



2021

SECOND QUARTER EARNINGS REPORT



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GCC REPORTS SECOND QUARTER 2021 RESULTS

Chihuahua, Chihuahua, Mexico, July 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 second quarter 2021.

Q2 2021 HIGHLIGHTS

- Mexico cement and ready-mix volumes increased 17.1% and 41.4%, respectively
- Total U.S. cement volumes grew 10.6% and rose 4% excluding oil well cement
- U.S. cement and ready-mix prices increased 8.3% and 6%
- Consolidated net sales increased 18.1%, to US\$286.7 million
- EBITDA increased 18.6% to US\$97 million, with a 33.8% EBITDA margin
- Free cash flow increased 18% to US\$41.4 million with a 42.7% conversion rate from EBITDA
- Net leverage (net debt/EBITDA) ratio dropped to 0.06x as of June 2021
- Earnings per share increased 43.7% year on year, to US\$0.1439

KEY FIGURES (millions of dollars)

	Q2 21	Q2 20	Q2 21 vs Q2 20	H1 21	H1 20	H1 21 vs H1 20
Net sales	286.7	242.8	18.1%	465.5	424.2	9.7%
Operating income before other expenses, net	73.2	58.3	25.6%	98.7	78.9	25.1%
EBITDA*	97.0	81.8	18.6%	146.5	127.1	15.3%
EBITDA margin	33.8%	33.7%		31.5%	30.0%	
Free cash flow**	41.4	35.1	18.0%	56.0	43.8	27.8%
Net income	47.7	33.2	43.8%	63.0	49.6	27.0%
Earnings per share (US\$) ***	0.1439	0.1001	43.7%	0.1902	0.1496	27.2%

*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, said "GCC is off to an excellent first half of the year, we are very pleased with the results delivered - increasing top and bottom-line growth and EBITDA margin."

"We are revising upwards our full-year guidance, based on the strong first half performance. It reflects that positive momentum persists in our industry. Cement demand is stronger than pre-pandemic levels, and construction activity is expected to remain robust throughout the year. Every kiln at GCC is up and running."

Mr. Escalante continued, “Our balance sheet is strong and ready for growth. We will allocate more resources to our core business – cement – and our distribution network to maintain our competitive advantage while we focus on our sustainability strategy and CO2 reduction targets.”

FINANCIAL RESULTS

Consolidated net sales for the second quarter of 2021 increased by 18.1% to US\$286.7 million from US\$242.8 million in the second quarter of 2020. This was primarily due to higher cement volumes in the United States, increased cement and concrete volumes in Mexico and a favorable price environment in both markets. Those were partially offset by lower concrete volumes in the U.S.

For comparative purposes, consolidated net sales, excluding the appreciation of the Mexican peso against the U.S. dollar during the quarter, increased by 13.7%.

Six months: Consolidated net sales increased 9.7%, to US\$465.5 million following the trends of the second quarter.

For comparative purposes, consolidated net sales, excluding the appreciation of the Mexican peso against the U.S. dollar during the first half of the year, increased by 7.5%.

NET SALES (millions of dollars)

	Q2 21	Q2 20	Q2 21 vs. Q2 20	H1 21	H1 20	H1 21 vs. H1 20
Consolidated	286.7	242.8	18.1%	465.5	424.2	9.7%
United States	210.7	191.0	10.3%	323.0	310.7	4.0%
Mexico	76.0	51.7	47.0%	142.5	113.4	25.6%
		Q2 21 vs. Q2 20		H1 21 vs. H1 20		
	Volumes	Prices*		Volumes	Prices*	
Cement						
United States	10.6%	8.3%		3.2%	6.3%	
Mexico	17.1%	0.2%		11.5%	-0.2%	
Concrete						
United States	-17.0%	6.0%		-21.1%	6.2%	
Mexico	41.4%	7.2%		22.8%	5.0%	

*Prices in local currency

U.S. sales represented 73% of GCC's second quarter 2021 consolidated net sales and increased by 10.3% to US\$210.7 million. This was due to a 10.6% increase in cement volumes and an increase in cement and concrete prices of 8.3% and 6% respectively, which were partially offset by a 17% decrease in concrete volumes.

The most dynamic market segments during the quarter were housing, infrastructure and industrial warehouse construction.

Six months: U.S. sales increased 4%, to US\$323 million. This was primarily due to a 3.2% increase in cement volumes and an increase in cement and concrete prices of 6.3% and 6.2%, respectively. These were partially offset by a 21.1% decrease in concrete volumes.

Mexico sales, which represented 27% of GCC's consolidated net sales, increased 47% in the second quarter 2021 to US\$76 million. This was due to a 17.1% and 41.4% increase in cement and concrete volumes, as well as a 7.2% increase in concrete prices. Domestic cement prices grew 4.2% and were partially offset by the effect of the exchange rate on cement exports, resulting in a 0.2% variation compared to Q2 20.

The appreciation of the Mexican peso against the U.S. dollar during the quarter increased sales by US\$10.7 million. For comparative purposes, Mexico sales, excluding the appreciation of the Mexican peso, would have increased by 26.3%.

Mexico sales during the quarter were primarily driven by demand related to industrial maquiladora plants, warehouse construction, mining projects and middle-income housing.

Six months: Mexico sales increased 25.6% to US\$142.5 million, due to a 11.5% increase in cement volumes and 22.8% increase in concrete volumes, as well as a 5% increase in concrete prices.

The appreciation of the Mexican peso against the U.S. dollar increased sales by US\$9.5 million. For comparative purposes, Mexico sales, excluding the appreciation of the Mexican peso, would have increased by 17.2%.

Cost of sales totaled US\$192.8 million in the second quarter 2021, representing 67.2% of total sales, compared to 68.4% in the second quarter 2020. This decrease was primarily due to:

- Favorable selling prices in both divisions
- Operating leverage
- Continuation of the expense reduction plan

Six months: Cost of sales was 70% of revenues; a 1.9 percentage-point decrease from the same period in 2020.

Selling, general and administrative expenses totaled US\$20.7 million in the second quarter 2021, equivalent to 7.2% of consolidated net sales; a 40 basis-point decrease.

Six months: Selling, general and administrative expenses totaled US\$40.9 million. These were equivalent to 8.8% of sales; a 70-basis point decrease.

Operating income before other expenses increased 25.6% to US\$73.2 million in the second quarter 2021.

Six months: Operating income before other expenses increased 25.1%, to US\$98.7 million.

Other expenses were US\$0.4 million, compared to US\$4.8 million in the prior year period.

Six months: Other expenses were US\$0.5 million, compared to US\$5 million in the prior year period.

Operating income increased 36% to US\$72.8 million in the second quarter.

Six months: Operating income increased 32.9% to US\$98.2 million.

EBITDA increased 18.6% to US\$97 million, with a 33.8% EBITDA margin.

In the second quarter of 2021, 76% of EBITDA was generated by the U.S. operations and 24% by the Mexico operations.

Six months: EBITDA increased 15.3% to US\$146.5 million, while the EBITDA margin expanded 1.5 percentage points to 31.5%.

GCC's U.S. operations generated 70% of EBITDA and Mexico generated 30% of EBITDA in the semester.

Net financial expenses totaled US\$9.8 million in the second quarter, compared to US\$9.5 million in the prior year period. This was due to an increase in effective interest rate, partially offset by lower debt balance.

Six months: Net financial expenses increased 63.4%, to US\$15.2 million due to a lower exchange gain.

Income tax totaled US\$15.9 million in the second quarter 2021, a 43.2% increase, mainly due to higher income before taxes, partially offset by better results of the U.S. pre-tax income in the consolidated results, which carries a lower income tax rate.

Six months: Income tax totaled US\$21.2 million; a 33.8% year-on-year increase, due to the same reasons impacting Q2 21.

Consolidated net income was US\$47.7 million for the second quarter 2021, compared to US\$33.2 million in Q2 20; representing a 43.8% increase.

Six months: Consolidated net income increased 27% and totaled US\$63 million in the first six months of 2021, compared to US\$49.6 million for the same period of 2020.

Earnings per share was US\$0.1439, compared to US\$0.1001 in Q2 20, a 43.7% increase.

Six months: Earnings per share reached US\$0.1902, as compared to US\$0.1496 in the first six months of 2020, a 27.2% increase.

Free cash flow was US\$41.4 million in the second quarter of 2021, compared to US\$35.1 million for the same period in 2020. This reflects increased EBITDA generation, as well as lower interest expenses and cash taxes, partially offset by higher maintenance CapEx and working capital requirements.

Six months: Free cash flow was US\$56 million, compared to US\$43.8 million in the first six months of 2020. This was primarily due to increased EBITDA generation, as well as lower interest expenses, cash taxes and working capital requirements, partially offset by higher maintenance CapEx.

FREE CASH FLOW (millions of dollars)

	Q2 21	Q2 20	Var	H1 21	H1 20	Var
Operating income before other expenses	73.2	58.3	25.6%	98.7	78.9	25.1%
Depreciation and amortization	23.8	23.5	1.3%	47.8	48.2	-0.8%
EBITDA	97.0	81.8	18.6%	146.5	127.1	15.3%
Interest (expense)	(7.4)	(8.6)	-13.9%	(8.5)	(11.0)	-22.3%
Decrease (increase) in working capital	(27.1)	(26.3)	3.1%	(35.0)	(37.3)	-6.2%
Taxes	(8.4)	(9.0)	-6.4%	(9.7)	(12.0)	-19.5%
Prepaid expenses	1.2	2.4	-51.8%	3.8	3.6	7.6%
Accruals and other accounts	3.7	5.7	-35.8%	(11.0)	(0.1)	n.m.
Operating leases (IFRS16 effect)	(4.8)	(5.0)	-4.4%	(9.3)	(9.7)	-4.2%
Operating cash flow	54.1	41.0	31.9%	76.9	60.6	26.8%
Maintenance CapEx	(12.7)	(5.9)	115.3%	(20.9)	(16.8)	24.3%
Free cash flow	41.4	35.1	18.0%	56.0	43.8	27.8%
Strategic & Growth CapEx	0.0	(0.8)	-100.0%	1.6	1.2	26.0%
Share repurchase, net	0.1	(0.1)	n.m.	0.1	(4.5)	n.m.
Revolving credit line	0.0	50.0	0.0%	0.0	50.0	-100.0%
Debt amortization, net	(10.0)	(3.4)	192.0%	(20.0)	(5.4)	268.7%
Dividends paid	0.0	0.0	100.0%	(7.8)	0.0	n.m.
FX effect	4.5	2.9	56.0%	0.9	(13.4)	n.m.
Initial cash balance	556.9	338.7	64.4%	562.1	350.5	60.4%
Final cash balance	592.9	422.3	40.4%	592.9	422.3	40.4%
FCF conversion rate*	42.7%	42.9%		38.2%	34.5%	

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

Total debt was US\$612 million as of June 30, 2021, based on contractual balances; a 12.8% year-on-year decrease.

Short-term debt was US\$144 million. This represented 23.5% of the total debt.

As of June 30, 2021, 100% of GCC's debt was denominated in U.S. dollars.

Net leverage (net debt/EBITDA) at the end of the second quarter 2021 was 0.06 times, compared to 0.22 as of March 31, 2021, and is in accordance with GCC's contractual obligations.

INTEREST-BEARING DEBT* (millions of dollars)

	June 2021	June 2020	2021 vs. 2020
Total	612.0	702.0	-12.8%
Short-term	144.0	90.0	60.0%
Long-term	468.0	612.0	-23.5%

**Excludes amortizable commissions and issuance expenses*

REVISED OUTLOOK FOR 2021

United States		
Volumes	Cement	4% - 6%
	Concrete	(15%) – (20%)
Prices (US\$)	Cement	6% - 7%
	Concrete	4% - 5%
Mexico		
Volumes	Cement	4% - 6%
	Concrete	10% - 15%
Prices (Ps.)	Cement	2% - 3%
	Concrete	
Consolidated		
EBITDA Growth		8% - 13%
		US\$ 333 – US\$348 million
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
Second quarter average	20.0416	23.3510
As of June 30	19.8027	22.9715
Accumulated average	20.1843	21.6324

Unless otherwise stated, all percentage changes refer to the second quarter (or six 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. Credit Suisse
4. Data Based Analysis
5. GBM - Grupo Bursátil Mexicano
6. Grupo Financiero Banorte
7. Grupo Financiero Ve por Más
8. INVEX, Grupo Financiero
9. Itaú BBA
10. J.P. Morgan
11. Morgan Stanley
12. Nau Securities Limited
13. Santander
14. Scotiabank
15. UBS

CONFERENCE CALL

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

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

Conference ID: **13714204**

Dial in

U.S. (toll free):	1-877-407-0789
International:	1-201-689-8562

Replay (through August 4, 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)

	Q2 2021	%	Q2 2020	%	Q21 / Q20
Net sales	286,715	100.0%	242,761	100.0%	18.1%
U.S. sales	210,683	73.5%	191,043	78.7%	10.3%
Mexico sales	76,032	26.5%	51,718	21.3%	47.0%
Cost of sales	192,776	67.2%	166,033	68.4%	16.1%
Gross income	93,939	32.8%	76,728	31.6%	22.4%
Selling, general and administrative expenses	20,732	7.2%	18,422	7.6%	12.5%
Operating income before other expenses, net	73,207	25.5%	58,306	24.0%	25.6%
Other (income) expenses	446	0.2%	4,806	2.0%	-90.7%
Operating income	72,761	25.4%	53,500	22.0%	36.0%
Financial income	1,676	0.6%	1,899	0.8%	-11.7%
Financial expenses	(10,658)	-3.7%	(10,098)	-4.2%	5.5%
Exchange gain (loss), net	(838)	-0.3%	(1,312)	-0.5%	-36.1%
Net financing expenses	(9,820)	-3.4%	(9,511)	-3.9%	3.2%
Share of profit of associates and joint venture	658	0.2%	294	0.1%	123.8%
Income before income taxes	63,599	22.2%	44,283	18.2%	43.6%
Income taxes (benefit)	15,926	5.6%	11,123	4.6%	43.2%
Consolidated net income	47,673	16.6%	33,160	13.7%	43.8%
Controlling interest	47,673	16.6%	33,160	13.7%	43.8%
Non-controlling interest	-	0.0%	-	0.0%	0.0%
EBITDA	97,040	33.8%	81,825	33.7%	18.6%
Free cash flow	41,429	14.4%	35,124	14.5%	18.0%

Income Statement

(Thousands of dollars)

	2021	%	2020	%	2021 / 2020
Net sales	465,471	100.0%	424,161	100.0%	9.7%
U.S. sales	323,009	69.4%	310,714	73.3%	4.0%
Mexico sales	142,462	30.6%	113,447	26.7%	25.6%
Cost of sales	325,802	70.0%	305,076	71.9%	6.8%
Gross income	139,669	30.0%	119,085	28.1%	17.3%
Selling, general and administrative expenses	40,948	8.8%	40,147	9.5%	2.0%
Operating income before other expenses, net	98,721	21.2%	78,938	18.6%	25.1%
Other (income) expenses	472	0.1%	5,014	1.2%	-90.6%
Operating income	98,249	21.1%	73,924	17.4%	32.9%
Financial income	3,205	0.7%	3,684	0.9%	-13.0%
Financial expenses	(18,657)	-4.0%	(19,918)	-4.7%	-6.3%
Exchange gain (loss), net	238	0.1%	6,925	1.6%	-96.6%
Net financing expenses	(15,214)	-3.3%	(9,309)	-2.2%	63.4%
Share of profit of associates and joint venture	1,141	0.2%	834	0.2%	36.8%
Income before income taxes	84,176	18.1%	65,449	15.4%	28.6%
Income taxes (benefit)	21,175	4.5%	15,824	3.7%	33.8%
Consolidated net income	63,001	13.5%	49,625	11.7%	27.0%
Controlling interest	63,001	13.5%	49,624	11.7%	27.0%
Non-controlling interests	-	0.0%	1	0.0%	-100.0%
EBITDA	146,527	31.5%	127,129	30.0%	15.3%
Free cash flow	56,039	12.0%	43,843	10.3%	27.8%

Statement of Financial Position

(Thousands of dollars)

	June 2021	June 2020	Variation
Total assets	2,200,636	2,067,151	6.5%
Current Assets	905,562	739,772	22.4%
Cash and cash equivalents	592,937	422,291	40.4%
Accounts receivable, net	131,737	125,081	5.3%
Other accounts receivable, net	35,321	42,199	-16.3%
Due from related parties	1,471	1,609	-8.6%
Inventories	98,787	109,464	-9.8%
Urban land	36,630	30,229	21.2%
Prepaid expenses	8,679	8,899	-2.5%
Non-current assets	1,295,074	1,327,379	-2.4%
Investment in associates	20,898	15,817	32.1%
Property, machinery and equipment, net	944,768	949,418	-0.5%
Long term right of use assets	25,972	36,117	-28.1%
Goodwill	212,599	235,939	-9.9%
Intangible assets, net	65,498	69,621	-5.9%
Other non-current assets	25,339	20,467	23.8%
Total liabilities	979,061	1,019,767	-4.0%
Current liabilities	343,006	273,335	25.5%
Current portion of long term debt	144,000	90,000	60.0%
Trade accounts payable	111,762	87,753	27.4%
Due to related parties	2,515	1,223	105.6%
Short term - employee benefits	32,729	32,625	0.3%
Accrued expenses and taxes other than income taxes	34,618	40,256	-14.0%
Provisions	1,608	2,719	-40.9%
Short term right of use liabilities	15,774	18,759	-15.9%
Long-term liabilities	636,055	746,432	-14.8%
Long term debt	466,980	606,677	-23.0%
Long term right of use liabilities	6,131	16,277	-62.3%
Employee benefits	51,741	41,709	24.1%
Provision for environmental restoration	19,915	22,837	-12.8%
Other long-term liabilities	2,590	-	n.m.
Income taxes payable	703	3,519	-80.0%
Deferred income taxes	87,995	55,413	58.8%
Total equity	1,221,575	1,047,384	16.6%
Controlling interest	1,220,621	1,047,359	16.5%
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	1,253,916	1,148,807	9.1%
Consolidated net income	63,001	49,624	27.0%
Other comprehensive income	(299,390)	(354,166)	15.5%
Non-controlling interest	954	25	n.m.
Total Liabilities and Equity	2,200,636	2,067,151	6.5%

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.