



# 2021

## THIRD QUARTER EARNINGS REPORT



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## GCC REPORTS THIRD QUARTER 2021 RESULTS

Chihuahua, Chihuahua, Mexico, October 26, 2021 – 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 2021.

### Q3 2021 HIGHLIGHTS

- Total U.S. cement volumes grew 9.7% and rose 1.5% excluding oil well cement
- Mexico cement and ready-mix volumes increased 1.1% and 17.7%, respectively
- U.S. cement and ready-mix prices increased 10.3% and 5.2%
- Consolidated net sales increased 12.2%, to US\$315.4 million
- EBITDA increased 10.2% to US\$110.1 million, with a 34.9% EBITDA margin
- Free cash flow totaled US\$95.3 million with an 86.6% conversion rate from EBITDA
- Net leverage (net debt/EBITDA) ratio dropped to -0.18x as of September 2021
- Earnings per share increased 11.6% year on year, to US\$0.1771
- A dividend of Ps. 1.0105 per share was paid on August 17; representing a 7.5% increase as compared to the dividend declared in 2020

### KEY FIGURES (millions of dollars)

	Q3 21	Q3 20	Q3 21 vs Q3 20	9M 21	9M 20	9M 21 vs 9M 20
Net sales	315.4	281.1	12.2%	780.9	705.3	10.7%
Operating income before other expenses, net	85.1	75.7	12.4%	183.8	154.7	18.9%
EBITDA*	110.1	99.9	10.2%	256.6	227.0	13.0%
EBITDA margin	34.9%	35.5%		32.9%	32.2%	
Free cash flow**	95.3	104.6	-8.9%	155.0	150.8	2.8%
Net income	58.7	52.6	11.7%	121.7	102.2	19.1%
Earnings per share (US\$)***	0.1771	0.1587	11.6%	0.3674	0.3082	19.2%

\*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 *"We are pleased with the results delivered despite supply chain and energy cost challenges. GCC is on track to meet our full-year guidance, assuming favorable weather conditions continue."*

**Mr. Escalante continued**, *"During the quarter, we reached positive net cash and our balance sheet is ready for growth to prepare GCC for a new phase of the industry's cycle."*

## FINANCIAL RESULTS

**Consolidated net sales** for the third quarter of 2021 increased by 12.2% to US\$315.4 million from US\$281.1 million in the third 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 9.6%.

*Nine months:* Consolidated net sales increased 10.7% to US\$780.9 million following the trends of the third 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 8.4%.

### NET SALES (millions of dollars)

	Q3 21	Q3 20	Q3 21 vs. Q3 20	9M 21	9M 20	9M 21 vs. 9M 20
<b>Consolidated</b>	315.4	281.1	12.2%	780.9	705.3	10.7%
United States	243.7	217.3	12.2%	566.7	528.0	7.3%
Mexico	71.7	63.9	12.3%	214.2	177.3	20.8%
	Q3 21 vs. Q3 20			9M 21 vs. 9M 20		
	Volumes	Prices*		Volumes	Prices*	
<b>Cement</b>						
United States	9.7%	10.3%		5.8%	8.0%	
Mexico	1.1%	4.1%		7.7%	1.3%	
<b>Concrete</b>						
United States	-23.4%	5.2%		-22.2%	5.7%	
Mexico	17.7%	7.6%		20.9%	5.9%	

\*Prices in local currency

**U.S. sales** represented 77% of GCC's third quarter 2021 consolidated net sales and increased by 12.2% to US\$243.7 million. This was due to a 9.7% increase in cement volumes and an increase in cement and concrete prices of 10.3% and 5.2% respectively, which were partially offset by a 23.4% decrease in concrete volumes.

The most dynamic market segments during the quarter were infrastructure and the oil sector.

*Nine months:* U.S. sales increased 7.3%, to US\$566.7 million. This was primarily due to a 5.8% increase in cement volumes and an increase in cement and concrete prices of 8% and 5.7%, respectively. These were partially offset by a 22.2% decrease in concrete volumes.

**Mexico sales**, which represented 23% of GCC's consolidated net sales, increased 12.3% in the third quarter 2021 to US\$71.7 million. This was due to a 1.1% and 17.7% increase in cement and concrete volumes, as well as a 4.1% and 7.6% increase in prices, respectively.

The appreciation of the Mexican peso against the U.S. dollar during the quarter increased sales by US\$7.2 million. For comparative purposes, Mexico sales, excluding the appreciation of the Mexican peso, would have increased by 1%.

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

*Nine months:* Mexico sales increased 20.8% to US\$214.2 million, due to a 7.7% increase in cement volumes and 20.9% increase in concrete volumes, as well as a 1.3% and 5.9% increase in prices, respectively.

The appreciation of the Mexican peso against the U.S. dollar increased sales by US\$16.3 million. For comparative purposes, Mexico sales, excluding the appreciation of the Mexican peso, would have increased by 11.6%.

**Cost of sales** totaled US\$206.7 million in the third quarter 2021, representing 65.5% of total sales, compared to 66.2% in the third quarter 2020. This decrease was primarily due to:

- Favorable selling prices in both divisions
- Operating leverage
- A change in total sales mix due to a higher share of cement than ready mix

*Nine months:* Cost of sales was 68.2% of revenues; a 1.5 percentage-point decrease from the same period in 2020.

**Selling, general and administrative expenses** totaled US\$23.6 million in the third quarter 2021, equivalent to 7.5% of consolidated net sales; a 66 basis-point increase.

*Nine months:* Selling, general and administrative expenses totaled US\$64.6 million. These were equivalent to 8.3% of sales; a 15-basis point decrease.

**Operating income before other expenses** increased 12.4% to US\$85.1 million in the third quarter 2021.

*Nine months:* Operating income before other expenses increased 18.9%, to US\$183.8 million.

**Other expenses** were US\$0.2 million, compared to US\$6.5 million in the prior year period.

*Nine months:* Other expenses were US\$0.6 million, compared to US\$11.5 million in the prior year period.

**Operating income** increased 22.8% to US\$85 million in the third quarter.

*Nine months:* Operating income increased 28% to US\$183.2 million.

**EBITDA** increased 10.2% to US\$110.1 million, with a 34.9% EBITDA margin.

In the third quarter of 2021, 81% of EBITDA was generated by the U.S. operations and 19% by the Mexico operations.

*Nine months:* EBITDA increased 13% to US\$256.6 million, while the EBITDA margin expanded 67 basis-points to 32.9%.

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

**Net financial expenses** totaled US\$5.7 million in the third quarter, compared to US\$8 million in the prior year period. This was due to a positive foreign exchange effect on GCC's cash position and lower debt balance, partially offset by an increase in effective interest rate.

*Nine months:* Net financial expenses increased 20.8%, to US\$21 million due to a negative foreign exchange effect on GCC's cash position, partially offset by lower debt balance and lower interest rates on the variable portion of the Company's financial debt.

**Income tax** totaled US\$21.2 million in the third quarter 2021, compared to US\$9 million in the prior year period. This was 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.

*Nine months:* Income tax totaled US\$42.4 million; a 70.4% year-on-year increase, mainly due to higher income before taxes.

**Consolidated net income** was US\$58.7 million for the third quarter 2021, compared to US\$52.6 million in Q3 20; representing a 11.7% increase.

*Nine months:* Consolidated net income increased 19.1% and totaled US\$121.7 million in the first nine months of 2021, compared to US\$102.2 million for the same period of 2020.

**Earnings per share** was US\$0.1771, compared to US\$0.1587 in Q3 20, a 11.6% increase.

*Nine months:* Earnings per share reached US\$0.3674, as compared to US\$0.3082 in the first nine months of 2020, a 19.2% increase.

**Free cash flow** was US\$95.3 million in the third quarter of 2021, compared to US\$104.6 million for the same period in 2020. This reflects higher working capital requirements and maintenance CapEx, partially offset by increased EBITDA generation, as well as lower interest expenses and cash taxes.

*Nine months:* Free cash flow was US\$155 million, compared to US\$150.8 million in the first nine months of 2020. This was primarily due to increased EBITDA generation, as well as lower interest expenses and cash taxes, partially offset by higher maintenance CapEx and working capital requirements.

## FREE CASH FLOW (millions of dollars)

	Q3 21	Q3 20	Var	9M 21	9M 20	Var
Operating income before other expenses	85.1	75.7	12.4%	183.8	154.7	18.9%
Depreciation and amortization	25.0	24.2	3.3%	72.8	72.4	0.6%
<b>EBITDA</b>	<b>110.1</b>	<b>99.9</b>	<b>10.2%</b>	<b>256.6</b>	<b>227.0</b>	<b>13.0%</b>
Interest (expense)	(0.4)	(1.9)	-81.1%	(8.9)	(12.9)	-31.0%
Decrease (increase) in working capital	5.5	11.6	-52.6%	(29.5)	(25.7)	14.7%
Taxes	(0.0)	(0.8)	-95.3%	(9.7)	(12.9)	-24.4%
Prepaid expenses	(1.6)	(1.8)	-8.1%	2.2	1.8	25.9%
Accruals and other accounts	(1.0)	9.8	n.m.	(11.8)	10.6	n.m.
Operating leases (IFRS16 effect)	(4.7)	(4.9)	-3.6%	(14.0)	(14.6)	-4.1%
<b>Operating cash flow</b>	<b>107.9</b>	<b>111.9</b>	<b>-3.6%</b>	<b>184.9</b>	<b>173.2</b>	<b>6.7%</b>
Maintenance CapEx	(12.5)	(7.3)	72.6%	(29.9)	(22.5)	33.0%
<b>Free cash flow</b>	<b>95.3</b>	<b>104.6</b>	<b>-8.9%</b>	<b>155.0</b>	<b>150.8</b>	<b>2.8%</b>
Strategic & Growth CapEx	(0.4)	(0.9)	-51.5%	(2.0)	(1.2)	62.9%
Share repurchase, net	0.0	0.0	0.0%	(0.1)	(5.2)	-97.5%
Revolving credit line	0.0	0.0	0.0%	0.0	50.0	-100.0%
Debt amortization, net	(36.0)	(10.0)	260.0%	(56.0)	(15.4)	263.0%
Dividends paid	(16.7)	(7.0)	100.0%	(24.5)	(7.0)	249.9%
FX effect	(3.2)	1.9	n.m.	(2.4)	(11.5)	-79.5%
Initial cash balance	593.2	422.3	40.5%	562.1	350.5	60.4%
<b>Final cash balance</b>	<b>632.1</b>	<b>510.9</b>	<b>23.7%</b>	<b>632.1</b>	<b>510.9</b>	<b>23.7%</b>
FCF conversion rate*	86.6%	104.7%		60.4%	66.4%	

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

**Total debt** was US\$576 million as of September 30, 2021, based on contractual balances; a 16.8% year-on-year decrease.

Short-term debt was US\$160 million. This represented 27.8% of the total debt.

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

Net leverage (net debt/EBITDA) at the end of the third quarter 2021 was -0.18 times, compared to 0.06 as of June 30, 2021, and is in accordance with GCC's contractual obligations.

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

	September 2021	September 2020	2021 vs. 2020
<b>Total</b>	<b>576.0</b>	<b>692.0</b>	<b>-16.8%</b>
Short-term	160.0	116.0	37.9%
Long-term	416.0	576.0	-27.8%

\*Excludes amortizable commissions and issuance expenses

## OUTLOOK FOR 2021

United States		
<b>Volumes</b>	Cement	4% - 6%
	Concrete	(15%) – (20%)
<b>Prices (US\$)</b>	Cement	6% - 7%
	Concrete	4% - 5%
Mexico		
<b>Volumes</b>	Cement	4% - 6%
	Concrete	10% - 15%
<b>Prices (Ps.)</b>	Cement	2% - 3%
	Concrete	
Consolidated		
<b>EBITDA Growth</b>		8% - 13%
		US\$ 333 – US\$348 million
<b>FCF Conversion Rate*</b>		> 60%
<b>Total CapEx</b>		US\$75 million
	Maintenance	\$65
	2020 carry-over	\$10
<b>Net Debt / EBITDA, year-end</b>		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
Third quarter average	20.0167	22.0974
As of September 30	20.3060	22.4573
Accumulated average	20.1284	21.7874

Unless otherwise stated, all percentage changes refer to the third quarter (or nine 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 October 27, 2021.

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

Conference ID: **13714205**

**Dial in**

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

International: 1-201-689-8562

Replay (through November 3, 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)

	Q3 2021	%	Q3 2020	%	Q21 / Q20
<b>Net sales</b>	<b>315,421</b>	<b>100.0%</b>	<b>281,125</b>	<b>100.0%</b>	<b>12.2%</b>
U.S. sales	243,730	77.3%	217,263	77.3%	12.2%
Mexico sales	71,691	22.7%	63,862	22.7%	12.3%
Cost of sales	206,659	65.5%	186,187	66.2%	11.0%
<b>Gross income</b>	<b>108,762</b>	<b>34.5%</b>	<b>94,938</b>	<b>33.8%</b>	<b>14.6%</b>
Selling, general and administrative expenses	23,644	7.5%	19,226	6.8%	23.0%
<b>Operating income before other expenses, net</b>	<b>85,118</b>	<b>27.0%</b>	<b>75,712</b>	<b>26.9%</b>	<b>12.4%</b>
Other (income) expenses	151	0.0%	6,524	2.3%	-97.7%
<b>Operating income</b>	<b>84,967</b>	<b>26.9%</b>	<b>69,188</b>	<b>24.6%</b>	<b>22.8%</b>
Financial income	1,975	0.6%	1,085	0.4%	82.0%
Financial expenses	(8,240)	-2.6%	(7,706)	-2.7%	6.9%
Exchange gain (loss), net	522	0.2%	(1,413)	-0.5%	n.m.
<b>Net financing expenses</b>	<b>(5,743)</b>	<b>-1.8%</b>	<b>(8,034)</b>	<b>-2.9%</b>	<b>-28.5%</b>
Share of profit of associates and joint venture	672	0.2%	447	0.2%	50.3%
<b>Income before income taxes</b>	<b>79,896</b>	<b>25.3%</b>	<b>61,601</b>	<b>21.9%</b>	<b>29.7%</b>
Income taxes (benefit)	21,190	6.7%	9,044	3.2%	134.3%
<b>Consolidated net income</b>	<b>58,706</b>	<b>18.6%</b>	<b>52,557</b>	<b>18.7%</b>	<b>11.7%</b>
Controlling interest	58,706	18.6%	52,557	18.7%	11.7%
Non-controlling interest	-	0.0%	-	0.0%	n.m.
<b>EBITDA</b>	<b>110,104</b>	<b>34.9%</b>	<b>99,897</b>	<b>35.5%</b>	<b>10.2%</b>
Free cash flow	95,336	30.2%	104,619	37.2%	-8.9%

## Cumulative Income Statement to September

(Thousands of dollars)

	2021	%	2020	%	2021 / 2020
<b>Net sales</b>	<b>780,892</b>	<b>100.0%</b>	<b>705,286</b>	<b>100.0%</b>	<b>10.7%</b>
U.S. sales	566,739	72.6%	527,977	74.9%	7.3%
Mexico sales	214,153	27.4%	177,309	25.1%	20.8%
Cost of sales	532,461	68.2%	491,263	69.7%	8.4%
<b>Gross income</b>	<b>248,431</b>	<b>31.8%</b>	<b>214,023</b>	<b>30.3%</b>	<b>16.1%</b>
Selling, general and administrative expenses	64,592	8.3%	59,373	8.4%	8.8%
<b>Operating income before other expenses, net</b>	<b>183,839</b>	<b>23.5%</b>	<b>154,650</b>	<b>21.9%</b>	<b>18.9%</b>
Other (income) expenses	623	0.1%	11,538	1.6%	-94.6%
<b>Operating income</b>	<b>183,216</b>	<b>23.5%</b>	<b>143,112</b>	<b>20.3%</b>	<b>28.0%</b>
Financial income	5,180	0.7%	4,769	0.7%	8.6%
Financial expenses	(26,897)	-3.4%	(27,624)	-3.9%	-2.6%
Exchange gain (loss), net	760	0.1%	5,512	0.8%	-86.2%
<b>Net financing expenses</b>	<b>(20,957)</b>	<b>-2.7%</b>	<b>(17,343)</b>	<b>-2.5%</b>	<b>20.8%</b>
Share of profit of associates and joint venture	1,813	0.2%	1,281	0.2%	41.5%
<b>Income before income taxes</b>	<b>164,072</b>	<b>21.0%</b>	<b>127,050</b>	<b>18.0%</b>	<b>29.1%</b>
Income taxes (benefit)	42,365	5.4%	24,868	3.5%	70.4%
<b>Consolidated net income</b>	<b>121,707</b>	<b>15.6%</b>	<b>102,182</b>	<b>14.5%</b>	<b>19.1%</b>
Controlling interest	121,707	15.6%	102,181	14.5%	19.1%
Non-controlling interests	-	0.0%	1	0.0%	-100.0%
<b>EBITDA</b>	<b>256,631</b>	<b>32.9%</b>	<b>227,026</b>	<b>32.2%</b>	<b>13.0%</b>
Free cash flow	154,979	19.8%	150,766	21.4%	2.8%

## Statement of Financial Position

(Thousands of dollars)

	September 2021	September 2020	Variation
<b>Total assets</b>	<b>2,227,556</b>	<b>2,126,049</b>	<b>4.8%</b>
<b>Current Assets</b>	<b>944,014</b>	<b>817,462</b>	<b>15.5%</b>
Cash and cash equivalents	632,130	510,935	23.7%
Accounts receivable, net	138,676	123,875	11.9%
Other accounts receivable, net	34,283	42,040	-18.5%
Due from related parties	4,317	2,693	60.3%
Inventories	88,302	95,783	-7.8%
Urban land	35,999	31,466	14.4%
Prepaid expenses	10,307	10,670	-3.4%
<b>Non-current assets</b>	<b>1,283,542</b>	<b>1,308,587</b>	<b>-1.9%</b>
Investment in associates	21,043	16,617	26.6%
Property, machinery and equipment, net	937,393	941,152	-0.4%
Long term right of use assets	22,398	32,166	-30.4%
Goodwill	212,594	229,609	-7.4%
Intangible assets, net	63,092	68,012	-7.2%
Other non-current assets	27,022	21,031	28.5%
<b>Total liabilities</b>	<b>948,170</b>	<b>1,021,595</b>	<b>-7.2%</b>
<b>Current liabilities</b>	<b>357,779</b>	<b>304,191</b>	<b>17.6%</b>
Current portion of long term debt	160,000	116,000	37.9%
Trade accounts payable	116,636	86,023	35.6%
Due to related parties	2,690	1,026	162.2%
Short term - employee benefits	35,596	36,755	-3.2%
Accrued expenses and taxes other than income taxes	25,067	43,421	-42.3%
Provisions	963	2,843	-66.1%
Short term right of use liabilities	16,827	18,123	-7.2%
<b>Long-term liabilities</b>	<b>590,391</b>	<b>717,404</b>	<b>-17.7%</b>
Long term debt	415,192	571,765	-27.4%
Long term right of use liabilities	3,227	12,325	-73.8%
Employee benefits	42,990	43,584	-1.4%
Provision for environmental restoration	21,034	24,002	-12.4%
Other long-term liabilities	2,507	-	100.0%
Income taxes payable	686	3,822	-82.1%
Deferred income taxes	104,755	61,906	69.2%
<b>Total equity</b>	<b>1,279,386</b>	<b>1,104,454</b>	<b>15.8%</b>
<b>Controlling interest</b>	<b>1,278,755</b>	<b>1,104,370</b>	<b>15.8%</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	1,251,028	1,148,778	8.9%
Consolidated net income	121,707	102,181	19.1%
Other comprehensive income	(297,074)	(349,683)	15.0%
<b>Non-controlling interest</b>	<b>631</b>	<b>84</b>	<b>n.m.</b>
<b>Total Liabilities and Equity</b>	<b>2,227,556</b>	<b>2,126,049</b>	<b>4.8%</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.*