we consider it the ratio that could be interpreted by market participants as such. The default rate for each of the asset classes in which HR Ratings provides ratings and for each rating category is publicly available for each calendar year at: https://www.hrratings.com/regulatory_disclosure/transition_matrix.xhtml

13. Assumptions made by HR Ratings in determining announced credit ratings and examples of how assumptions impact the rating as required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

1. Assumptions made in the ratings process that, without accounting for any other factor, would have the greatest impact on the credit rating if proven false or inaccurate:

   HR Ratings bases its ratings and/or opinions on information obtained from sources that are believed to be accurate and reliable. The assumption is that the information provided is reliable and credible, however, does not validate, guarantee or certify the accuracy, correctness or completeness of any information and is not responsible for any errors or omissions or for results obtained from the use of such information.

   - **Revenue Increases.** In our base scenario, we project the opening of the new plants in Dallas, Texas and Ramos Arizpe, Coahuila by 2025. Additionally, we project a price increase for all the Company products. As a result, we expect a revenue CAGR of 4.7% for 2023-2027.
   - **Operating Margins.** We assume that the Company will present a higher margin as a result of volume efficiency, price normalization of the Company's main inputs and stable Administrative Expenses. Therefore, we expect an EBITDA Margin of 16.0% for 2027.
   - **FCF Generation.** For our FCF estimation, we assume that the Company will present lower pressures from working capital requirements, as a result of a more efficient collection and higher supplier financing. We project that the Company will reach a FCF of P$5,382m for 2027.
   - **Debt Structure.** We expect that the Company complies with its current amortización schedule after its recent debt refinance. We do not consider any other debt acquisition during the projected period. As a result, we estimate that the Company will end 2027 with a net debt of P$4,277m.

- **Maintenance CAPEX.** Maintenance Capex is registered under COGS, in accordance with information presented by the entity. We expect that it will maintain the same proportion of 10.7% with respect to Property, Plant and Equipment as observed in 2023 for 2024-2027.

2. Analysis, using specific examples, of how each of the assumptions identified in the preceding paragraph impacts the credit rating:

- In a scenario in which the Company presented an average weighted reduction of 13.4% with a $CAGR_{2024\text{-}2027}$ of 1.6% on its revenue, the rating could be negatively impacted.
- If the anticipated EBITDA presents a weighted average accumulated difference of 23.3% below our baseline scenario and the expected average EBITDA margin is lower than 13.2% for the period 2024-2027, it may result in a negative effect on the Company's rating.
- If FCF generation results in a weighted average accumulated difference for the period 2024-2027 of 27.2%, this could result in a lower rating.
- In case the Company incurs more debt than expected, given higher pressures in operating results or working capital requirements, the DSCR with Cash could present an average weighted level of 5.6x for 2024-2027 and lead to a lower rating.
- If the maintenance capex figures are higher than expected for the forecasted period, the generation of FCF would be negatively impacted leading to average weighted DSCR levels of 2.2x for 2024-2027 and thus to a lower rating.

14. Representations, warranties and enforcement mechanisms available to investors as required by Paragraph (a)(1)(ii)(N) of Rule 17g-7

The reporting of representations, warranties, and enforcement mechanisms does not apply to any of the credit ratings listed in this disclosure form.

Credit Rating Attestation

I, Elizabeth Martínez, Corporates Manager have the responsibility for this rating action and, to the best of my knowledge:

- No part of the credit rating was influenced by any other business activities.
- The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated; and
- The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument

Mexico City, November 3, 2025

/s/ Elizabeth Martínez
Corporates Manager
HR Ratings de México, S.A. de C.V.

Media Contact

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