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PRESENTATION

Operator

Good morning and welcome to GCC's Second Quarter 2026 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. 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.

The second quarter built on the progress we saw earlier in the year. We delivered strong top- and bottom-line growth, driven by higher cement and concrete volumes in the United States, and by continued improvement in Mexico.

The quarter also showed how the business responds as activity shifts across segments and geographies. We repositioned volumes toward the strongest areas of demand while continuing to serve customers reliably. That ability depends on the capabilities and experience of our teams, which brings me to our **People** strategy.

Starting up the kiln at Odessa was the clearest example this quarter of what our teams can deliver. Commissioning a project of this scale requires deep technical preparation and close coordination across plants. The training and cross-plant work have enabled the team to reach this milestone successfully.

Building those capabilities is a continuous effort. Year to date, we have delivered more than 8,400 hours of training across the network, focused on the technical skills that support safe and consistent operations. In parallel, we advanced the ExGCCs program, through which former employees return to work alongside current teams and transfer decades of operational knowledge, deepening expertise across the company and preserving institutional knowledge as we grow.

Under our **Planet** strategy, we continue to prioritize initiatives that improve both environmental performance and operating economics. During the first half, blended cements accounted for 79% of total production, while natural gas and alternative fuels continued to gain share in our energy mix.

Our flexible fuel strategy gives our plants the ability to shift between fuels as relative economics change. During the quarter, this helped keep fuel costs within our expectations despite market volatility. We also continued investing in natural gas pipeline infrastructure, broadening access to lower-cost fuel, strengthening supply reliability, and improving our long-term cost position. Together, these initiatives demonstrate how sustainability and economics can advance in the same direction at GCC.

Turning now to our **Growth** strategy.

In the United States, the trends we discussed earlier in the year continued into the second quarter, with strong volume growth across both cement and concrete. Cement volumes increased 10.8%, supported by broad project activity and by the contribution from our terminals in Texas and Arizona, which were not present in the prior-year period. Concrete volumes increased nearly 29%, reflecting the performance of our existing operations and the contribution from the ready-mix business acquired in the first quarter. Excluding those acquired operations, concrete volumes still grew 15% during the quarter.

More broadly, customers continue to report healthy backlogs across U.S. end markets, supporting our outlook for the remainder of the construction season. Against that backdrop, let me review the main demand drivers, starting with infrastructure.

Infrastructure remained one of the main sources of demand. We are actively participating in paving work across our footprint and in interstate highway projects in Texas, sustaining solid demand for both cement and concrete.

Looking beyond the current construction season, the policy environment also remains constructive. Discussions around the next U.S. surface transportation authorization continue to emphasize core transportation priorities, including roads and bridges. Compared with the broader scope of the Infrastructure Investment and Jobs Act, this direction is more closely aligned with the types of projects that drive cement consumption. Several states in our footprint have historically favored concrete paving and this creates a positive setup for GCC.

In addition, the bill includes proposed reforms to simplify and accelerate the permitting process for infrastructure projects. Based on normal program timing, we would expect any related volume benefit to begin emerging around mid-2027.

Renewable energy also remained an important contributor. We completed a wind farm project during the quarter and expect to begin three additional projects in Texas and North Dakota in the third quarter, which should continue supporting activity across the network.

Data center-related activity is also becoming more tangible. Projects that had been on hold during permitting are moving again, and we are actively supplying work while bidding additional opportunities. A good example is the Meta data center in El Paso, which Meta now describes as an investment of more than US$10 billion. Projects of this scale can generate significant demand for concrete and cement throughout their construction cycle. In parallel, we are involved in power-generation work linked to data center development, broadening the opportunity set across our footprint.

In oil and gas, activity improved in mid-May and June. Customer confidence improved as oil prices moved into a more constructive range, and oil-well cement became an additional source of support for our U.S. volumes. At current levels, we are able to sell everything we can produce in oil-well cement. The timing of the Odessa ramp-up is well aligned with this shift, and shipments from the new line will expand our ability to serve the segment. This is a constructive development, and we are positioned to participate as the activity continues to develop.

Residential activity continues to be constrained by persistently high mortgage rates. With affordability still under pressure, we do not expect to see a meaningful change in this segment during the remainder of 2026.

From a commercial standpoint, U.S. pricing remained challenging. Average cement prices were down in the quarter and year to date, reflecting the product, project, and geographic mix effects we have discussed since the beginning of the year.

The competitive environment has also broadened, as imported cement begins reaching inland markets that historically had been less exposed. However, our geographic position away from coastal areas continues to give us a structural advantage relative to markets with heavier import penetration. We are engaging through industry channels to support fair and rational market conditions, and we remain disciplined in our commercial approach, prioritizing service, reliability, and long-term customer relationships.

Overall, the U.S. quarter reflects strong volume performance across several end markets, healthy customer backlogs, and a supportive setup for the third quarter construction season.

Turning to Mexico, the second quarter provided further evidence of recovery.

Cement volumes grew 6.2%, led by self-construction, residential demand and infrastructure activity. Concrete volumes were essentially flat, with a slight decline reflecting the completion of certain residential and industrial projects that had supported the prior-year comparison.

Housing remained a constructive part of the market. Private activity stayed healthy, while the federal housing initiative continued to move through its planning phase. Over time, the program has the potential to materially expand housing activity in the state, including the possibility of doubling the number of homes built annually, and we are positioning the network to support that growth.

Infrastructure also continued to provide important momentum. We are participating in the highest level of activity we have seen in the last decade, and additional projects are expected to materialize through the second half of the year.

In the industrial segment, activity remained cautious and broadly consistent with 2025, as customers continued to take a measured approach to investment decisions. Although confidence has not yet returned meaningfully, our long-term view of the region remains intact. GCC has operated successfully through multiple cycles of trade and policy uncertainty, and we are prepared to respond as conditions improve.

From a pricing standpoint, Mexico remained broadly stable. Cement and concrete prices were essentially flat, reflecting a higher share of infrastructure work in the mix and timing effects in price implementation. The underlying pricing environment remains sound.

Overall, the quarter provides tangible evidence of Mexico's recovery, with housing and infrastructure supporting a constructive setup for the second half of the year.

Turning now to capital allocation, the second quarter also advanced investments in our network.

Odessa remains the most important operational milestone of the year. We successfully started-up the new kiln in June, moving the production line into ramp-up. The final scope of the project is also stronger than originally announced. During construction, we obtained an expansion of the plant's permitted capacity and secured a kiln with 17% higher capacity.

The project will add 1.1 million metric tons of incremental capacity, bringing total plant capacity to 1.6 million metric tons. Total investment is now expected to be US$700 million, equivalent to US$636 per metric ton of incremental capacity and approximately US$50 million below the original budget.

This result reflects continuous work throughout the project to improve engineering, procurement, and project execution, allowing us to increase capacity while lowering total capital requirements.

Our focus now is on stabilizing equipment and production, integrating the new capacity into the network in a controlled manner. In parallel, we are advancing the approval process with state Departments of Transportation for our cement mix designs. Based on current progress, we expect to begin shipping cement from the new production line slowly and consistently in the latter part of the third quarter.

Building the network around Odessa is the natural next step, and the second quarter brought clear progress on that front. We completed a new terminal in Abilene, Texas, extending our logistics reach across West Texas. The terminal complements the aggregates platform we began scaling more deliberately with the acquisitions announced in early 2025 and improves our position in a market becoming increasingly relevant for data center development and the infrastructure that supports it.

The second quarter also marked another step in building our aggregates platform. Following the expansion of our position in the El Paso region in the first quarter, we added aggregates and concrete operations in Amarillo and the Midland-Odessa region. These transactions broaden our presence in attractive markets, deepen our aggregates position and help maximize the value of the Odessa expansion.

Year to date, we have invested approximately US$91 million in acquisitions, adding approximately US$11 million in EBITDA contribution. Including the transactions completed since 2024, our cumulative investment totals approximately US$225 million, representing about US$25 million of additional EBITDA. Together, these acquisitions build scale in aggregates and reinforce our ability to serve customers across these markets with construction materials solutions.

In summary, the quarter advanced each of the priorities we set at the start of the year: stronger market activity, the controlled ramp-up of Odessa, and expansion of our aggregates platform. We remain focused on customer service, stabilizing the new line, and building the network for future growth.

With that, let me turn the call over to Maik for a review of the financial results.

Maik Strecker

Thank you, Enrique, and good morning to everyone.

Starting with consolidated performance, second quarter sales totaled US$418.4 million, an increase of 15% compared with the same period last year. Growth reflected higher volumes and stronger concrete pricing in both countries, and the appreciation of the Mexican peso against the U.S. dollar.

In the United States, revenues increased 14.1%. Cement volumes increased 10.8%, while concrete volumes were up 28.7%, reflecting the performance of our ready-mix operations and the contribution from the acquired business in El Paso, Texas. Concrete pricing increased 5.7%, while cement pricing declined 3.2%, consistent with the product, project, and geographic mix dynamics discussed earlier. Overall, the quarter reflects strong activity, the contribution from new terminals, and continued execution across multiple segments.

In Mexico, revenues increased 17.7%, supported by volume growth in cement and higher pricing in concrete. Results reflect the improving activity across the self-construction, housing and infrastructure segments that Enrique described.

From a cost perspective, cost of sales as a percentage of sales increased by 50 basis points, reflecting higher production costs, the inclusion of the operations acquired in the first quarter, and higher transfer freight. The freight increase reflects additional cement shipments from plants in both the United States and Mexico to support demand in the Odessa market during the ramp-up, as well as shipments serving our newer terminals. These logistics costs support uninterrupted customer service during the ramp-up. We expect this effect to ease as Odessa production stabilizes and distribution flows are optimized.

SG&A expenses increased to US$34.5 million, driven primarily by the appreciation of the Mexican peso against the U.S. dollar, and by expenses related to the acquired operations and the annual salary adjustments.

As a result, EBITDA for the quarter totaled US$132.9 million, an increase of 12.3% compared to the prior year period, with an EBITDA margin of 31.8%. As anticipated, margins reflect the temporary logistics and mix effects discussed earlier. We expect these effects to ease as Odessa ramps up and the network moves toward a more efficient operating configuration.

Free cash flow for the quarter totaled US$56.9 million, a 17% increase. Higher EBITDA generation, lower cash taxes and lower working capital requirements drove the improvement.

In terms of capital allocation, capital expenditures totaled US$34.5 million during the quarter, related mainly to the Odessa expansion. We also returned US$43.1 million to shareholders through dividends and share buybacks.

We ended the quarter with cash and equivalents of US$812.5 million and net debt to EBITDA of negative 0.37x. This balance sheet position preserves our ability to fund growth investments while maintaining flexibility.

In summary, the financial results show that volume growth and the acquired businesses are expanding the earnings base, while the temporary costs of the Odessa ramp-up remain contained within our plan.

With that, I will turn the call back to Enrique.

Enrique Escalante

Thank you, Maik.

Before we open the call to questions, let me update how we are thinking about the balance of the year.

First-half performance provides greater visibility into how 2026 is developing, and the picture has strengthened since January. As a result, we are updating selected elements of our full-year outlook as follows:

In Mexico, first-half cement volumes came in ahead of our initial plan, and we now expect full-year volumes to grow at a mid-single-digit rate, up from the low-single-digit increase we guided to in January. In the United States, including the newly acquired operations, we now expect full-year concrete volumes to increase at a low-single-digit rate for the full year, a meaningful improvement from the high-single-digit decline we had originally planned for.

In U.S. cement, pricing continues to reflect the mix dynamics we have discussed throughout the year, alongside a broader competitive environment across parts of our footprint. For the full year, we now expect U.S. cement pricing to decrease low single digit.

Every other assumption we shared in January, across both countries, remains in place.

While several of these elements have improved, we are maintaining our full-year EBITDA guidance of mid-single-digit growth, as the transitional costs associated with the Odessa ramp-up will be more concentrated in the third quarter.

Our priorities for the second half are clear: ramp-up Odessa and begin customer shipments, maintain service through the network transition, and integrate the acquisitions completed during the first half. The setup for the following years continues to build, and we remain confident in the strategy and direction of the business.

With that, we will open the call for questions. Operator, please proceed.

Q&A

Operator

The first question is from Alejandra Obregón from Morgan Stanley Investment Management. Please go ahead.

Alejandra Obregón

Hi, good morning, GCC team. Thank you for taking my question, and congratulations on the Odessa milestone. Actually, my question is on the volumes in the U.S. and your guidance there. I was hoping to better understand how much of your expected volume growth in the U.S. is attributable to volumes from Odessa. Where do you expect that to land in terms of utilization by year-end? If you can also elaborate on how construction cement volumes are performing across the rest of your footprint and whether Odessa today is replacing some of those volumes. Thank you.

Enrique Escalante

Good morning, Alejandra. This is Enrique. We don't necessarily disclose exactly how much of the shipments are going to be coming from each plant, but we've been saying that this is an optimization effort. We're shifting the network and, broadly speaking, bringing cement from Samalayuca back to the plant and starting up the kiln, as we said. We have also discussed that we're going to do a slow and consistent ramp-up of the plant throughout the third quarter and fourth quarter. We don't expect to be in full utilization of the plant on an annualized basis until next year, 2027.

Maik Strecker

Alejandra, I would probably add again, in the context of Odessa, as we've seen some positive momentum on the oil-well segment, again, the startup of Odessa comes at the right moment. We can take advantage of that. That's another positive for Odessa specifically. Then, you asked about the construction cement. Here again, we announced we have a small terminal now in Abilene that connects well with the aggregate platform that we have. We didn't have that in previous years.

Here, that part is very much driven by data centers and all the infrastructure around it. It comes at a good time to support the Odessa ramp-up. We're actually very positive with what we're seeing in that West Texas market at this moment in time.

Alejandra Obregón

Excellent. If I may follow up just to better understand, is your guidance changing your expectations for oil-well cement or not yet?

Maik Strecker

Not yet. Not yet. That's why we left the cement guidance pretty much the same. Again, we had a slower start, so we compensate a little bit as we're working through the year, but no changes on the guidance there.

Alejandra Obregón

Excellent. Thank you very much, Enrique and Maik.

Enrique Escalante

Thank you.

Operator

The next question is from Adrian Huerta from JPMorgan. Please go ahead.

Adrian Huerta

Hi Enrique and Maik. My question has to do with your aggregate strategy. Good acquisitions in Texas. What else can we expect over the next 12, 18 months, Enrique? Which other markets would you like to have operations? If you can also elaborate a bit on the ready-mix one as well. You added some new operations, and is this a plan also to continue growing the ready-mix footprint?

Enrique Escalante

Good morning, Adrian. Thank you for the questions. Yes, on aggregates, I mean, first, Adrian, yes, we definitely plan to continue consistently making acquisitions in aggregates. We're still pretty much, I mean, focused on what we said before, to do it in our region, trying to connect with the network as much as we can.

In concrete, we're going to continue looking for opportunities in Texas, New Mexico, Colorado and that's what we are most inclined of. But we're not limited to those markets only. We are also thinking that as we continue, we're going to probably try to increase the size of acquisitions that we've been making in the aggregate side. That's a consistent strategy, and we said we'll start working and then we'll jog and then we'll run. That's the direction we're following.

In ready-mix, yes, we've said in the past that we will invest in ready-mix only if it's an integrated play either with these aggregates or with our cement plants. But we're definitely open to continue growing in ready-mix, as we have been doing it so far under those considerations.

Adrian Huerta

Excellent. Thank you.

Operator

The next question is from Pablo Ricalde from Itaú. Please go ahead.

Pablo Ricalde

Hi. Thanks for taking my question. This is a follow-up to Alejandra's questions on the Odessa milestone. I don't know if there are some pre-operating expenses registered on the second quarter this year, and if you expect something to register on the third quarter, or nothing additional should be registered on the integration of Odessa?

Maik Strecker

Thanks for the question. I will take the first part here and talk about the ramp-up and the operating expenses. The main topic there for us is around logistics to bring Odessa up and integrate the new volume into the network. The network that we have built over the last year, year and a half, we have supported that with cement out of our other plants. As that ramp-up happens, that logistics cost still remains, specifically in this current quarter. That's probably one of the key operating expenses or introduction expenses that we're carefully watching. As we said in our remarks, we should see that normalize as we go towards the end of the year and then into 2027.

Operator

The next question is from Daniel Rojas from Bank of America. Please go ahead.

Daniel Rojas

Thank you. Thank you for taking my call. I was interested in understanding more on your input costs and what you're seeing into the second half. What are the areas of opportunity in terms of natural gas and other input costs that you might be seeing increasing due to the pressure we're seeing in overall energy prices? Thank you.

Maik Strecker

Yes Daniel, this is Maik again. Thanks for the question. Overall, input costs, specifically around fuel, we actually see relatively stable. Again, we're benefiting from the investments in the flexible fuel strategy. We're taking advantage of the current very economic gas opportunities. We're using a lot of natural gas across the network. That's one.

In parallel, we're still taking advantage of alternative fuels. Where A, it makes good economical sense and gives us a benefit from a cost perspective, and of course, part of our midterm sustainability roadmap. From that aspect fuel's very stable. Very similar on the power side, at least in the Mexico situation, Mexico plants. In the U.S. plants, we see in some areas a little bit of power increases. Some of that is driven by all the power needs with data centers. We all hear it in the news. We see a little bit of power pressure from a cost perspective. But overall, in the context of how we run the business, we still see that manageable throughout the year.

Daniel Rojas

Thank you, Maik. I have a follow-up. Regarding your M&A strategy and acquisitions you've been doing in the aggregate and ready-mix space, you've already said that it has to be complementary to your network. But looking at the map, it has been concentrated in Midland, West Texas, all the way to El Paso. My question is, have the opportunities been played out in the region and that may force you to look into other parts of the U.S.? Or are we seeing valuations in that particular region going up to a point that it's not as interesting for you? I just wanted a little bit more color on what you've already expanded on.

Enrique Escalante

Daniel, this is Enrique. Just expanding and elaborating on the answer I gave before, we're not constrained only to Texas for the growth of aggregates and ready-mix. We had a deliberate focus there because of the kiln 3 in Odessa. We wanted to make sure that we acquired some assets in aggregates and ready-mix that would strengthen our position there. We already did that. With that, I can tell you that we are looking more broadly to different states where we have operations to continue with this growth. As I said, probably in higher amounts of investment.

Daniel Rojas

Gracias, Enrique.

Operator

The next question is from Emilio Fuentes from GBM. Please go ahead.

Emilio Fuentes

Hi. Thank you for taking my question. I have two questions. The first one is regarding any expectations on weather conditions during the second half of the year. Especially regarding the expected impacts on El Nino that you have seen, or you expect? The second one is regarding the US$11 million contribution that you shared from the acquisitions from 2026 and US$25 million since 2024. Does this already include synergies and if not, how bigger can these contributions get? Thank you.

Maik Strecker

Good morning, Emilio. This is Maik. We had a little difficulty hearing your first question. I will answer the second one and then, if you don't mind, maybe repeat the first one. The second one, I understood that you were asking about the aggregates acquisition and the acquired EBITDA year-to-date and over the last, call it, two years. That acquired EBITDA is before synergies. That is how we acquired those businesses.

We, of course, are now working on detailed plans to lift synergies for these businesses. Again, connecting it back to what Enrique said, these businesses are located in markets where we have already assets, the cement assets or other aggregate assets or ready-mix assets. There will be a good level of synergies that we are planning to lift, starting with operational synergies that we think we can deploy. Keep in mind, these are smaller businesses, so best practice sharing, utilizing certain equipment across the network will help us.

Then, of course, the commercial opportunities. Also, as mentioned, the best example is probably Abilene, where we invested in aggregates almost 18 months ago. Now, with cement in that market, we have more differentiated offerings to these data centers that require aggregates, require cement for soil stabilization, of course, require cement for concrete, and so on. Those are the commercial opportunities that we are working on to lift and to integrate those businesses. That is the context on the M&A, on these businesses.

If you don't mind, if you can repeat maybe the first question. We had a hard time to hear that.

Emilio Fuentes

Thank you. Yes, the first question was regarding any potential weather impacts on the second half of the year that you have studied, especially regarding the El Nino effect and how this could affect volumes in the regions?

Enrique Escalante

Emilio, this is Enrique. We're not concerned with that. We are factoring the typical weather patterns in the different markets where we are in our guidance. Obviously, if there's anything extreme, I mean, unforeseen, of course, it will have an effect. Otherwise, we're continuing with that guidance, including those normal weather patterns.

Emilio Fuentes

Thank you. Very clear.

Operator

Thank you. Ladies and gentlemen, that concludes our question-and-answer session. I'll turn the floor back to Ms. Oguchi.

Sahory Ogushi

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

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.