



2021

FIRST QUARTER EARNINGS REPORT



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GCC REPORTS FIRST QUARTER 2021 RESULTS

Chihuahua, Mexico, April 27, 2021 – GCC, S.A.B. de C.V. (BMV: GCC*), a leading supplier and producer of cement and concrete in the United States, Mexico and Canada, today announced its results for the first quarter 2021.

Q1 2021 HIGHLIGHTS

- Mexico cement and ready-mix volumes increased 6% and 8%, respectively
- U.S cement volumes grew 5.9%, excluding oil well cement. Total cement volumes decreased 7.7%
- Consolidated net sales decreased 1.5%, to US\$178.8 million
- EBITDA increased 9.2% to US\$49.5 million, with a 27.7% EBITDA margin; a 270 basis-point increase
- Free cash flow increased 59% to US\$17.7 million with a 35.8% conversion rate from EBITDA
- Net leverage (net debt/EBITDA) ratio dropped to 0.22x as of March 2021
- Earnings per share decreased 6.6% year on year, to US\$0.0463
- GCC received investment grade ratings from Fitch Ratings and S&P Global Ratings. Credit rating was raised to BBB- with a stable outlook
- Official corporate name was changed from Grupo Cementos de Chihuahua to GCC

KEY FIGURES (millions of dollars)

	Q1 21	Q1 20	Q1 21 vs. Q1 20
Net sales	178.8	181.4	-1.5%
Operating income before other expenses, net	25.5	20.6	23.7%
EBITDA*	49.5	45.3	9.2%
EBITDA margin	27.7%	25.0%	
Free cash flow**	17.7	11.1	58.9%
Net income	15.3	16.5	-6.9%
Earnings per share (US\$) ***	0.0463	0.0495	-6.6%

*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, said "GCC started 2021 with strong financial performance - increasing EBITDA, free cash flow and EBITDA margin. Our results reflect momentum in the industry and show early signs that we are entering into a new phase of the industry's cycle with a stronger demand for most of our products. Therefore, we will focus our efforts in producing cement to supply pent-up demand."

Mr. Escalante continued, "Our backlog and the overall market trends of our business are encouraging in the U.S. and Mexico. Both countries are emerging from tough and uncertain times into brighter months ahead. Our focus continues on maximizing production, improving plant reliability, and optimizing our logistics network to take advantage of the pent-up demand we are experiencing."

FINANCIAL RESULTS

Consolidated net sales for the first quarter of 2021 decreased by 1.5% to US\$178.8 million from US\$181.4 million in the first quarter of 2020. This was primarily due to lower cement and concrete volumes in the U.S. on the back of a high-comparative base in oil well cement volumes, and the depreciation of the Mexican peso. This was partially offset by increased cement and concrete volumes in Mexico and a favorable price environment in both markets.

For comparative purposes, consolidated net sales, excluding the depreciation of the Mexican peso against the U.S. dollar, during the quarter decreased by 0.5%.

NET SALES (millions of dollars)

	Q1 21	Q1 20	Q1 21 vs. Q1 20
Consolidated	178.8	181.4	-1.5%
United States	112.3	119.7	-6.1%
Mexico	66.4	61.7	7.6%
Q1 21 vs. Q1 20			
	Volumes	Prices*	
Cement			
United States	-7.7%	2.9%	
Mexico	6.0%	-0.8%	
Concrete			
United States	-33.0%	5.6%	
Mexico	8.0%	3.2%	

*Prices in local currency

U.S. sales represented 63% of GCC's first quarter 2021 consolidated net sales and decreased by 6.1% to US\$112.3 million. This was due to a 7.7% decrease in cement volumes and a 33% decrease in concrete volumes; they were partially offset by a 2.9% and 5.6% price increase, respectively.

The decrease in cement sales volumes was primarily due to a tough comparison in oil well cement volumes and challenging weather conditions. Excluding the oil well market, U.S. cement volumes would have increased by 5.9% as sales were supported by strong shipments during the first quarter of 2021.

The most dynamic market segments during the quarter were housing, infrastructure, industrial warehouse construction and wind farm projects in the Upper Midwest.

Mexico sales, which represented 37% of GCC's consolidated net sales, increased 7.6% in the first quarter 2021 to US\$66.4 million. This was due to a 6% increase in cement volumes and an 8% increase in concrete volumes, as well as a 3.2% increase in concrete prices.

Mexico sales were impacted by the depreciation of the Mexican peso against the U.S. dollar during the quarter; the depreciation reduced sales by US\$1.8 million. For comparative purposes, Mexico sales, excluding the depreciation of the Mexican peso, would have increased by 10.5%.

Mexico sales during the quarter were primarily driven by demand related to industrial warehouse construction, mining projects and self-construction, as well as the reactivation of public works.

Cost of sales totaled US\$133 million in the first quarter 2021, representing 74.4% of total sales, compared to 76.6% in the first quarter 2020. This decrease was primarily due to:

- Favorable selling prices in both divisions
- Favorable production expenses in both divisions
- Continuation of the cost-and-expense reduction plan

Selling, general and administrative expenses totaled US\$20.2 million in the first quarter 2021, equivalent to 11.3% of consolidated net sales - a 70 basis-point decrease.

Operating income before other expenses increased 23.7% to US\$25.5 million in the first quarter 2021.

Other expenses were US\$0.03 million, compared to US\$0.2 million in the prior year period.

Operating income increased 24.8% to US\$25.5 million in the first quarter.

EBITDA increased 9.2% to US\$49.5 million, while the EBITDA margin expanded 2.7 percentage points to 27.7%.

In the first quarter of 2021, 60% of EBITDA was generated by the U.S. operations and 40% by the Mexico operations.

Net financial expenses totaled US\$5.4 million in the first quarter, compared to an income of US\$0.2 million in the prior year period. This was due to a positive foreign exchange effect on GCC's cash position during the first quarter in 2020, partially offset by lower debt balance and lower interest rates on the variable portion of the Company's financial debt.

Income tax totaled US\$5.2 million in the first quarter 2021, an 11.7% increase.

Consolidated net income was US\$15.3 million for the first quarter 2021, compared to US\$16.4 million in Q1-20; representing a 6.9% decrease.

Earnings per share was US\$0.0463, compared to US\$0.0495 in Q1-20, a 6.6% decrease.

Free cash flow was US\$17.7 million in the first quarter of 2021, compared to US\$11.1 million for the same period in 2020. This reflects increased EBITDA generation, decreased working capital requirements and maintenance CapEx, as well as lower cash taxes and interest expenses.

FREE CASH FLOW (millions of dollars)

	Q1 21	Q1 20	Var
Operating income before other expenses	25.5	20.6	23.7%
Depreciation and amortization	24.0	24.7	-2.8%
EBITDA	49.5	45.3	9.2%
Interest (expense)	(1.1)	(2.4)	-52.6%
Decrease (increase) in working capital	(7.9)	(11.0)	-28.6%
Taxes	(1.3)	(3.0)	-58.3%
Prepaid expenses	2.7	1.2	126.5%
Accruals and other accounts	(14.6)	(5.7)	154.5%
Operating leases (IFRS16 effect)	(4.5)	(4.7)	-4.0%
Operating cash flow	22.8	19.6	16.2%
Maintenance CapEx	(5.1)	(8.5)	-40.1%
Free cash flow	17.7	11.1	58.9%
Strategic & Growth CapEx	(1.6)	(0.4)	331.6%
Share repurchase, net	0.0	(4.4)	-100.0%
Debt amortization, net	(10.0)	(2.0)	400.0%
Dividends paid	(7.8)	0.0	100.0%
FX effect	(3.6)	(16.3)	-78.0%
Initial cash balance	562.1	350.5	60.4%
Final cash balance	556.9	338.7	64.4%
FCF conversion rate*	35.8%	24.6%	

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

Total debt was US\$622 million as of March 31, 2021, based on contractual balances; a 5.1% year-on-year decrease.

Short-term debt was US\$118 million. This represented 19% of the total debt.

As of March 31, 2021, 100% of GCC's debt was denominated in U.S. dollars.

Net leverage (net debt/EBITDA) at the end of the first quarter 2021 was 0.22 times, compared to 0.24 as of December 31, 2020, and is accordingly with contractual obligations.

INTEREST-BEARING DEBT* (millions of dollars)

	March 2021	March 2020	2021 vs. 2020
Total	622.0	655.4	-5.1%
Short-term	118.0	33.4	253.0%
Long-term	504.0	622.0	-19.0%

*Excludes amortizable commissions and issuance expenses

OUTLOOK FOR 2021

United States		
Volumes	Cement	2% - 4%
	Concrete	(10%) – (13%)
Prices (US\$)	Cement	4% - 5%
	Concrete	
Mexico		
Volumes	Cement	2% - 4%
	Concrete	3% - 5%
Prices (Ps.)	Cement	2% - 3%
	Concrete	
Consolidated		
EBITDA Growth		4% - 9%
FCF Conversion Rate*		> 60%
Total CapEx		US\$75 million
	Maintenance	\$65
	2020 carry-over	\$10
Net Debt / EBITDA, year-end		Negative

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

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 presentation 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)

	2021	2020
First quarter average	20.3269	19.9138
As of March 31	20.6047	23.5122

Unless otherwise stated, all percentage changes refer to the first quarter (or three months) of 2021 compared to the corresponding periods of 2020.

ANALYST COVERAGE

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

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

MATERIAL EVENTS**GCC receives investment grade by Fitch Ratings. Credit rating was upgraded to BBB-**

GCC announced on February 2, 2021, that Fitch Ratings raised the Company's local and foreign currency Issuer Default Ratings (IDRs) to “BBB-” from “BB+”. Fitch also upgraded GCC's US\$260 million senior notes due 2024 to “BBB-” from “BB+”, both with a stable outlook and reaching investment grade rating.

Fitch's report cited three major drivers in GCC's rating upgrade, including: strong, free cash flow generation through the recent industry cycle, solid operating performance with continued demand, and healthy balance sheet and leverage level.

The upgrades reflected GCC's prospects to continue to strengthen its financial and business position over the next several years and Fitch's expectations that GCC will continue to pursue acquisitions that further enhance its positions within its key markets, while the company maintains conservative financial policies.

GCC receives investment grade by S&P Global Ratings. Credit rating was upgraded to BBB-

GCC announced on March 19, 2021, that S&P Global Ratings (S&P) raised the Company's long-term credit rating to “BBB-” from “BB+”. S&P also upgraded GCC's US\$260 million senior notes due 2024 to “BBB-” from “BB+”, both with a stable outlook and reaching investment grade rating.

S&P's report cited the following major drivers in GCC's rating upgrade: steady operating and financial performance, effective business strategy and improved balance sheet and leading position in the U.S. and Mexico, as well as operations continuity, improved EBITDA margins and strong cash generation despite a challenging environment in 2020.

The upgrades reflected GCC's prospects to continue to strengthen its financial and business position over the next years, and S&P's expectations that GCC will continue with its disciplined strategy and prudent financial policy, strengthening its position in its key markets without major effects to its leverage metrics.

GCC announces corporate name change

GCC announced on March 24, 2021, that it changed its corporate name to GCC, S.A.B. de C.V. to better reflect its 2025 vision: *to be the best cement company in North America with the proper balance of people, profit and the planet*. It unifies the brand in multiple countries, mirrors the stock ticker and reflects how the market best knows GCC. The name change was approved by shareholders at the Extraordinary General Meeting held on March 23, 2021.

CONFERENCE CALL

GCC, S.A.B. de C.V. will host its earnings conference call on April 28, 2021.

Time: 11 a.m. (Eastern Time) / 10 a.m. (Central Time) / 9 a.m. (Mountain Time)

Conference ID: **13714203**

Dial in

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

International: 1-201-689-8562

Replay (through May 5, 2021, 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 2021	%	Q1 2020	%	Q21 / Q20
Net sales	178,756	100.0%	181,400	100.0%	-1.5%
USA sales	112,326	62.8%	119,671	66.0%	-6.1%
Mexico sales	66,430	37.2%	61,729	34.0%	7.6%
Cost of sales	133,026	74.4%	139,043	76.6%	-4.3%
Gross income	45,730	25.6%	42,357	23.4%	8.0%
Selling, general and administrative expenses	20,216	11.3%	21,725	12.0%	-6.9%
Operating income before other expenses, net	25,514	14.3%	20,632	11.4%	23.7%
Other (income) expenses	26	0.0%	208	0.1%	-87.5%
Operating income	25,488	14.3%	20,424	11.3%	24.8%
Financial income	1,529	0.9%	1,785	1.0%	-14.3%
Financial expenses	(7,999)	-4.5%	(9,820)	-5.4%	-18.5%
Exchange gain (loss), net	1,076	0.6%	8,237	4.5%	-86.9%
Net financing expenses	(5,394)	-3.0%	202	0.1%	n.m.
Share of profit of associates and joint venture	483	0.3%	540	0.3%	-10.6%
Income before income taxes	20,577	11.5%	21,166	11.7%	-2.8%
Income taxes (benefit)	5,249	2.9%	4,701	2.6%	11.7%
Consolidated net income	15,328	8.6%	16,465	9.1%	-6.9%
Controlling interest	15,328	8.6%	16,464	9.1%	-6.9%
Non-controlling interest	-	0.0%	1	0.0%	0.0%
EBITDA	49,487	27.7%	45,304	25.0%	9.2%
Free cash flow	17,714	9.9%	11,145	6.1%	58.9%

Statement of Financial Position

(Thousands of dollars)

	March 2021	March 2020	Variation
Total assets	2,116,617	1,968,155	7.5%
Current Assets	824,539	627,034	31.5%
Cash and cash equivalents	556,903	338,658	64.4%
Accounts receivable, net	79,203	87,069	-9.0%
Other accounts receivable, net	32,561	41,487	-21.5%
Due from related parties	1,813	2,357	-23.1%
Inventories	109,039	116,797	-6.6%
Urban land	35,190	29,370	19.8%
Prepaid expenses	9,830	11,296	-13.0%
Non-current assets	1,292,078	1,341,121	-3.7%
Investment in associates	19,444	15,146	28.4%
Property, machinery and equipment, net	943,452	962,915	-2.0%
Long term right of use assets	24,849	36,783	-32.4%
Goodwill	212,590	240,545	-11.6%
Intangible assets, net	66,848	65,168	2.6%
Other non-current assets	24,895	20,564	21.1%
Total liabilities	940,902	908,891	3.5%
Current liabilities	291,804	193,790	50.6%
Current portion of long term debt	118,000	33,425	253.0%
Trade accounts payable	97,901	83,865	16.7%
Due to related parties	1,415	1,398	1.2%
Short term - employee benefits	30,324	28,152	7.7%
Accrued expenses and taxes other than income taxes	25,228	24,838	1.6%
Provisions	1,706	2,355	-27.6%
Short term right of use liabilities	17,230	19,757	-12.8%
Long-term liabilities	649,098	715,101	-9.2%
Long term debt	501,595	615,618	-18.5%
Long term right of use liabilities	5,009	16,913	-70.4%
Employee benefits	49,102	42,045	16.8%
Provision for environmental restoration	19,567	22,451	-12.8%
Other long-term liabilities	2,672	182	1368.1%
Income taxes payable	4,165	8,922	-53.3%
Deferred income taxes	66,988	8,970	646.8%
Total equity	1,175,715	1,059,264	11.0%
Controlling interest	1,174,763	1,059,239	10.9%
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	1,279,012	1,162,128	10.1%
Consolidated net income	15,328	16,464	-6.9%
Other comprehensive income	(322,671)	(322,447)	-0.1%
Non-controlling interest	952	25	3708.0%
Total Liabilities and Equity	2,116,617	1,968,155	7.5%

ABOUT GCC

GCC is a leading supplier and producer of cement, concrete, aggregates and construction-related services in the United States, Mexico and Canada. 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.