CORPORATE PARTICIPANTS

Enrique Escalante, Chief Executive Officer

Maik Strecker, Chief Financial and Planning Officer

Sahory Ogushi, Head of Investor Relations

PRESENTATION

Operator

Good morning and welcome to GCC's Second Quarter 2025 Earnings Results Conference Call. Before we begin, I would like to remind you that this call is being recorded and that all participants will be in listen-only mode. Please also note that a slide presentation accompanies today's webcast. The link is available on the company's IR website at gcc.com. I would now like to turn the call over to Sahory Ogushi, Head of Investor Relations. Please go ahead.

Sahory Ogushi

Good morning, everyone, and thank you for joining. With me today are Enrique Escalante, our Chief Executive Officer; and Maik Strecker, Chief Financial Officer.

The earnings release detailing this quarter's results was released yesterday after market close and is available on GCC's IR website. This conference call is also being broadcast live within the Investors section at gcc.com. And both the webcast replay of the call and transcript will be available on the same site approximately one hour after the end of today's call.

Before we begin, I would like to remind you that our remarks today will include forward-looking statements. Actual results may differ materially from those contemplated by these forward-looking statements. Factors that could cause these results to differ materially are set forth in yesterday's press release and in our quarterly report filed with the Mexican Stock Exchange. Any forward-looking statements that we make on this call are based on assumptions as of today and we undertake no obligation to update these statements as a result of new information or future events. With that, let me now turn the call over to Enrique.

Enrique Escalante

Thank you, Sahory, and good morning, everyone.

This year has brought its share of complexity. Yet despite persistent inflationary pressure, evolving trade dynamics and the depreciation of the Mexican peso, we continued to execute with discipline and delivered a 1% increase in consolidated sales, driven by a 7.7% increase in U.S. sales, which totaled US$272 million.

We have successfully navigated similar environments in the past, relying on our operational agility, disciplined execution and long-term strategic focus. This foundation continues to guide our decisions today.

The second quarter of 2024 set a high benchmark with record margins, and while the margin contraction was more pronounced than initially projected, we are taking swift and targeted actions to strengthen our position for the second half of the year.

It's also important to note that the second quarter 2024 results included several one-off benefits and timing effects that are not recurring or directly comparable in 2025. Among the most significant were a US$4 million dollars downward adjustment in natural gas costs, a higher proportion of lower-margin real estate sales for development this year, and unscheduled outages at our Odessa and Rapid City plants. In addition, the depreciation of the Mexican peso contributed to a more difficult year-over-year comparison. On a like-to-like basis, EBITDA for the second quarter of 2025 declined by 1.5% compared to the same period last year.

We launched a company-wide cost and expense optimization program, designed to adjust our cost structure in line with current market dynamics, improve internal efficiency, and protect margins without compromising service, safety, or long-term growth. The program includes targeted actions across our operations, logistics, and support functions, with clearly defined priorities and accountability to ensure we see meaningful impact in the second half of the year.

As part of this effort, we committed to a US$12 million expense reduction, of which US$5 million has already been realized. The remaining US$7 million is on track for the second half. This is supported by the strength and commitment of our teams, who continue to respond with resilience, agility, and a clear focus on execution. That's why our priorities around safety, development, and workplace culture remain unchanged.

As part of our **People** pillar structured training program, 13 technical courses have been completed year-to-date, with 19 additional sessions currently underway across our cement plants. Several of these courses are being led by former employees, helping transfer valuable operational knowledge to the next generation.

Our commitment to a world-class safety culture remains at the core of our operations. Our safety performance continues to improve; during the first half of the year, we achieved a 37% reduction in recordable incidents, including lost-time incidents, compared to the same period in 2024. This quarter, we partnered with Wolters Kluwer – Enablon, a leading software platform specializing in health and safety, sustainability, and environmental management, to upgrade our Safety Management System. This platform will enable us to standardize processes, better integrate and analyze information, and enhance decision-making across the organization.

Our cultural progress continues to be recognized externally. In the second quarter, GCC was ranked #26 in its category in the 2025 Great Place to Work survey in Mexico, a meaningful acknowledgment of the strong workplace environment we continue to build.

Turning to our **Planet** pillar, the second quarter reflected steady progress on our sustainability commitments. Clean fuel usage increased notably, supported by higher natural gas consumption and greater alternative fuel substitution, particularly at our Samalayuca plant. These improvements are the result of ongoing investments to expand fuel flexibility across our network. We currently have several projects underway to strengthen our alternative fuels program. This includes investing in a tire shredding operation at our Rapid City plant and a railroad tie chipper for Pueblo, both of which will support continued growth in our fuel substitution rate.

We also increased the share of blended cements in our product mix, driven largely by pozzolanic cement production at our Tijeras plant. Blended cement now represents 78% of our total cement volume, up 3.5 percentage points from the second quarter last year. As a result, we achieved a 1 percentage point reduction in our clinker factor and a 3.7% year-over-year reduction in Scope 1 CO_2 emissions.

As part of our strategy to further reduce our clinker factor and expand our low-carbon product portfolio, we are also advancing research into the use of calcined clays as supplementary cementitious materials at several of our plants, with a pilot project underway at the Chihuahua plant.

All of these actions reflect our broader sustainability strategy, which we detail in our 2024 Integrated Report released during the quarter. The report highlights our broader ESG priorities and strategy, with transparent disclosure of our commitments and progress beyond what we have covered here today.

Finally, moving to our **Profit** pillar and market performance. In the U.S., cement volumes grew by mid-single digit, while concrete operations delivered strong double-digit growth, driven by renewable energy projects. Our ready-mix operations ran at capacity throughout the quarter, supported by the investments we made earlier this year in portable plants, fleet expansion, and personnel. We are currently supplying five windfarm projects across North Dakota, Colorado, and New Mexico, with more scheduled to begin later this year.

Infrastructure demand remains solid. We recently began the second phase of the three-phase expansion of the I-10 highway project in El Paso, Texas, and continued work at Denver International Airport, along with multiple paving contracts across our network. These projects contributed to stable and consistent activity throughout the quarter.

By contrast, the residential segment remains under pressure. Housing inventory is elevated nationwide, and home affordability continues to decline, with the 30-year mortgage rate well above the estimated 5.5% threshold needed to stimulate meaningful construction activity. Reflecting these headwinds, housing starts fell in May to their lowest level in 5 years, and even markets that previously demonstrated resilience have begun to soften. We anticipate continued weakness in this segment until mortgage rates become more favorable.

We also saw a shift in activity within the oil and gas sector. During the quarter, we experienced softer demand, driven by declining rig counts and pressure on oil prices. Additionally, the unplanned outage in one of the cement mills at our Odessa plant earlier this year led some customers to source cement from competitors. While we successfully regained those customers during the second quarter, oil-well cement now represents a smaller portion of our overall sales mix.

Given the premium pricing associated with this product, the change in mix placed additional pressure on average cement pricing. This, combined with softer overall demand, resulting in only partial acceptance of the spring construction cement price increase, and greater product availability, generated that total cement prices remained essentially flat year-over-year.

We continue to monitor these trends closely and adjust our commercial strategy accordingly maintaining focus on execution, customer service, and cost efficiency.

In addition to these commercial dynamics, we also experienced a temporary disruption at our Rapid City cement plant due to an incident during scheduled maintenance. The plant was offline for half of the quarter and has since resumed normal operations. Thanks to our integrated network of plants and terminals, we were able to redirect supply from our Pueblo and Trident plants to ensure uninterrupted service to our customers in the region, proving again the unique advantage of the network we have built. While this ensured continuity, the use of higher-cost routes and reduced production volumes put additional pressure on our margins during the period.

Turning now to Mexico, market conditions remained challenging throughout the quarter, primarily due to ongoing softness in industrial demand and adverse weather. Juárez recorded the highest wind speeds in over 90 years, creating safety and quality challenges that impacted construction activity and our ability to deliver concrete consistently.

Industrial developers remain cautious, influenced by persistent macro uncertainty and evolving trade policies. While tariffs have not directly impacted GCC, the broader environment continues to delay decision-making and project starts.

The mining segment also remains muted, as expected, following the end-of-life closure of two key customer mines in the second half of last year. This creates a higher comparison base for 2025 and continues to affect volume performance.

Despite these headwinds and in contrast with our U.S. markets, residential demand in Chihuahua has remained strong, posting double-digit growth year to date. We are encouraged by the federal housing initiative targeting one million new homes in the next five years. Chihuahua stands to benefit meaningfully, and we are working closely with INFONAVIT to support the planning phase, with construction anticipated to start towards the end of the year.

Infrastructure also continues to present meaningful opportunities. Under Plan Mexico, the government has prioritized connectivity, and we are participating in the Sonora-Chihuahua highway project, one of the largest infrastructure investments in the region in recent years, as well as supplying bagged cement for the construction of rural roads in the Chihuahua mountains under the Rural Roads Plan.

Overall, in Mexico, our focus remains on careful planning and preparation for the months ahead. We are actively participating in bids for infrastructure projects expected to begin in the coming quarters, ensuring we are well-positioned to capture growth as market conditions improve.

From a capital allocation standpoint, a key milestone achieved during the quarter was the completion of our new cement distribution terminal in Trenton, Texas, just Northeast of Dallas. This investment directly addresses growing customer demand and strengthens our ability to serve the I-35 corridor between Dallas and Oklahoma City, one of the most dynamic markets in the country.

The Dallas–Fort Worth area leads the nation in real estate investment and development, serving as a vibrant hub for financial and business activities. Our new terminal positions us strategically to capitalize on this growth, particularly across the residential, office, and industrial sectors.

Operations at the Trenton terminal began in the first week of July, with cement initially supplied from our Samalayuca plant. Consistent with our conservative market strategy of dispersing small incremental volumes across several markets, this terminal, along with others currently in the planning stage, not only strengthens our service capabilities in North Texas, but also prepares our network for the additional volumes expected from the Odessa expansion once it comes online.

On that front, the expansion remains fully on track, both in terms of timing and budget. To date, we've deployed approximately US$458 million of the total investment, with US$174 million remaining for the balance of the year.

With that, let me turn the call over to Maik for his financial review.

Maik Strecker

Thank you, Enrique, and good morning to everyone.

Starting with consolidated sales, we reported a one percent increase compared to the second quarter of last year, supported by volume growth in the U.S. and positive pricing trends in Mexico. Excluding the depreciation of the Mexican peso, consolidated sales increased 4% year-over-year.

In the U.S., revenues grew by 7.7%, driven by a 4.2% rise in cement volumes. Our concrete operations experienced particularly strong performance, benefiting from renewable energy sector demand, with volumes increasing by 20.7%. Pricing dynamics proved more challenging during the quarter; cement pricing increased 0.6%, impacted by a lower proportion of oil-well cement in our total sales mix. Concrete pricing continued to perform well, increasing 9.5% year-over-year.

In Mexico, revenues declined by 14.8%, mainly due to the depreciation of the Mexican peso. Excluding the currency effect, sales decreased by 4.6%. Cement volumes declined 6.2%, and concrete volumes were down 13.1%. Pricing remained firm, with cement and concrete prices up 4.2% and 3%, respectively.

From a cost perspective, our cost of sales represented 66.7% of revenues, up 5.8 percentage points compared to last year. This increase was largely driven by one-off or timing-related factors, including lower production volumes due to the timing of plant maintenance and the Rapid City incident, which reduced inventory levels during the quarter, an effect that is expected to normalize in the second half of the year.

Additional impacts included the absence of the natural gas hedge benefit recognized in the second quarter of 2024; higher transfer freight expenses related to the Rapid City incident; a greater share of real estate sales, which carry a higher cost-to-sales ratio; and increased fuel prices. It's also worth noting that fuel costs in the prior-year quarter were unusually low, widening the year-over-year comparison.

SG&A expenses represented 8.3% of revenues, improving by 50 basis points year-over-year, thanks to our ongoing expense discipline and optimization efforts. As a result, EBITDA for the quarter totaled was US$118.4 million, with a 32.5% EBITDA margin.

Net financial income was US$8.5 million, reflecting the impact of the Mexican peso's depreciation, lower financial income due to a reduced average cash balance, and the interest capitalization associated with the Odessa expansion. Consolidated net income reached US$73.5 million, translating to earnings per share of US$0.22.

Free cash flow for the quarter totaled US$48.6 million, representing a 67.7% increase. This improvement was driven by lower working capital requirements, reduced maintenance CapEx and lower cash taxes.

In terms of capital allocation, we returned US$30 million to shareholders during the quarter in the form of dividends, and we continued executing on strategic investments, with US$88 million allocated primarily to the Odessa plant expansion.

We closed the quarter with a strong balance sheet. Cash and equivalents totaled US$827 million, and we maintained a solid financial position with a negative net debt to EBITDA ratio of -0.48x.

In closing, we remain confident in our ability to manage through near-term pressures while continuing to build long-term value. We are laser-focused on what we can control: operational efficiencies, cost optimization and disciplined capital deployment.

With that, I will hand the call back to Enrique for his closing remarks.

Enrique Escalante

As explained, the second quarter brought a more difficult set of conditions than we initially anticipated, and visibility remains limited, therefore we are revising our full-year guidance.

As we look into the third quarter, we expect activity in our U.S. markets to remain broadly in line with last year's levels. As a result, we now anticipate cement volumes to finish the year flat. In the ready-mix business, strong performance in the first half leads us to expect volume growth in the mid-teens range for the full year.

In terms of pricing, soft price increase traction, and changes in the product mix with less oil-well cement, have led us to revise our expectations. We now anticipate cement prices will remain flat, while concrete prices are expected to increase in the mid-single digits.

The pace of recovery in Mexico remains uncertain, therefore, we now expect cement and concrete volumes to decrease mid-single digit. On pricing, we anticipate cement prices will increase in the mid-single digits and concrete prices in the low-single digits.

In light of these revised expectations, we are also adjusting our full-year EBITDA guidance to reflect the pressure experienced in the first half and the outlook for the remainder of the year. We now expect a mid-single digit decline for the full year.

Additionally, as part of our disciplined approach to capital deployment, we are also revising our full-year CapEx guidance. We now expect to invest US$400 million, primarily due to project timing and the deferral of certain non-critical initiatives into 2026.

While these adjustments reflect the cyclical nature of the construction industry, we remain confident in our strategy and in the resilience of the industry and especially of our organization. We've successfully navigated volatile conditions before, and we're drawing on that experience now.

With that, this concludes our prepared remarks. I'll turn the call over to your questions. Operator, please begin with the first question.

Q&A

Sahory Ogushi

Thank you again for your time and continued interest in GCC. We look forward to speaking with you again soon.

Operator

You may disconnect your lines at this time. Thank you for your participation and enjoy the rest of your day.