



2023

SECOND QUARTER EARNINGS REPORT



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GCC REPORTS SECOND QUARTER 2023 RESULTS

Chihuahua, Mexico, July 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 second quarter of 2023.

Q2 2023 HIGHLIGHTS

- Consolidated net sales increased 13.7% year-on-year, to US\$364.1 million
- U.S. sales grew 6.6%, partially due to a 3.6% increase in concrete volumes
- U.S. cement and concrete prices rose 16.6% and 16.9%, respectively
- Mexico sales increased 34.4% reflecting a 3.2% and 8.8% increase in cement and concrete volumes, respectively. Mexico sales excluding the appreciation of the Mexican peso increased by 20.2%.
- Mexico cement and concrete prices increased by 11.5% and 14%, respectively
- EBITDA increased 33.4% to US\$132.7 million with a 36.4% EBITDA margin
- Free cash flow totaled US\$20.5 million with a 15.5% free cash flow conversion rate
- Cash and equivalents totaled US\$770.3 million
- Net leverage (net debt/EBITDA) ratio totaled -0.69x as of June 2023
- Earnings per share increased 56.4% year-on-year, to US\$0.2513
- A dividend of Ps. 1.3364 per share was paid on May 24, representing a 15% year-on-year increase
- GCC repurchased shares in the net amount of US\$7.5 million

KEY FIGURES (millions of dollars)

	Q2 23	Q2 22	Q2 23 vs. Q2 22	H1 23	H1 22	H1 23 vs. H1 22
Net sales	364.1	320.1	13.7%	608.0	527.0	15.4%
Operating income before other expenses, net	109.0	75.6	44.2%	149.2	107.0	39.4%
EBITDA*	132.7	99.5	33.4%	195.7	154.0	27.1%
EBITDA margin	36.4%	31.1%		32.2%	29.2%	
Free cash flow**	20.5	54.3	-62.2%	3.1	53.3	-94.2%
Net income	82.2	53.1	54.8%	114.6	66.3	72.9%
Earnings per share (US\$) ***	0.2513	0.1606	56.4%	0.3499	0.2001	74.8%

*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: "Despite persistent weather-related challenges during the quarter, GCC achieved year-on-year growth in both top and bottom-line, attributable to the successful execution of our pricing and cost strategies, along with our focus on operational excellence."

Enrique continued, "We remain vigilant in monitoring demand and economic dynamics in the U.S., planning to ensure we're positioned to capture opportunities, while we take advantage of the momentum we're seeing in the Mexican market."

FINANCIAL RESULTS

Consolidated net sales for the second quarter of 2023 increased by 13.7% year-on-year, to US\$364.1 million from US\$320.1 million in the second 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 10.1%.

Six months: Consolidated net sales increased by 15.4%, to US\$608 million. This was result of the same variables that impacted the second quarter of 2022.

NET SALES (millions of dollars)

	Q2 23	Q2 22	Q2 23 vs. Q2 22	H1 23	H1 22	H1 23 vs. H1 22
Consolidated	364.1	320.1	13.7%	608.0	527.0	15.4%
United States	253.4	237.8	6.6%	401.7	373.2	7.6%
Mexico	110.7	82.3	34.4%	206.3	153.8	34.2%
		Q2 23 vs. Q2 22		H1 23 vs. H1 22		
	Volumes	Prices*		Volumes	Prices*	
Cement						
United States	-11.5%	16.6%		-10.8%	18.0%	
Mexico	3.2%	11.5%		6.9%	11.9%	
Concrete						
United States	3.6%	16.9%		9.3%	13.5%	
Mexico	8.8%	14.0%		9.9%	12.6%	

*Prices in local currency

U.S. sales for the second quarter 2023 increased by 6.6% to US\$253.4 million and represented 70% of GCC's consolidated net sales. This was due to a 3.6% increase in concrete volumes and a 16.6% and 16.9% increase in cement and concrete prices, respectively, partially offset by an 11.5% decrease in cement volumes.

The oil and gas sector was the quarter's most dynamic market segment.

Six months: U.S. sales increased by 7.6%, to US\$401.7 million. This was primarily due to a 9.3% increase in concrete volumes and an 18% and 13.5% increase in cement and concrete prices, respectively, partially offset by a 10.8% decrease in cement volumes.

Mexico sales increased by 34.4% in the second quarter 2023, to US\$110.7 million, representing 30% of GCC's consolidated net sales. This was due to a 3.2% and 8.8% increase in cement and concrete volumes, respectively and an 11.5% and 14% 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\$11.7 million. For comparative purposes, Mexico sales excluding the appreciation of the Mexican peso increased by 20.2%.

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

Six months: Mexico sales increased by 34.2% to US\$206.3 million, due to a 6.9% and 9.9% increase in cement and concrete volumes, respectively and an 11.9% and 12.6% increase in cement and concrete prices, respectively.

Cost of sales totaled US\$225.9 million for the second quarter 2023, representing 62% of total sales, compared to 69% in the second quarter of 2022; a 7 percentage-point decrease. This decrease was primarily due to favorable selling prices, operating leverage and lower fuel prices. These were partially offset by higher production costs and expenses.

Six months: Cost of sales represented 66.1% of revenues; a 4.8 percentage-point year-on-year decrease, reflecting variables impacting the second quarter 2022 as described.

Selling, general and administrative expenses totaled US\$29.1 million in the second quarter of 2023, equivalent to 8% of consolidated net sales; a 70 basis-point increase.

Six months: Selling, general and administrative expenses totaled US\$56.9 million. These were equivalent to 9.4% of sales; a 60 basis-point increase.

Operating income before other expenses increased 44.2% to US\$109 million in the second quarter.

Six months: Operating income before other expenses increased 39.4% to US\$149.2 million.

Other expenses totaled US\$1.9 million in the second quarter of 2023, compared to US\$0.3 million in the second quarter 2022.

Six months: Other expenses were US\$2.2 million, compared to US\$0.3 million in the prior year period.

Operating income increased 42.2% to US\$107.1 million in the second quarter of 2023.

Six months: Operating income increased 37.8% to US\$147 million.

As a result, second quarter 2023 **EBITDA** increased by 33.4% to US\$132.7 million. Second quarter 2023 EBITDA margin was 36.4%; a 5.4 percentage-point increase.

76% of second quarter 2023 EBITDA was generated by the Company's U.S. operations and 24% by its Mexico operations.

Six months: EBITDA increased 27.1% to US\$195.7 million, while the EBITDA margin increased 3 percentage points to 32.2%.

GCC's U.S. operations generated 73% of EBITDA and Mexico generated 27% of EBITDA in the first semester 2023.

Net financial income totaled US\$4.5 million in the second quarter 2023, compared to US\$3.9 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.

Six months: Net financial income totaled US\$8.3 million, compared to US\$18 million of net financial expenses in the prior year period, a reflection of those variables which impacted the second quarter 2022, as well as decreased financial expenses due to costs related to the prepayment of the Company's 2024 Notes and a decrease in effective interest rate.

Income tax totaled US\$30.5 million for the second quarter of 2023, compared to US\$19.3 million in the prior year's period. This was mainly due to increased income before taxes.

Six months: Income tax totaled US\$42.1 million; a 75.1% year-on-year increase, due to higher income before taxes.

Consolidated net income was US\$82.2 million for the second quarter of 2023; a 54.8% increase compared to US\$53.1 million in the second quarter 2022.

Six months: Consolidated net income increased 72.9% and totaled US\$114.6 million, compared to US\$66.3 million for the same period of 2022.

Earnings per share was US\$0.2513 in the second quarter 2023, compared to US\$0.1606 in the second quarter 2022; a 56.4% increase.

Six months: Earnings per share reached US\$0.3499, as compared to US\$0.2001 in the prior year period; a 74.8% year-on-year increase.

Free cash flow was US\$20.5 million in the second quarter of 2023; a 62.2% decrease compared to US\$54.3 million for the same period in 2022. This was due to increased working capital requirements, cash taxes and maintenance CapEx. These were partially offset by increased EBITDA generation.

Six months: Free cash flow was US\$3.1 million, compared to US\$53.3 million for the same period of 2022. This decrease was primarily due to increased working capital requirements and cash taxes, as well as lower accruals and higher maintenance CapEx. These were partially offset by increased EBITDA generation and higher interest income as a result of increases in US and Mexico interest rates.

FREE CASH FLOW (millions of dollars)

	Q2 23	Q2 22	Var	H1 23	H1 22	Var
Operating income before other expenses	109.0	75.6	44.2%	149.2	107.0	39.4%
Depreciation and amortization	23.7	23.9	-0.8%	46.5	47.0	-1.1%
EBITDA	132.7	99.5	33.4%	195.7	154.0	27.1%
Interest (expense)	3.7	3.1	20.1%	15.5	(4.7)	n.m.
Decrease (increase) in working capital	(66.6)	(18.2)	265.8%	(79.5)	(30.7)	159.4%
Taxes	(32.7)	(7.8)	317.8%	(33.4)	(8.1)	312.4%
Prepaid expenses	1.4	1.6	-8.2%	3.8	3.8	1.3%
Accruals and other accounts	3.4	(6.5)	n.m.	(58.9)	(27.9)	110.8%
Operating leases (IFRS16 effect)	(2.9)	(4.2)	-31.9%	(6.1)	(8.2)	-25.7%
Operating cash flow	39.2	67.4	-41.9%	37.2	78.3	-52.5%
Maintenance CapEx	(18.7)	(13.1)	42.0%	(34.1)	(25.0)	36.3%
Free cash flow	20.5	54.3	-62.2%	3.1	53.3	-94.2%
Strategic & Growth CapEx	(40.9)	(13.6)	199.7%	(52.4)	(20.1)	161.0%
Shares repurchase, net	(7.5)	(17.2)	-56.4%	(13.8)	(17.2)	-20.1%
Debt amortization, net	0.0	0.0	0.0%	0.0	(40.0)	-100.0%
Dividends paid	(24.6)	(19.1)	28.7%	(24.6)	(19.1)	28.7%
FX effect	15.2	0.7	n.m.	31.8	5.5	477.8%
Initial cash balance	807.7	640.3	26.1%	826.2	683.0	21.0%
Final cash balance	770.3	645.3	19.4%	770.3	645.3	19.4%
FCF conversion rate*	15.5%	54.6%		1.6%	34.6%	

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

Total debt was US\$500 million as of June 30, 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 June 30, 2023, 100% of GCC's debt was denominated in U.S. dollars.

Net leverage (net debt/EBITDA) at the end of the second quarter 2023 was -0.69 times, compared to -0.86 times as of March 31, 2023, in accordance with GCC's contractual obligations.

INTEREST-BEARING DEBT* (millions of dollars)

	June 2023	June 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

REVISED OUTLOOK FOR 2023

United States		
Volumes	Cement	Mid-single digit decrease
	Concrete	Mid-single digit increase
Prices (US\$)	Cement	Double digits increase
	Concrete	High-single digit increase
Mexico		
Volumes	Cement	Mid-single digit increase
	Concrete	High-single digit increase
Prices (US\$)	Cement	Low-double digit increase
	Concrete	
Consolidated		
EBITDA Growth		Double digits increase
FCF Conversion Rate*		> 60%
Total CapEx		US\$290 million
	Growth	\$220
	Maintenance	\$70
Net Debt / EBITDA, year-end		Negative

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

**Free cash flow conversion rate: free cash flow after maintenance CapEx and before strategic and growth 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 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
Second quarter average	17.7118	20.0449
As of June 30	17.0720	19.9847
Accumulated average	18.1999	20.2802

Unless otherwise stated, all percentage changes refer to the second quarter (or six 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 2022 Sustainability Report**

GCC will release its 2022 sustainability report this week, detailing the Company's performance during the year. The report includes GCC's CO₂ emission reduction targets and highlights the progress and achievements throughout the year.

Key highlights:

- GCC issued a sustainability-linked bond (SLB) tied to the reduction of CO₂ emissions
- The Pueblo and Rapid City plants earned the EPA 2022 ENERGY STAR® certification for high energy efficiency
- GCC was awarded a "B" rating from the Carbon Disclosure Project
- 14.4% of the electricity consumed during the year came from renewable energy sources
- GCC achieved a 7.7% substitution of fossil fuels for alternative fuels
- GCC converted three U.S. plants to produce Portland Limestone Cement
- Scope 1 and 2 CO₂ emissions decreased 3.4% and 27.8% compared to 2015, respectively, in line with targets validated by the Science-Based Targets initiative

The results obtained reiterate GCC's commitment towards the environment and its focus on making a positive impact on the communities in which it operates.

MATERIAL EVENTS**GCC announced dividend payment**

The General Shareholders' Meeting held on April 27, 2023, declared a Ps. 1.3364 dividend per share, which comes from the balance of the net earnings on a tax basis corresponding to the fiscal year 2013 and previous years.

The declared dividend was paid on May 24, 2023, and the payment was made through S.D. Indeval, against delivery of coupon 20 of the current share certificates.

GCC announced amendments to its bylaws

GCC announced that at its Extraordinary Shareholders' Meeting held on April 27th, the following amendments to the Company's bylaws were approved:

Articles 7 and 13

A modification to the means of publication for the Company's announcements and corporate communications. These were previously published in the Official State Gazette and from now on they will be published in the Ministry of Economy electronic system or in one of the widely circulated newspapers at the Company's location, in case there is a technical failure in the system.

Article 30

The possibility to participate virtually in Board meetings and the use of the digital or electronic signature for the attendance of the members of the board, shareholders and shareholders' representatives in Board meetings, Shareholders' Meetings and Committees.

CONFERENCE CALL

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

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

Conference ID: **13735120**

Dial in

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

International: 1-201-689-8562

Replay (through August 2, 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)

	Q2 2023	%	Q2 2022	%	Q23 / Q22
Net sales	364,079	100.0%	320,100	100.0%	13.7%
U.S. sales	253,406	69.6%	237,770	74.3%	6.6%
Mexico sales	110,673	30.4%	82,330	25.7%	34.4%
Cost of sales	225,898	62.0%	220,947	69.0%	2.2%
Gross income	138,181	38.0%	99,153	31.0%	39.4%
Selling, general and administrative expenses	29,145	8.0%	23,525	7.3%	23.9%
Operating income before other expenses, net	109,036	29.9%	75,628	23.6%	44.2%
Other (income) expenses	1,905	0.5%	283	0.1%	573.1%
Operating income	107,131	29.4%	75,345	23.5%	42.2%
Financial income	13,660	3.8%	3,942	1.2%	246.5%
Financial expenses	(7,167)	-2.0%	(8,041)	-2.5%	-10.9%
Exchange gain (loss), net	(1,954)	-0.5%	243	0.1%	n.m.
Net financing expenses	4,539	1.2%	(3,856)	-1.2%	n.m.
Share of profit of associates and joint venture	1,053	0.3%	928	0.3%	13.5%
Income before income taxes	112,723	31.0%	72,417	22.6%	55.7%
Income taxes (benefit)	30,514	8.4%	19,295	6.0%	58.1%
Consolidated net income	82,209	22.6%	53,122	16.6%	54.8%
Controlling interest	82,209	22.6%	53,122	16.6%	54.8%
Non-controlling interest	-	0.0%	-	0.0%	0.0%
EBITDA	132,704	36.4%	99,489	31.1%	33.4%
Free cash flow	20,512	5.6%	54,311	17.0%	-62.2%

Cumulative Income Statement to June

(Thousands of dollars)

	2023	%	2022	%	2023 / 2022
Net sales	607,961	100.0%	526,973	100.0%	15.4%
U.S. sales	401,673	66.1%	373,208	70.8%	7.6%
Mexico sales	206,288	33.9%	153,765	29.2%	34.2%
Cost of sales	401,863	66.1%	373,827	70.9%	7.5%
Gross income	206,098	33.9%	153,146	29.1%	34.6%
Selling, general and administrative expenses	56,874	9.4%	46,110	8.7%	23.3%
Operating income before other expenses, net	149,224	24.5%	107,036	20.3%	39.4%
Other (income) expenses	2,175	0.4%	309	0.1%	603.9%
Operating income	147,049	24.2%	106,727	20.3%	37.8%
Financial income	26,026	4.3%	7,249	1.4%	259.0%
Financial expenses	(13,914)	-2.3%	(24,789)	-4.7%	-43.9%
Exchange gain (loss), net	(3,826)	-0.6%	(496)	-0.1%	671.4%
Net financing expenses	8,286	1.4%	(18,036)	-3.4%	n.m.
Share of profit of associates and joint venture	1,306	0.2%	1,591	0.3%	-17.9%
Income before income taxes	156,641	25.8%	90,282	17.1%	73.5%
Income taxes (benefit)	42,070	6.9%	24,028	4.6%	75.1%
Consolidated net income	114,571	18.8%	66,254	12.6%	72.9%
Controlling interest	114,570	18.8%	66,253	12.6%	72.9%
Non-controlling interest	1	0.0%	1	0.0%	0.0%
EBITDA	195,714	32.2%	154,036	29.2%	27.1%
Free cash flow	3,078	0.5%	53,273	10.1%	-94.2%

Statement of Financial Position

(Thousands of dollars)

	June 2023	June 2022	Variation
Total assets	2,582,943	2,274,709	13.6%
Current Assets	1,167,210	978,213	19.3%
Cash and cash equivalents	770,317	645,302	19.4%
Accounts receivable, net	146,697	139,564	5.1%
Other accounts receivable, net	55,455	30,775	80.2%
Due from related parties	2,643	4,885	-45.9%
Inventories	149,601	113,420	31.9%
Urban land	33,589	34,901	-3.8%
Prepaid expenses	8,908	9,366	-4.9%
Non-current assets	1,415,733	1,296,496	9.2%
Investment in associates	27,587	21,022	31.2%
Property, machinery and equipment, net	1,090,040	957,541	13.8%
Long term right of use assets	19,659	26,195	-25.0%
Goodwill	212,636	212,597	0.0%
Intangible assets, net	54,736	59,867	-8.6%
Other non-current assets	11,075	19,274	-42.5%
Total liabilities	1,014,957	923,889	9.9%
Current liabilities	257,311	226,247	13.7%
Current portion of long term debt	-	-	0.0%
Trade accounts payable	168,001	149,608	12.3%
Due to related parties	1,129	2,522	-55.2%
Short term - employee benefits	35,214	33,767	4.3%
Accrued expenses and taxes other than income taxes	38,702	31,788	21.8%
Provisions	5,967	1,182	404.8%
Short term right of use liabilities	8,298	7,380	12.4%
Long-term liabilities	757,646	697,642	8.6%
Long term debt	496,833	496,561	0.1%
Long term right of use liabilities	11,250	13,687	-17.8%
Employee benefits	32,581	37,969	-14.2%
Provision for environmental restoration	26,733	24,107	10.9%
Other long-term liabilities	1,875	2,253	-16.8%
Income taxes payable	-	697	-100.0%
Deferred income taxes	188,374	122,368	53.9%
Total equity	1,567,986	1,350,820	16.1%
Controlling interest	1,567,022	1,349,863	16.1%
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	1,460,099	1,366,270	6.9%
Consolidated net income	114,570	66,253	72.9%
Other comprehensive income	(210,741)	(285,754)	26.3%
Non-controlling interest	964	957	0.7%
Total Liabilities and Equity	2,582,943	2,274,709	13.6%

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 6 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.