



2023

THIRD QUARTER EARNINGS REPORT



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GCC REPORTS THIRD QUARTER 2023 RESULTS

Chihuahua, Mexico, October 24, 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 third quarter of 2023.

Q3 2023 HIGHLIGHTS

- Consolidated net sales increased 17.9% year-on-year, to US\$416.1 million
- U.S. sales grew 11.3% as cement and concrete prices rose 12.4% and 17.1%, respectively
- U.S. concrete volumes increased 1.1%
- Mexico sales increased 39.3% reflecting a 2.9% and 6% increase in cement and concrete volumes, respectively. Mexico sales excluding the appreciation of the Mexican peso increased by 19.7%
- Mexico cement and concrete prices increased by 8.2% and 16.5%, respectively
- EBITDA increased 35% to US\$158.5 million with a 38.1% EBITDA margin
- Free cash flow totaled US\$123.6 million with a 77.9% free cash flow conversion rate
- Cash and equivalents totaled US\$857.3 million
- Net leverage (net debt/EBITDA) ratio totaled -0.82x as of September 2023
- Earnings per share increased 53.4% year-on-year, to US\$0.3238
- GCC repurchased shares in the net amount of US\$0.6 million

KEY FIGURES (millions of dollars)

	Q3 23	Q3 22	Q3 23 vs. Q3 22	9M 23	9M 22	9M 23 vs. 9M 22
Net sales	416.1	352.8	17.9%	1,024.1	879.8	16.4%
Operating income before other expenses, net	135.5	93.1	45.5%	284.7	200.2	42.2%
EBITDA*	158.5	117.4	35.0%	354.2	271.4	30.5%
EBITDA margin	38.1%	33.3%		34.6%	30.9%	
Free cash flow**	123.6	105.4	17.2%	126.4	158.8	-20.4%
Net income	105.8	69.5	52.1%	220.3	135.8	62.3%
Earnings per share (US\$) ***	0.3238	0.2111	53.4%	0.6735	0.4109	63.9%

*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: "Once again, GCC achieved double-digit growth in both top and bottom-line, driven by our commitment to excellence, and our strong client relationships. Our teams' ability to navigate market conditions has enabled us to further strengthen our margins."

Enrique continued, "Throughout the quarter, we continued to invest in our business, we focused on commercial performance to offset cost inflation and enhance margins, and on reinforcing our market position to build a stronger future for GCC."

FINANCIAL RESULTS

Consolidated net sales for the third quarter of 2023 increased by 17.9% year-on-year, to US\$416.1 million from US\$352.8 million in the third quarter of 2022. This was primarily due to increased cement and concrete volumes in Mexico, increased concrete volumes in the United States 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 13.3%.

Nine months: Consolidated net sales increased by 16.4%, to US\$1,024.1 million. This was result of the same variables that impacted the third quarter of 2023.

NET SALES (millions of dollars)

	Q3 23	Q3 22	Q3 23 vs. Q3 22	9M 23	9M 22	9M 23 vs. 9M 22
Consolidated	416.1	352.8	17.9%	1,024.1	879.8	16.4%
United States	299.5	269.1	11.3%	701.2	642.3	9.2%
Mexico	116.6	83.7	39.3%	322.9	237.5	36.0%
		Q3 23 vs. Q3 22		9M 23 vs. 9M 22		
	Volumes	Prices*		Volumes	Prices*	
Cement						
United States	-4.1%	12.4%		-8.1%	15.7%	
Mexico	2.9%	8.2%		5.5%	10.6%	
Concrete						
United States	1.1%	17.1%		5.3%	15.1%	
Mexico	6.0%	16.5%		8.6%	13.9%	

*Prices in local currency

U.S. sales for the third quarter 2023 increased by 11.3% to US\$299.5 million and represented 72% of GCC's consolidated net sales. This was due to a 12.4% and 17.1% increase in cement and concrete prices, respectively, and a 1.1% increase in concrete volumes, partially offset by a 4.1% decrease in cement volumes.

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

Nine months: U.S. sales increased by 9.2%, to US\$701.2 million. This was primarily due to a 15.7% and 15.1% increase in cement and concrete prices, respectively, and a 5.3% increase in concrete volumes, partially offset by an 8.1% decrease in cement volumes.

Mexico sales increased by 39.3% in the third quarter 2023, to US\$116.6 million, representing 28% of GCC's consolidated net sales. This was due to a 2.9% and 6% increase in cement and concrete volumes, respectively, and an 8.2% and 16.5% 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\$16.4 million. For comparative purposes, Mexico sales excluding the appreciation of the Mexican peso increased by 19.7%.

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

Nine months: Mexico sales increased by 36% to US\$322.9 million, due to a 5.5% and 8.6% increase in cement and concrete volumes, respectively, and a 10.6% and 13.9% increase in cement and concrete prices, respectively.

Cost of sales totaled US\$249.4 million for the third quarter 2023, representing 59.9% of total sales, compared to 66.9% in the third quarter of 2022; a 7 percentage-point decrease. This decrease was primarily due to favorable selling prices, operating leverage, lower fuel prices and production costs.

Nine months: Cost of sales represented 63.6% of revenues; a 5.7 percentage-point year-on-year decrease, reflecting favorable selling prices, operating leverage and lower fuel prices. These were partially offset by higher production costs and expenses.

Selling, general and administrative expenses totaled US\$31.2 million in the third quarter of 2023, equivalent to 7.5% of consolidated net sales; an 80 basis-point increase.

Nine months: Selling, general and administrative expenses totaled US\$88.1 million. These were equivalent to 8.6% of sales; a 70 basis-point increase.

Operating income before other expenses increased 45.5% to US\$135.5 million in the third quarter.

Nine months: Operating income before other expenses increased 42.2% to US\$284.7 million.

Other expenses totaled US\$2.2 million in the third quarter of 2023, compared to US\$0.2 million in the third quarter 2022.

Nine months: Other expenses were US\$4.3 million, compared to US\$0.5 million in the prior year period.

Operating income increased 43.4% to US\$133.3 million in the third quarter of 2023.

Nine months: Operating income increased 40.4% to US\$280.4 million.

As a result, third quarter 2023 **EBITDA** increased by 35% to US\$158.5 million. Third quarter 2023 EBITDA margin was 38.1%; a 4.8 percentage-point increase.

79% of third quarter 2023 EBITDA was generated by the Company's U.S. operations and 21% by its Mexico operations.

Nine months: EBITDA increased 30.5% to US\$354.2 million, while the EBITDA margin increased 3.7 percentage points to 34.6%.

GCC's U.S. operations generated 75% of EBITDA and Mexico generated 25% of EBITDA.

Net financial income totaled US\$9.6 million in the third quarter of 2023, compared to US\$0.1 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.

Nine months: Net financial income totaled US\$17.9 million, compared to US\$18.2 million of net financial expenses in the prior year period, a reflection of those variables which impacted the third quarter 2022, as well as the absence of financial expenses related to the prepayment of the Company's 2024 Notes and a decrease in effective interest rate.

Income tax totaled US\$38 million for the third quarter of 2023, compared to US\$24.2 million in the prior year's period. This was mainly due to increased income before taxes, partially offset by a higher share of U.S. pre-tax income, which has a lower associated income tax rate.

Nine months: Income tax totaled US\$80.1 million; a 65.9% year-on-year increase, reflecting variables also impacting the third quarter 2023.

Consolidated net income was US\$105.8 million for the third quarter of 2023; a 52.1% increase compared to US\$69.5 million in the third quarter 2022.

Nine months: Consolidated net income increased 62.3% and totaled US\$220.3 million, compared to US\$135.8 million for the same period of 2022.

Earnings per share was US\$0.3238 in the third quarter 2023, compared to US\$0.2111 in the third quarter 2022; a 53.4% increase.

Nine months: Earnings per share reached US\$0.6735, as compared to US\$0.4109 in the prior year period; a 63.9% year-on-year increase.

Free cash flow was US\$123.6 million in the third quarter of 2023; a 17.2% increase compared to US\$105.4 million for the same period in 2022. This was due to increased EBITDA generation and interest income as a result of increases in US and Mexico interest rates. These were partially offset by increased cash taxes and working capital requirements.

Nine months: Free cash flow was US\$126.4 million, a 20.4% decrease compared to US\$158.8 million for the same period of 2022. This 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)

	Q3 23	Q3 22	Var	9M 23	9M 22	Var
Operating income before other expenses	135.5	93.1	45.5%	284.7	200.2	42.2%
Depreciation and amortization	23.0	24.3	-5.1%	69.5	71.3	-2.5%
EBITDA	158.5	117.4	35.0%	354.2	271.4	30.5%
Interest (expense)	15.1	5.7	165.4%	30.6	1.0	n.m.
Decrease (increase) in working capital	(13.4)	8.4	n.m.	(93.0)	(22.3)	317.4%
Taxes	(25.5)	(2.2)	n.m.	(58.9)	(10.3)	473.2%
Prepaid expenses	(2.1)	(5.3)	-60.9%	1.8	(1.5)	n.m.
Accruals and other accounts	7.2	0.1	n.m.	(51.7)	(27.8)	86.1%
Operating leases (IFRS16 effect)	(3.0)	(4.1)	-27.8%	(9.1)	(12.3)	-26.4%
Operating cash flow	136.8	120.0	14.0%	174.0	198.4	-12.3%
Maintenance CapEx	(13.3)	(14.6)	-9.3%	(47.6)	(39.6)	20.3%
Free cash flow	123.6	105.4	17.2%	126.4	158.8	-20.4%
Strategic & Growth CapEx	(24.8)	(12.8)	93.6%	(77.2)	(33.0)	134.1%
Shares repurchase, net	(0.6)	(3.3)	-80.7%	(14.4)	(20.6)	-29.9%
Debt amortization, net	0.0	0.0	n.m.	0.0	(40.0)	-100.0%
Dividends paid	0.0	0.0	n.m.	(24.6)	(19.1)	28.7%
FX effect	(11.1)	(2.6)	327.5%	21.0	2.9	618.4%
Initial cash balance	770.3	645.3	19.4%	826.2	683.0	21.0%
Final cash balance	857.3	732.0	17.1%	857.3	732.0	17.1%
FCF conversion rate*	77.9%	89.8%		35.7%	58.5%	

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

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

Net leverage (net debt/EBITDA) at the end of the third quarter 2023 was -0.82 times, compared to -0.69 times as of June 30, 2023, in accordance with GCC's contractual obligations.

INTEREST-BEARING DEBT* (millions of dollars)

	September 2023	September 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
Third quarter average	17.0658	20.2408
As of September 30	17.7287	20.3058
Accumulated average	17.8219	20.2671

Unless otherwise stated, all percentage changes refer to the third quarter (or nine 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. Citigroup
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 conducted sustainability assessments**

In line with GCC's commitment to advancing sustainable practices and promoting transparency and disclosure, during the quarter the Company participated in two sustainability assessments.

For the third consecutive year, GCC engaged in the Carbon Disclosure Project (CDP) questionnaire focused on climate change. Notably, this year the Company broadened its commitment to transparency by responding the questionnaire on water security for the first time.

In addition, 2023 marked the fourth consecutive year GCC completed the Standard & Poor's Corporate Sustainability Assessment (CSA). This comprehensive assessment evaluates the Company's performance in the environmental, social and governance dimensions. The results will be publicly available by the end of October.

CONFERENCE CALL

GCC, S.A.B. de C.V. will host its earnings conference call on October 25, 2023.

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

Conference ID: **13735121**

Dial in

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

International: 1-201-689-8562

Replay (through November 1, 2023, 3:20 p.m. ET):

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)

	Q3 2023	%	Q3 2022	%	Q23 / Q22
Net sales	416,094	100.0%	352,780	100.0%	17.9%
U.S. sales	299,498	72.0%	269,070	76.3%	11.3%
Mexico sales	116,596	28.0%	83,710	23.7%	39.3%
Cost of sales	249,389	59.9%	236,046	66.9%	5.7%
Gross income	166,705	40.1%	116,734	33.1%	42.8%
Selling, general and administrative expenses	31,207	7.5%	23,594	6.7%	32.3%
Operating income before other expenses, net	135,498	32.6%	93,140	26.4%	45.5%
Other (income) expenses	2,152	0.5%	174	0.0%	n.m.
Operating income	133,346	32.0%	92,966	26.4%	43.4%
Financial income	15,569	3.7%	6,263	1.8%	148.6%
Financial expenses	(7,294)	-1.8%	(6,861)	-1.9%	6.3%
Exchange gain (loss), net	1,361	0.3%	469	0.1%	190.2%
Net financing expenses	9,636	2.3%	(129)	0.0%	n.m.
Share of profit of associates and joint venture	800	0.2%	927	0.3%	-13.7%
Income before income taxes	143,782	34.6%	93,764	26.6%	53.3%
Income taxes (benefit)	38,014	9.1%	24,236	6.9%	56.8%
Consolidated net income	105,768	25.4%	69,528	19.7%	52.1%
Controlling interest	105,766	25.4%	69,528	19.7%	52.1%
Non-controlling interest	2	0.0%	-	0.0%	0.0%
EBITDA	158,507	38.1%	117,392	33.3%	35.0%
Free cash flow	123,552	29.7%	105,412	29.9%	17.2%

Cumulative Income Statement to September

(Thousands of dollars)

	2023	%	2022	%	2023 / 2022
Net sales	1,024,055	100.0%	879,753	100.0%	16.4%
U.S. sales	701,171	68.5%	642,278	73.0%	9.2%
Mexico sales	322,884	31.5%	237,475	27.0%	36.0%
Cost of sales	651,252	63.6%	609,873	69.3%	6.8%
Gross income	372,803	36.4%	269,880	30.7%	38.1%
Selling, general and administrative expenses	88,081	8.6%	69,704	7.9%	26.4%
Operating income before other expenses, net	284,722	27.8%	200,176	22.8%	42.2%
Other (income) expenses	4,327	0.4%	483	0.1%	795.9%
Operating income	280,395	27.4%	199,693	22.7%	40.4%
Financial income	41,595	4.1%	13,512	1.5%	207.8%
Financial expenses	(21,208)	-2.1%	(31,650)	-3.6%	-33.0%
Exchange gain (loss), net	(2,465)	-0.2%	(27)	0.0%	n.m.
Net financing expenses	17,922	1.8%	(18,165)	-2.1%	n.m.
Share of profit of associates and joint venture	2,106	0.2%	2,518	0.3%	-16.4%
Income before income taxes	300,423	29.3%	184,046	20.9%	63.2%
Income taxes (benefit)	80,084	7.8%	48,264	5.5%	65.9%
Consolidated net income	220,339	21.5%	135,782	15.4%	62.3%
Controlling interest	220,336	21.5%	135,781	15.4%	62.3%
Non-controlling interest	3	0.0%	1	0.0%	200.0%
EBITDA	354,221	34.6%	271,428	30.9%	30.5%
Free cash flow	126,419	12.3%	158,768	18.0%	-20.4%

Statement of Financial Position

(Thousands of dollars)

	September 2023	September 2022	Variation
Total assets	2,657,859	2,372,067	12.0%
Current Assets	1,226,795	1,064,501	15.2%
Cash and cash equivalents	857,324	731,964	17.1%
Accounts receivable, net	153,964	146,008	5.4%
Other accounts receivable, net	25,191	34,309	-26.6%
Due from related parties	3,566	4,433	-19.6%
Inventories	137,397	95,791	43.4%
Urban land	38,410	37,373	2.8%
Prepaid expenses	10,943	14,623	-25.2%
Non-current assets	1,431,064	1,307,566	9.4%
Investment in associates	27,334	21,412	27.7%
Property, machinery and equipment, net	1,098,620	971,211	13.1%
Long term right of use assets	28,666	23,276	23.2%
Goodwill	212,626	212,594	0.0%
Intangible assets, net	51,339	58,205	-11.8%
Other non-current assets	12,479	20,868	-40.2%
Total liabilities	999,180	957,486	4.4%
Current liabilities	267,218	239,203	11.7%
Trade accounts payable	161,812	147,870	9.4%
Due to related parties	1,513	3,780	-60.0%
Short term - employee benefits	38,564	34,566	11.6%
Accrued expenses and taxes other than income taxes	52,092	40,375	29.0%
Provisions	3,169	2,939	7.8%
Short term right of use liabilities	10,068	9,673	4.1%
Long-term liabilities	731,962	718,283	1.9%
Long term debt	496,910	496,610	0.1%
Long term right of use liabilities	19,105	15,659	22.0%
Employee benefits	33,319	34,833	-4.3%
Provision for environmental restoration	25,069	25,334	-1.0%
Deferred income taxes	157,559	145,847	8.0%
Total equity	1,658,679	1,414,581	17.3%
Controlling interest	1,657,714	1,413,623	17.3%
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	1,459,495	1,362,965	7.1%
Consolidated net income	220,336	135,781	62.3%
Other comprehensive income	(225,211)	(288,217)	21.9%
Non-controlling interest	965	958	0.7%
Total Liabilities and Equity	2,657,859	2,372,067	12.0%

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.