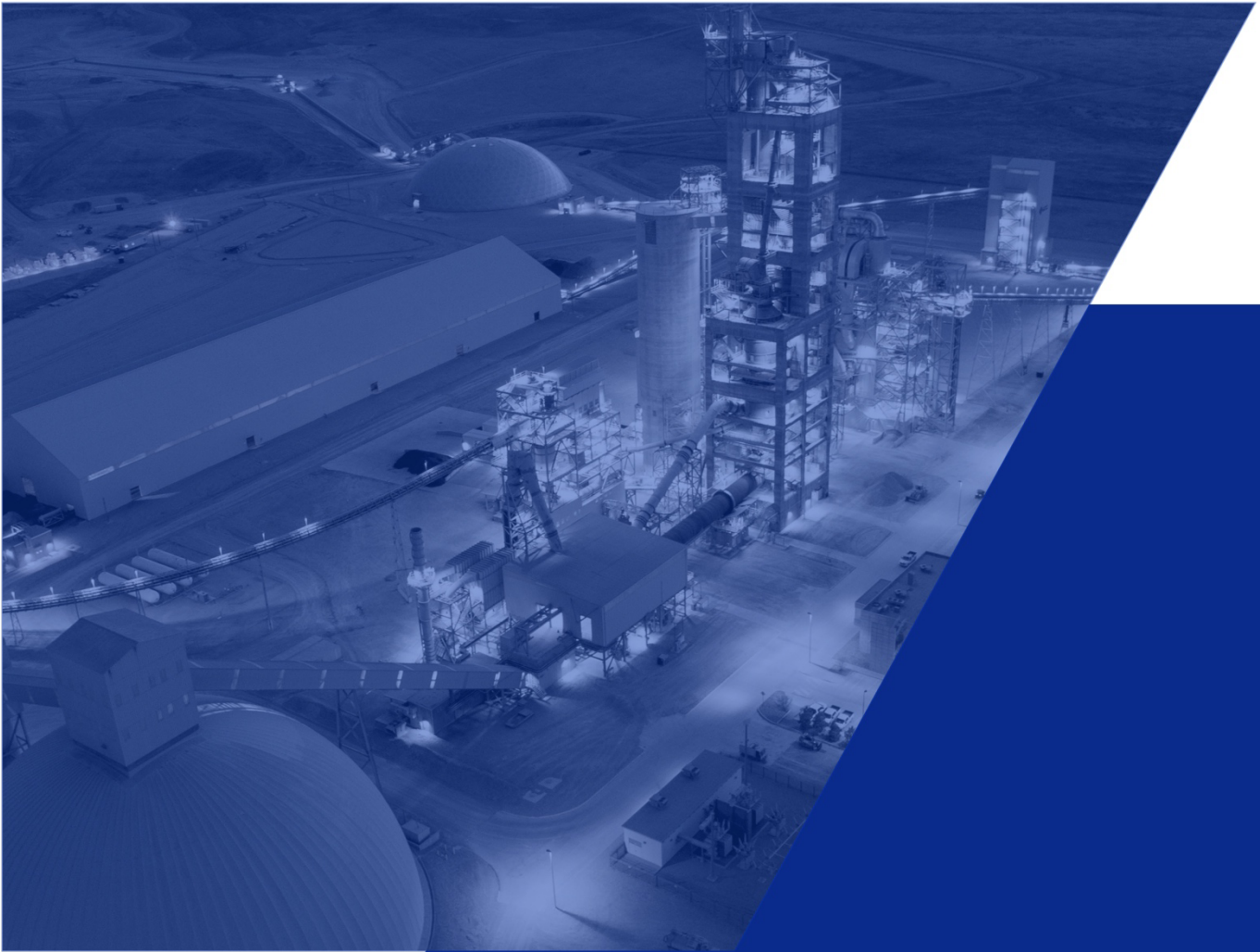




# 2022

## SECOND QUARTER EARNINGS REPORT



FOR MORE INFORMATION: [investors@gcc.com](mailto:investors@gcc.com)

## GCC REPORTS SECOND QUARTER 2022 RESULTS

Chihuahua, Mexico, July 26, 2022 – 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 2022.

### Q2 2022 HIGHLIGHTS

- Consolidated net sales increased 11.6%, to US\$320.1 million
- U.S. sales increased 12.9%
- U.S. total cement volumes increased by 6%; cement volumes remained unchanged excluding oil well cement
- U.S. cement prices increased 10.3%
- Mexico sales increased by 8.3% reflecting a 13.8% increase in concrete volumes
- Mexico cement and concrete prices increased by 12.3% and 8.3%, respectively
- EBITDA increased 2.5% to US\$99.5 million with a 31.1% EBITDA margin
- Free cash flow totaled US\$65.5 million with a 65.8% free cash flow conversion rate
- Earnings per share increased 11.6% year-on-year to US\$0.1606
- Cash and equivalents totaled US\$645 million
- Net leverage (net debt/EBITDA) ratio totaled -0.44x as of June 30, 2022
- A dividend of Ps. 1.1621 per share was paid on May 17, representing a 15% year-on-year increase
- GCC repurchased 2.6 million shares in the amount of US\$17.2 million

### KEY FIGURES (millions of dollars)

	Q2 22	Q2 21	Q2 22 vs Q2 21	H1 22	H1 21	H1 22 vs H1 21
Net sales	320.1	286.7	11.6%	527.0	465.5	13.2%
Operating income before other expenses, net	75.6	73.2	3.3%	107.0	98.7	8.4%
EBITDA*	99.5	97.0	2.5%	154.0	146.5	5.1%
EBITDA margin	31.1%	33.8%		29.2%	31.5%	
Free cash flow**	65.5	41.4	58.0%	64.3	56.0	14.7%
Net income	53.1	47.7	11.4%	66.3	63.0	5.2%
Earnings per share (US\$) ***	0.1606	0.1439	11.6%	0.2001	0.1902	5.2%

\*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 had a strong start to the 2022 construction season and delivered a solid first half of 2022. Our primary focus is to address unprecedented demand despite today's supply chain obstacles and ensure uninterrupted supply to our customers.**

*GCC's vertical integration is an important competitive advantage to mitigate the effects of inflation. We remain vigilant of changes in the economic environment to improve our margins.*

*We are very pleased with GCC's second quarter results and expect the strong shipments to continue, as the underlying trends of GCC's business remain favorable."*

## FINANCIAL RESULTS

**Consolidated net sales** for the second quarter of 2022 increased by 11.6% year on year, to US\$320.1 million from US\$286.7 million in the second quarter of 2021. This was primarily due to increased cement volumes in the United States, increased concrete volumes in Mexico and a favorable price environment in both markets. These were partially offset by decreased cement volumes in Mexico.

*Six months:* Consolidated net sales increased by 13.2%, to US\$527 million. This was primarily due to increased cement and concrete volumes in the United States, increased concrete volumes in Mexico and a favorable price environment in both markets. These were partially offset by decreased cement volumes in Mexico.

### NET SALES (millions of dollars)

	Q2 22	Q2 21	Q2 22 vs. Q2 21	H1 22	H1 21	H1 22 vs. H1 21
<b>Consolidated</b>	<b>320.1</b>	<b>286.7</b>	<b>11.6%</b>	<b>527.0</b>	<b>465.5</b>	<b>13.2%</b>
United States	237.8	210.7	12.9%	373.2	323.0	15.5%
Mexico	82.3	76.0	8.3%	153.8	142.5	7.9%
	Q2 22 vs. Q2 21			H1 22 vs. H1 21		
	Volumes	Prices*		Volumes	Prices*	
<b>Cement</b>						
United States	6.0%	10.3%		7.6%	10.2%	
Mexico	-2.3%	12.3%		-3.4%	12.1%	
<b>Concrete</b>						
United States	-0.6%	-0.7%		2.9%	-0.5%	
Mexico	13.8%	8.3%		11.5%	8.2%	

\*Prices in local currency

**U.S. sales** for the second quarter 2022 increased by 12.9% to US\$237.8 million, and represented 74% of GCC's 2022 second quarter consolidated net sales. This was due to 6% increase in cement volumes and a 10.3% increase in cement prices during the quarter.

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

*Six months:* U.S. sales increased by 15.5%, to US\$373.2 million. This was primarily due to a 7.6% and 2.9% increase in cement and concrete volumes, respectively, and a 10.2% increase in cement prices.

**Mexico sales** increased by 8.3% in the second quarter 2022 to US\$82.3 million and represented 26% of GCC's consolidated net sales. This was due to a 13.8% increase in concrete volumes and a 12.3% and 8.3% increase in cement and concrete prices, respectively, which were partially offset by a 2.3% decrease in cement volumes.

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

*Six months:* Mexico sales increased by 7.9% to US\$153.8 million, due to a 11.5% increase in concrete volumes and a 12.1% and 8.2% increase in cement and concrete prices, respectively. These were partially offset by a 3.4% decrease in cement volumes.

**Cost of sales** totaled US\$220.9 million for the second quarter 2022, representing 69% of total sales, compared to 67.2% in the second quarter of 2021; a 180 basis-point increase. This increase was primarily due to increased cost of production and production expenses, higher fuel price in Mexico, as well as increased freight costs with higher supplementary oil well cement shipments from Chihuahua to the Odessa Plant, which have a lower margin than GCC's other cement sales. These were partially offset by favorable cement selling prices and operating leverage.

*Six months:* Cost of sales was 70.9% of revenues; a 0.9 percentage-point increase from the same period in 2021, due to the same reasons which impacted the second quarter 2022.

**Selling, general and administrative expenses** totaled US\$23.5 million in the second quarter of 2022, equivalent to 7.3% of consolidated net sales; a 10 basis-point decrease.

*Six months:* Selling, general and administrative expenses totaled US\$46.1 million. These were equivalent to 8.7% of sales; a 10-basis point decrease.

**Operating income before other expenses** increased 3.3% to US\$75.6million in the second quarter.

*Six months:* Operating income before other expenses increased 8.4% to US\$107 million.

**Other expenses** were US\$0.3 million for the second quarter of 2022, compared to US\$0.4 million in the second quarter 2021.

*Six months:* Other expenses were US\$0.3 million, compared to US\$0.5 million in the prior year period.

**Operating income** increased 3.6% to US\$75.3 million in the second quarter of 2022.

*Six months:* Operating income increased 8.6% to US\$106.7 million.

As a result, second quarter 2022 **EBITDA** increased by 2.5% to US\$99.5 million. EBITDA margin was 31.1%; a 280 basis-point decrease.

78% of second quarter 2022 EBITDA was generated by the Company's U.S. operations and 22% by its Mexico operations.

*Six months:* EBITDA increased 5.1% to US\$154 million, while the EBITDA margin decreased 2.3 percentage points to 29.2%.

GCC's U.S. operations generated 75% of EBITDA and Mexico generated 25% of EBITDA in the first semester 2022.

**Net financial expenses** totaled US\$3.9 million in the second quarter, compared to US\$9.8 million in the prior year period. This was due to a combination of higher financial income, a decrease in effective interest rate, lower debt balance and a positive foreign exchange effect on GCC's cash position.

*Six months:* Net financial expenses increased by 18.5% to US\$18 million, due to costs related to the prepayment of the Company's 2024 Notes and the bank debt.

**Income tax** totaled US\$19.3 million for the second quarter of 2022, compared to US\$15.9 million in the prior year's period. This was mainly due to higher income before taxes, partially offset by improved U.S. pre-tax income results, which has a lower associated income tax rate, within the Company's consolidated results.

*Six months:* Income tax totaled US\$24 million; a 13.5% year-on-year increase, due to the same reasons which impacted the second quarter 2022.

**Consolidated net income** was US\$53.1 million for the second quarter of 2022, an 11.4% increase compared to US\$47.7 million in the second quarter 2021.

*Six months:* Consolidated net income increased 5.2% and totaled US\$66.3 million in the first six months of 2022, compared to US\$63 million for the same period of 2021.

**Earnings per share** was US\$0.1606, compared to US\$0.1439 in Q2 21, an 11.6% increase.

*Six months:* Earnings per share reached US\$0.2001, as compared to US\$0.1902 in the prior year period; a 5.2% year on year increase.

**Free cash flow** was US\$65.5 million in the second quarter of 2022, compared to US\$41.4 million for the same period in 2021. This was due to decreased maintenance CapEx, interest expenses and working capital requirements as well as increased EBITDA generation and lower cash taxes.

*Six months:* Free cash flow was US\$64.3 million, compared to US\$56 million in the first six months of 2021. This increase was primarily due to increased EBITDA generation, as well as lower maintenance CapEx, working capital requirements, interest expenses and cash taxes during the first six months of 2022.

## FREE CASH FLOW (millions of dollars)

	Q2 22	Q2 21	Var	H1 22	H1 21	Var
Operating income before other expenses	75.6	73.2	3.3%	107.0	98.7	8.4%
Depreciation and amortization	23.9	23.8	0.1%	47.0	47.8	-1.7%
<b>EBITDA</b>	<b>99.5</b>	<b>97.0</b>	<b>2.5%</b>	<b>154.0</b>	<b>146.5</b>	<b>5.1%</b>
Interest (expense)	3.1	(7.4)	n.m.	(4.7)	(8.5)	-45.5%
Decrease (increase) in working capital	(18.2)	(27.1)	-32.9%	(30.7)	(35.0)	-12.3%
Taxes	(7.8)	(8.4)	-7.1%	(8.1)	(9.7)	-16.4%
Prepaid expenses	1.6	1.2	36.3%	3.8	3.8	-1.8%
Accruals and other accounts	(6.5)	3.7	n.m.	(27.9)	(11.0)	154.5%
Operating leases (IFRS16 effect)	(4.2)	(4.8)	-11.6%	(8.2)	(9.3)	-12.2%
<b>Operating cash flow</b>	<b>67.4</b>	<b>54.1</b>	<b>24.6%</b>	<b>78.3</b>	<b>76.9</b>	<b>1.8%</b>
Maintenance CapEx	(2.0)	(12.7)	-84.3%	(14.0)	(20.9)	-32.8%
<b>Free cash flow</b>	<b>65.5</b>	<b>41.4</b>	<b>58.0%</b>	<b>64.3</b>	<b>56.0</b>	<b>14.7%</b>
Strategic & Growth CapEx	(24.8)	0.0	n.m.	(31.1)	1.6	n.m.
Share repurchase, net	(17.2)	0.1	n.m.	(17.2)	0.1	n.m.
Debt amortization, net	0.0	(10.0)	-100.0%	(40.0)	(20.0)	100.0%
Dividends paid	(19.1)	0.0	n.m.	(19.1)	(7.8)	144.7%
FX effect	0.7	4.5	-85.1%	5.5	0.9	514.9%
Initial cash balance	640.3	556.9	15.0%	683.0	562.1	21.5%
<b>Final cash balance</b>	<b>645.3</b>	<b>592.9</b>	<b>8.8%</b>	<b>645.3</b>	<b>592.9</b>	<b>8.8%</b>
FCF conversion rate*	65.8%	42.7%		41.7%	38.2%	

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

**Total debt** was US\$500 million as of June 30, 2022, based on contractual balances; an 18.3% year-on-year decrease.

Long-term debt represented 100% of the total debt.

As of June 30, 2022, 100% of GCC's debt was denominated in U.S. dollars.

Net leverage (net debt/EBITDA) at the end of the second quarter 2022 was -0.44 times, compared to -0.43 as of March 31, 2022, in accordance with GCC's contractual obligations.

## INTEREST-BEARING DEBT\* (millions of dollars)

	June 2022	June 2021	2022 vs. 2021
<b>Total</b>	<b>500.0</b>	<b>612.0</b>	<b>-18.3%</b>
Short-term	0.0	144.0	-100.0%
Long-term	500.0	468.0	6.8%

\*Excludes amortizable commissions and issuance expenses

## REVISED OUTLOOK FOR 2022

United States		
<b>Volumes</b>	Cement	Mid-single digit
	Concrete	Low- to mid-single digit
<b>Prices (US\$)</b>	Cement	Double digit
	Concrete	Low-single digit
Mexico		
<b>Volumes</b>	Cement	Flat
	Concrete	High-single to double digit
<b>Prices (US\$)</b>	Cement	Mid- to high-single digit
	Concrete	
Consolidated		
<b>EBITDA Growth</b>		High-single to double digit
<b>FCF Conversion Rate*</b>		> 60%
<b>Total CapEx</b>		US\$140 million
	Growth	\$60
	Maintenance	\$65
	2021 carry-over	\$15
<b>Net Debt / EBITDA, year-end</b>		Negative



**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)

	2022	2021
Second quarter average	20.0449	20.0416
As of June 30	19.9847	19.8027
Accumulated average	20.2802	20.1843

Unless otherwise stated, all percentage changes refer to the second quarter (or six months) of 2022 compared to the corresponding periods of 2021.

**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



## MATERIAL EVENTS

### **GCC announced dividend payment and share buyback program reactivation**

The General Shareholders' Meeting held on April 28, 2022, declared a Ps. 1.1621 dividend per share, derived 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 17, 2022 and the payment was made through S.D. Indeval, against delivery of coupon 19 of the current share certificates.

GCC also reactivated its previously-authorized stock buyback program. Under the terms of the Company's plan, GCC purchases its own shares on open market for the amount no exceeding US\$50 million.

Enrique Escalante, GCC's CEO, stated, "This program reflects our confidence in the execution of our business plan and the positive outlook as well as increasing shareholder return. We are confident that eventually, the market will completely recognize GCC's fair valuation, aligned with our ROIC return, one of the highest in the industry."

## CONFERENCE CALL

GCC, S.A.B. de C.V. will host its earnings conference call on July 27, 2022.

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

Conference ID: **13725700**

Dial in

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

International: 1-201-689-8562

Replay (through August 3, 2022, 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 2022	%	Q2 2021	%	Q22 / Q21
<b>Net sales</b>	<b>320,100</b>	100.0%	<b>286,715</b>	100.0%	<b>11.6%</b>
USA sales	237,770	74.3%	210,683	73.5%	12.9%
Mexico sales	82,330	25.7%	76,032	26.5%	8.3%
Cost of sales	220,947	69.0%	192,776	67.2%	14.6%
<b>Gross income</b>	<b>99,153</b>	31.0%	<b>93,939</b>	32.8%	<b>5.6%</b>
Selling, general and administrative expenses	23,525	7.3%	20,732	7.2%	13.5%
<b>Operating income before other expenses, net</b>	<b>75,628</b>	23.6%	<b>73,207</b>	25.5%	<b>3.3%</b>
Other (income) expenses	283	0.1%	446	0.2%	-36.5%
<b>Operating income</b>	<b>75,345</b>	23.5%	<b>72,761</b>	25.4%	<b>3.6%</b>
Financial income	3,942	1.2%	1,676	0.6%	135.2%
Financial expenses	(8,041)	-2.5%	(10,658)	-3.7%	-24.6%
Exchange gain (loss), net	243	0.1%	(838)	-0.3%	n.m.
<b>Net financing expenses</b>	<b>(3,856)</b>	-1.2%	<b>(9,820)</b>	-3.4%	<b>-60.7%</b>
Share of profit of associates and joint venture	928	0.3%	658	0.2%	41.0%
<b>Income before income taxes</b>	<b>72,417</b>	22.6%	<b>63,599</b>	22.2%	<b>13.9%</b>
Income taxes (benefit)	19,295	6.0%	15,926	5.6%	21.2%
<b>Consolidated net income</b>	<b>53,122</b>	16.6%	<b>47,673</b>	16.6%	<b>11.4%</b>
<b>Controlling interest</b>	<b>53,122</b>	16.6%	<b>47,673</b>	16.6%	<b>11.4%</b>
<b>Non-controlling interest</b>	<b>-</b>	0.0%	<b>-</b>	0.0%	<b>0.0%</b>
<b>EBITDA</b>	<b>99,489</b>	31.1%	<b>97,040</b>	33.8%	<b>2.5%</b>
Free cash flow	65,452	20.4%	41,429	14.4%	58.0%

## Cumulative Income Statement to June

(Thousands of dollars)

	2022	%	2021	%	2022 / 2021
<b>Net sales</b>	<b>526,973</b>	100.0%	<b>465,471</b>	100.0%	<b>13.2%</b>
USA sales	373,208	70.8%	323,009	69.4%	15.5%
Mexico sales	153,765	29.2%	142,462	30.6%	7.9%
Cost of sales	373,827	70.9%	325,802	70.0%	14.7%
<b>Gross income</b>	<b>153,146</b>	29.1%	<b>139,669</b>	30.0%	<b>9.6%</b>
Selling, general and administrative expenses	46,110	8.7%	40,948	8.8%	12.6%
<b>Operating income before other expenses, net</b>	<b>107,036</b>	20.3%	<b>98,721</b>	21.2%	<b>8.4%</b>
Other (income) expenses	309	0.1%	472	0.1%	-34.5%
<b>Operating income</b>	<b>106,727</b>	20.3%	<b>98,249</b>	21.1%	<b>8.6%</b>
Financial income	7,249	1.4%	3,205	0.7%	126.2%
Financial expenses	(24,789)	-4.7%	(18,657)	-4.0%	32.9%
Exchange gain (loss), net	(496)	-0.1%	238	0.1%	n.m.
<b>Net financing expenses</b>	<b>(18,036)</b>	-3.4%	<b>(15,214)</b>	-3.3%	<b>18.5%</b>
Share of profit of associates and joint venture	1,591	0.3%	1,141	0.2%	39.4%
<b>Income before income taxes</b>	<b>90,282</b>	17.1%	<b>84,176</b>	18.1%	<b>7.3%</b>
Income taxes (benefit)	24,028	4.6%	21,175	4.5%	13.5%
<b>Consolidated net income</b>	<b>66,254</b>	12.6%	<b>63,001</b>	13.5%	<b>5.2%</b>
<b>Controlling interest</b>	<b>66,253</b>	12.6%	<b>63,001</b>	13.5%	<b>5.2%</b>
<b>Non-controlling interests</b>	<b>1</b>	0.0%	<b>-</b>	0.0%	<b>0.0%</b>
<b>EBITDA</b>	<b>154,036</b>	29.2%	<b>146,527</b>	31.5%	<b>5.1%</b>
Free cash flow	64,285	12.2%	56,039	12.0%	14.7%

## Statement of Financial Position

(Thousands of dollars)

	June 2022	June 2021	Variation
<b>Total assets</b>	<b>2,274,709</b>	<b>2,200,636</b>	<b>3.4%</b>
<b>Current Assets</b>	<b>978,213</b>	<b>905,562</b>	<b>8.0%</b>
Cash and cash equivalents	645,302	592,937	8.8%
Accounts receivable, net	139,564	131,737	5.9%
Other accounts receivable, net	30,775	35,321	-12.9%
Due from related parties	4,885	1,471	232.1%
Inventories	110,807	98,787	12.2%
Urban land	37,514	36,630	2.4%
Prepaid expenses	9,366	8,679	7.9%
<b>Non-current assets</b>	<b>1,296,496</b>	<b>1,295,074</b>	<b>0.1%</b>
Investment in associates	21,022	20,898	0.6%
Property, machinery and equipment, net	957,541	944,768	1.4%
Long-term right of use assets	26,195	25,972	0.9%
Goodwill	212,597	212,599	0.0%
Intangible assets, net	59,867	65,498	-8.6%
Other non-current assets	19,274	25,339	-23.9%
<b>Total liabilities</b>	<b>923,889</b>	<b>979,061</b>	<b>-5.6%</b>
<b>Current liabilities</b>	<b>226,247</b>	<b>343,006</b>	<b>-34.0%</b>
Current portion of long-term debt	-	144,000	0.0%
Trade accounts payable	149,608	111,762	33.9%
Due to related parties	2,522	2,515	0.3%
Short-term - employee benefits	33,767	32,729	3.2%
Accrued expenses and taxes other than income taxes	31,788	34,618	-8.2%
Provisions	1,182	1,608	-26.5%
Short-term right of use liabilities	7,380	15,774	-53.2%
<b>Long-term liabilities</b>	<b>697,642</b>	<b>636,055</b>	<b>9.7%</b>
Long-term debt	496,561	466,980	6.3%
Long-term right of use liabilities	13,687	6,131	123.2%
Employee benefits	37,969	51,741	-26.6%
Provision for environmental restoration	24,107	19,915	21.0%
Other long-term liabilities	2,253	2,590	-13.0%
Income taxes payable	697	703	-0.9%
Deferred income taxes	122,368	87,995	39.1%
<b>Total equity</b>	<b>1,350,820</b>	<b>1,221,575</b>	<b>10.6%</b>
<b>Controlling interest</b>	<b>1,349,863</b>	<b>1,220,621</b>	<b>10.6%</b>
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	1,397,714	1,253,916	11.5%
Consolidated net income	66,253	63,001	5.2%
Other comprehensive income	(317,198)	(299,390)	-5.9%
<b>Non-controlling interest</b>	<b>957</b>	<b>954</b>	<b>0.3%</b>
<b>Total Liabilities and Equity</b>	<b>2,274,709</b>	<b>2,200,636</b>	<b>3.4%</b>

**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.*