

2023

FIRST QUARTER EARNINGS REPORT



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GCC REPORTS FIRST QUARTER 2023 RESULTS

Chihuahua, Mexico, April 25, 2023 – GCC, S.A.B. de C.V. (BMV: GCC*), a leading supplier and producer of cement and concrete in the United States and Mexico, today announced its results for the first quarter of 2023.

Q1 2023 HIGHLIGHTS

- Consolidated net sales increased 17.9% year-on-year, to US\$243.9 million
- U.S. sales grew 9.5% as concrete volumes increased 27%
- U.S. cement and concrete prices rose 20.6% and 5.6%, respectively
- Mexico sales increased 33.8% reflecting an 11.1% and 11.2% increase in cement and concrete volumes, respectively
- Mexico cement and concrete prices increased by 12.6% and 11.1%, respectively
- EBITDA increased 15.5% to US\$63 million with a 25.8% EBITDA margin
- Cash and equivalents totaled US\$807.7 million
- Net leverage (net debt/EBITDA) ratio totaled -0.86x as of March 2023
- Earnings per share increased 149.2% year-on-year, to US\$0.0988
- GCC repurchased shares in the net amount of US\$6.3 million

KEY FIGURES (millions of dollars)

	Q1 23	Q1 22	Q1 23 vs Q1 22
Net sales	243.9	206.9	17.9%
Operating income before other expenses, net	40.2	31.4	28.0%
EBITDA*	63.0	54.5	15.5%
EBITDA margin	25.8%	26.4%	
Free cash flow**	(17.4)	(1.0)	n.m.
Net income	32.4	13.1	146.4%
Earnings per share (US\$) ***	0.0988	0.0396	149.2%

*EBITDA: Operating income before other expenses + depreciation and amortization

**Free cash flow before growth and strategic CapEx

***Earnings per share calculated based on average number of outstanding shares during the quarter

Enrique Escalante, GCC's Chief Executive Officer, commented: "GCC delivered solid results for the first quarter despite significant weather disruptions in the US. We remained focused on operational excellence and pre-empting headwinds."

Enrique continued, "Strong volume demand continues, and we're leveraging all GCC facilities to ensure we're deriving maximum benefits and strengthening our margins. We're creating a more efficient and agile network to drive value in the years to come."

FINANCIAL RESULTS

Consolidated net sales for the first quarter of 2023 increased by 17.9% year-on-year, to US\$243.9 million from US\$206.9 million in the first quarter of 2022. This was primarily due to increased concrete volumes in the United States, increased cement and concrete volumes in Mexico and a favorable price environment in both markets. These were partially offset by decreased cement volumes in the United States.

For comparative purposes, consolidated net sales, excluding the appreciation of the Mexican peso against the U.S. dollar during the quarter, increased by 15.1%.

NET SALES (millions of dollars)

	Q1 23	Q1 22	Q1 23 vs. Q1 22
Consolidated	243.9	206.9	17.9%
United States	148.3	135.4	9.5%
Mexico	95.6	71.4	33.8%
Q1 23 vs. Q1 22			
	Volumes	Prices*	
Cement			
United States	-9.6%	20.6%	
Mexico	11.1%	12.6%	
Concrete			
United States	27.0%	5.6%	
Mexico	11.2%	11.1%	

*Prices in local currency

U.S. sales for the first quarter 2023 increased by 9.5% to US\$148.3 million and represented 61% of GCC's consolidated net sales. This was due to a 27% increase in concrete volumes and a 20.6% and 5.6% increase in cement and concrete prices, respectively, partially offset by a 9.6% decrease in cement volumes.

The oil and gas, commercial and industrial sectors were the quarter's most dynamic market segments.

Mexico sales increased by 33.8% in the first quarter 2023, to US\$95.6 million, representing 39% of GCC's consolidated net sales. This was due to an 11.1% and 11.2% increase in cement and concrete volumes, respectively and a 12.6% and 11.1% increase in cement and concrete prices, respectively.

The appreciation of the Mexican peso against the U.S. dollar during the quarter increased sales by US\$5.8 million. For comparative purposes, Mexico sales excluding the appreciation of the Mexican peso would have increased by 25.7%.

Mexico sales during the quarter were primarily driven by demand related to industrial maquiladora plants and warehouse construction.

Cost of sales totaled US\$176 million for the first quarter 2023, representing 72.2% of total sales, compared to 74.1% in the first quarter of 2022; a 190 basis-point decrease. This decrease was primarily due to favorable cement selling prices and operating leverage. These were partially offset by increased cost of production and freight costs, as well as higher maintenance costs.

Selling, general and administrative expenses totaled US\$27.7 million in the first quarter of 2023, equivalent to 11.4% of consolidated net sales; a 60 basis-point increase.

Operating income before other expenses increased 28% to US\$40.2 million in the first quarter.

Other expenses totaled US\$0.3 million in the first quarter of 2023, compared to US\$0.03 million in the first quarter 2022.

Operating income increased 27.2% to US\$39.9 million in the first quarter of 2023.

As a result, first quarter 2023 **EBITDA** increased by 15.5% to US\$63 million. First quarter 2023 EBITDA margin was 25.8%; a 50 basis-point decrease.

66% of first quarter 2023 EBITDA was generated by the Company's U.S. operations and 34% by its Mexico operations.

Net financial income totaled US\$3.7 million in the first quarter 2023, compared to US\$14.2 million of net financial expenses in the prior year period. This was due to increased financial income resulting from a higher cash balance, also with benefit of year on year increases in US and Mexico treasury rates. Additionally, financial expenses decreased due to costs

related to the prepayment of the Company's 2024 Notes and a decreased effective interest rate.

Income tax totaled US\$11.6 million for the first quarter of 2023, compared to US\$4.7 million in the prior year's period. This was mainly due to increased income before taxes.

Consolidated net income was US\$32.4 million for the first quarter of 2023; a 146.4% increase compared to US\$13.1 million in the first quarter 2022.

Earnings per share was US\$0.0988 in the first quarter 2023, compared to US\$0.0396 in the first quarter 2022; a 149.2% increase.

Free cash flow was negative US\$17.4 million in the first quarter of 2023, compared to negative US\$1 million for the same period in 2022. This was due to lower accruals, as well as increased working capital requirements, maintenance CapEx and cash taxes. These were partially offset by decreased interest expenses and increased EBITDA generation.

FREE CASH FLOW (millions of dollars)

	Q1 23	Q1 22	Var
Operating income before other expenses	40.2	31.4	28.0%
Depreciation and amortization	22.8	23.1	-1.4%
EBITDA	63.0	54.5	15.5%
Interest (expense)	11.8	(6.8)	n.m.
Decrease (increase) in working capital	(20.8)	(9.0)	130.7%
Taxes	(0.7)	(0.3)	155.4%
Prepaid expenses	2.4	2.2	8.0%
Accruals and other accounts	(54.5)	(25.9)	110.3%
Operating leases (IFRS16 effect)	(3.2)	(3.9)	-19.0%
Operating cash flow	(2.0)	10.9	n.m.
Maintenance CapEx	(15.5)	(11.8)	30.8%
Free cash flow	(17.4)	(1.0)	n.m.
Strategic & Growth CapEx	(11.5)	(6.5)	76.6%
Shares repurchase, net	(6.3)	0.0	n.m.
Debt amortization, net	0.0	(40.0)	-100.0%
Dividends paid	0.0	0.0	0.0%
FX effect	16.6	4.8	243.8%
Initial cash balance	826.2	683.0	21.0%
Final cash balance	807.7	640.3	26.1%
FCF conversion rate*	0.0%	0.0%	

*Free cash flow conversion rate: Free cash flow after maintenance CapEx/EBITDA

Total debt was US\$500 million as of March 31, 2023, based on contractual balances. Total debt remains unchanged as compared to 2022.

Long-term debt represented 100% of the Company's total debt.

As of March 31, 2023, 100% of GCC's debt was denominated in U.S. dollars.

Net leverage (net debt/EBITDA) at the end of the first quarter 2023 was -0.86 times, compared to -0.93 times as of December 31, 2022, in accordance with GCC's contractual obligations.

INTEREST-BEARING DEBT* (millions of dollars)

	March 2023	March 2022	2023 vs. 2022
Total	500.0	500.0	0.0%
Short-term	0.0	0.0	0.0%
Long-term	500.0	500.0	0.0%

*Excludes amortizable commissions and issuance expenses

BASIS OF PREPARATION FOR FINANCIAL STATEMENTS

Financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and use the U.S. dollar as the reporting currency.

Currency translations from pesos into U.S. dollars use the average monthly exchange rates published by Banco de México, as shown below.

EXCHANGE RATES (pesos per U.S. dollar)

	2023	2022
First quarter average	18.6880	20.5154
As of March 31	18.1052	19.9942
Accumulated average	18.6880	20.5154

Unless otherwise stated, all percentage changes refer to the first quarter (or three months) of 2023 compared to the corresponding periods of 2022.

ANALYST COVERAGE

Analysts at the following brokerages currently cover GCC's shares:

1. Actinver
2. Bank of America Merrill Lynch
3. Credit Suisse
4. Data Based Analysis
5. GBM - Grupo Bursátil Mexicano
6. Grupo Financiero Banorte
7. Grupo Financiero Ve por Más
8. Itaú BBA
9. J.P. Morgan
10. Morgan Stanley
11. Nau Securities Limited
12. Santander
13. Scotiabank
14. UBS

SUSTAINABILITY

GCC's emissions reduction target was validated by the Science-Based Targets initiative

GCC's 2030 greenhouse gas (GHG) emissions reduction target was validated by the Science-Based Target initiative (SBTi). The target aims to reduce scope 1 and 2 emissions by 30.7% and 57% per ton, respectively, of cementitious materials by 2030, compared to a 2015 base year. GCC further commits to reduce absolute scope 3 GHG emissions from use of sold products by 37.5% within the same timeframe. This is a reflection of the company's commitment to keep global temperature increases well below 2 degrees Celsius.

Furthermore, GCC's validated target is the sustainability performance target (SPT) associated with its US\$500 million Sustainability-Linked Bond issued in January 2022. An independent reviewer will verify the target annually, and performance results will be available on GCC's website for public access.

Gina Lotito, GCC's VP of Sustainability and Environment commented: "We are proud and excited to be a catalyst of progress towards a low-carbon future. Our laser-focus on our climate change strategy and emphasis on reducing CO2 emissions is a testament to our commitment to creating a sustainable future. While we celebrate our achievements, we acknowledge that there is still much work to be done and remain steadfast in our mission."

Rapid City cement plant is now burning alternative fuels

In 2022, the Rapid City cement plant underwent an extensive pilot testing process as part of GCC's initiatives to explore alternative energy sources and transition away from coal towards

more sustainable options. As of Q1 2023, the plant has completed its ramp-up period and is now feeding alternative fuels into its operations. The plant is utilizing a combination of biomass from the local forestry industry and waste streams from the Rapid City landfill to produce cleaner and more sustainable energy.

By leveraging biomass from diverse sources, GCC is taking concrete steps towards reducing reliance on fossil fuels and minimizing its environmental impact. This progress represents a significant milestone in the Company's efforts to reduce its carbon footprint and promote sustainability throughout operations.

MATERIAL EVENTS

GCC entered into a settlement agreement with Compañía de Inversiones Mercantiles (CIMSA)

GCC announced that it entered into a settlement agreement (the "Agreement") reaching a mutual release with Compañía de Inversiones Mercantiles, S.A. ("CIMSA").

Pursuant to the Agreement, GCC and CIMSA negotiated an amount that satisfied both parties, concluding all disputes between them. This Agreement does not preclude GCC's option to recover the settlement amount from other third parties as the case may be.

The Agreement does not affect, in any way, the Company's solid financial position, the fulfillment of obligations and liabilities, or the normal course of business.

CONFERENCE CALL

GCC, S.A.B. de C.V. will host its earnings conference call on April 26, 2023.

Time: 11 a.m. Eastern Time (New York) / 9 a.m. Central Time (Mexico City)

Conference ID: **13735119**

Dial in

U.S. (toll free): 1-877-407-0789

International: 1-201-689-8562

Replay (through May 3, 2023, 11:59 p.m.):

U.S. (toll free): 1-844-512-2921

International: 1-412-317-6671

Listen-only webcast and replay: [click here](#)

Income Statement

(Thousands of dollars)

	Q1 2023	%	Q1 2022	%	Q23 / Q22
Net sales	243,882	100.0%	206,873	100.0%	17.9%
U.S. sales	148,267	60.8%	135,438	65.5%	9.5%
Mexico sales	95,615	39.2%	71,435	34.5%	33.8%
Cost of sales	175,965	72.2%	153,251	74.1%	14.8%
Gross income	67,917	27.8%	53,622	25.9%	26.7%
Selling, general and administrative expenses	27,729	11.4%	22,214	10.7%	24.8%
Operating income before other expenses, net	40,188	16.5%	31,408	15.2%	28.0%
Other (income) expenses	270	0.1%	26	0.0%	n.m.
Operating income	39,918	16.4%	31,382	15.2%	27.2%
Financial income	12,366	5.1%	3,307	1.6%	273.9%
Financial expenses	(6,747)	-2.8%	(16,748)	-8.1%	-59.7%
Exchange gain (loss), net	(1,872)	-0.8%	(739)	-0.4%	153.3%
Net financing expenses	3,747	1.5%	(14,180)	-6.9%	n.m.
Share of profit of associates and joint venture	253	0.1%	663	0.3%	-61.8%
Income before income taxes	43,918	18.0%	17,865	8.6%	145.8%
Income taxes (benefit)	11,556	4.7%	4,733	2.3%	144.2%
Consolidated net income	32,362	13.3%	13,132	6.3%	146.4%
Controlling interest	32,361	13.3%	13,131	6.3%	146.4%
Non-controlling interest	1	0.0%	1	0.0%	0.0%
EBITDA	63,010	25.8%	54,547	26.4%	15.5%
Free cash flow	(17,432)	n.m.	(955)	n.m.	n.m.

Statement of Financial Position

(Thousands of dollars)

	March 2023	March 2022	Variation
Total assets	2,485,073	2,203,261	12.8%
Current Assets	1,129,172	928,287	21.6%
Cash and cash equivalents	807,667	640,333	26.1%
Accounts receivable, net	95,342	95,090	0.3%
Other accounts receivable, net	34,504	27,787	24.2%
Due from related parties	3,200	4,044	-20.9%
Inventories	142,162	113,251	25.5%
Urban land	35,949	37,121	-3.2%
Prepaid expenses	10,348	10,661	-2.9%
Non-current assets	1,355,901	1,274,974	6.3%
Investment in associates	24,978	20,083	24.4%
Property, machinery and equipment, net	1,031,902	940,349	9.7%
Long term right of use assets	19,493	22,647	-13.9%
Goodwill	212,621	212,597	0.0%
Intangible assets, net	56,102	61,538	-8.8%
Other non-current assets	10,805	17,760	-39.2%
Total liabilities	988,069	873,580	13.1%
Current liabilities	270,816	193,780	39.8%
Current portion of long term debt	-	-	0.0%
Trade accounts payable	169,924	128,693	32.0%
Due to related parties	1,595	1,788	-10.8%
Short term - employee benefits	28,600	30,524	-6.3%
Accrued expenses and taxes other than income taxes	56,772	22,462	152.7%
Provisions	5,390	2,697	99.9%
Short term right of use liabilities	8,535	7,616	12.1%
Long-term liabilities	717,253	679,800	5.5%
Long term debt	496,759	496,576	0.0%
Long term right of use liabilities	10,851	13,106	-17.2%
Employee benefits	30,478	38,707	-21.3%
Provision for environmental restoration	26,242	23,693	10.8%
Other long-term liabilities	1,908	2,349	-18.8%
Income taxes payable	-	696	-100.0%
Deferred income taxes	151,015	104,673	44.3%
Total equity	1,497,004	1,329,681	12.6%
Controlling interest	1,496,043	1,328,725	12.6%
Capital stock	32,070	32,070	0.0%
Additional paid-in capital	148,365	148,365	0.0%
Reserves	22,659	22,659	0.0%
Retained earnings	1,492,968	1,401,146	6.6%
Consolidated net income	32,361	13,131	146.4%
Other comprehensive income	(232,380)	(288,646)	19.5%
Non-controlling interest	961	956	0.5%
Total Liabilities and Equity	2,485,073	2,203,261	12.8%

ABOUT GCC

GCC is a leading supplier and producer of cement, concrete, aggregates and construction-related services in the United States and Mexico. The Company has an annual cement production capacity of 5.85 million metric tons.

Founded in 1941, the Company's shares are listed on the Mexican Stock Exchange under the ticker symbol GCC*.

This earnings report may contain forward-looking statements. All statements that are not clearly historical in nature are forward-looking, and the words "anticipate," "believe," "expect," "estimate," "intend," "project" and similar expressions are generally intended to identify forward-looking statements. These statements are subject to risks and uncertainties including, among others, changes in macroeconomic, political, legal, public health crises including COVID-19, governmental or business conditions in the markets where GCC operates; changes in interest rates, inflation rates and currency exchange rates; performance of the construction industry; and pricing, business strategy and other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from the beliefs, projections and estimates described herein. GCC assumes no obligation to update the information contained in this earnings report. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.