



2021

FOURTH QUARTER EARNINGS REPORT



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GCC REPORTS FOURTH QUARTER AND FULL YEAR 2021 AUDITED RESULTS

Chihuahua, Chihuahua, Mexico, April 29, 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 fourth quarter and full year of 2021 based on the audited financial statements approved by the Annual Shareholders' Meeting held on April 28, 2022.

FY 2021 HIGHLIGHTS

- Consolidated net sales increased 10.8% to US\$1,038.8 million for the full year
- Total U.S. cement volumes grew 5.6% and 1.5%, excluding oil well cement
- Mexico sales increased 17.9% as cement and concrete volumes increased 6.9% and 19.1%, respectively
- U.S cement and concrete prices rose 8.9% and 5.1% respectively
- EBITDA increased 9.5% to US\$337.7 million with a 32.5% EBITDA margin
- Free cash flow totaled US\$243.7 million with a 72.2% conversion rate from EBITDA
- Cash and equivalents reached a record high US\$683 million
- Earnings per share increased 17.1% year-on-year to US\$0.4583
- Net leverage (net debt/EBITDA) ratio dropped to -0.44x by year-end
- A dividend of Ps. 1.0105 per share was paid on August 17, 2021, representing a 7.5% year-on-year increase
- In January 2022, GCC successfully issued a US\$500 million sustainability-linked bond with an interest coupon of 3.614% due April 2032. Proceeds were used to pay for the redemption of the GCC 5.250% notes due 2024 and to partially refinance bank debt maturities

Q4 2021 HIGHLIGHTS

- Total U.S. cement volumes grew 5.1% and decreased 5.5% excluding oil well cement
- Mexico cement and ready-mix volumes increased 4.5% and 14.1%, respectively
- U.S. cement and ready-mix prices increased 11.8% and 3%
- Consolidated net sales increased 10.9%, to US\$257.9 million
- EBITDA decreased 0.3% to US\$81.0 million, with a 31.4% EBITDA margin
- Free cash flow totaled US\$88.8 million with a 109.5% conversion rate from EBITDA
- Earnings per share increased 9.5% year on year, to US\$0.0910

KEY FIGURES (millions of dollars)

	Q4 21	Q4 20	Q4 21 vs Q4 20	2021	2020	2021 vs 2020
Net sales	257.9	232.5	10.9%	1,038.8	937.8	10.8%
Operating income before other expenses, net	57.2	56.7	1.0%	241.1	211.3	14.1%
EBITDA*	81.0	81.3	-0.3%	337.7	308.3	9.5%
EBITDA margin	31.4%	35.0%		32.5%	32.9%	
Free cash flow**	88.8	96.4	-7.9%	243.7	246.3	-1.0%
Net income	30.1	27.5	9.5%	151.9	129.7	17.1%
Earnings per share (US\$)***	0.0910	0.0831	9.5%	0.4583	0.3913	17.1%

*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

FINANCIAL RESULTS

Consolidated net sales for the fourth quarter of 2021 increased by 10.9% to US\$257.9 million from US\$232.5 million in the fourth 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 depreciation of the Mexican peso against the U.S. dollar during the quarter, increased by 11.2%.

Twelve months: Consolidated net sales increased 10.8% to US\$1,038.8 million following the trends of the fourth quarter.

For comparative purposes, consolidated net sales, excluding the appreciation of the Mexican peso against the U.S. dollar increased by 9%.

NET SALES (millions of dollars)

	Q4 21	Q4 20	Q4 21 vs. Q4 20	2021	2020	2021 vs. 2020
Consolidated	257.9	232.5	10.9%	1,038.8	937.8	10.8%
United States	183.6	165.2	11.2%	750.4	693.1	8.3%
Mexico	74.3	67.3	10.4%	288.4	244.6	17.9%
	Q4 21 vs. Q4 20			2021 vs. 2020		
	Volumes	Prices*		Volumes	Prices*	
Cement						
United States	5.1%	11.8%		5.6%	8.9%	
Mexico	4.5%	4.9%		6.9%	2.2%	
Concrete						
United States	-7.9%	3.0%		-19.1%	5.1%	
Mexico	14.1%	6.9%		19.1%	6.2%	

*Prices in local currency

U.S. sales represented 71% of GCC's fourth quarter 2021 consolidated net sales and increased by 11.2% to US\$183.6 million. This was due to a 5.1% increase in cement volumes and an increase in cement and concrete prices of 11.8% and 3% respectively, which were partially offset by a 7.9% decrease in concrete volumes.

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

Twelve months: U.S. sales increased 8.3%, to US\$750.4 million. This was primarily due to a 5.6% increase in cement volumes and an increase in cement and concrete prices of 8.9% and 5.1%, respectively. These were partially offset by a 19.1% decrease in concrete volumes due to of a difficult year-on- year comparison of windmill farm projects.

Mexico sales, which represented 29% of GCC's consolidated net sales, increased 10.4% in the fourth quarter 2021 to US\$74.3 million. This was due to a 4.5% and 14.1% increase in cement and concrete volumes, as well as a 6.9% increase in concrete prices. Domestic cement prices grew 6% and were partially offset by the effect of the exchange rate on cement exports, resulting in a 4.9% variation compared to Q4 20.

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

Twelve months: Mexico sales increased 17.9% to US\$288.4 million, due to a 6.9% and 19.1% increase in cement and concrete volumes, as well as a 6.2% 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 2.2% variation compared to 2020.

The appreciation of the Mexican peso against the U.S. dollar increased sales by US\$16.2 million. For comparative purposes, Mexico sales, excluding the appreciation of the Mexican peso, would have increased by 11.3%.

Cost of sales totaled US\$175 million in the fourth quarter 2021, representing 67.9% of total sales, compared to 67.4% in the fourth quarter 2020. This increase was primarily due to a higher cost of production in both divisions and higher purchased cement and coal from third parties.

This was partially offset by favorable selling prices and operating leverage in both divisions.

Twelve months: Cost of sales was 68.1% of revenues; a 100 basis-point decrease from the same period in 2020. The full-year 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

Selling, general and administrative expenses totaled US\$25.6 million in the fourth quarter 2021, equivalent to 9.9% of consolidated net sales; a 170 basis-point increase, mainly due to an increase in consulting expenses and lower savings associated with the 2020 expense reduction plan.

Twelve months: Selling, general and administrative expenses totaled US\$90.2 million. These were equivalent to 8.7% of sales; a 30-basis point increase.

Operating income before other expenses increased 1.0% to US\$57.2 million in the fourth quarter 2021.

Twelve months: Operating income before other expenses increased 14.1%, to US\$241.1 million.

Other expenses were US\$8.9 million, compared to US\$12.1 million in the prior year period.

Twelve months: Other expenses were US\$9.5 million, compared to US\$23.6 million in the prior year.

Operating income increased 8.5% to US\$48.4 million in the fourth quarter.

Twelve months: Operating income increased 23.4% to US\$231.6 million.

EBITDA decreased 0.3% to US\$81.0 million, with a 31.4% EBITDA margin.

In the fourth quarter of 2021, 78% of EBITDA was generated by the U.S. operations and 22% by the Mexico operations.

Twelve months: EBITDA increased 9.5% to US\$337.7 million, while the EBITDA margin contracted 40 basis points to 32.5%.

GCC's U.S. operations generated 76% of EBITDA and Mexico generated 24% of EBITDA.

Net financial expenses totaled US\$6.9 million in the fourth quarter, compared to US\$11.2 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.

Twelve months: Net financial expenses decreased 2.4%, to US\$27.8 million due to lower debt balance and higher financial products, partially offset by a negative foreign exchange effect on GCC's cash position.

Income tax totaled US\$12.5 million in the fourth quarter 2021, compared to US\$6.3 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.

Twelve months: Income tax totaled US\$54.9 million; a 76% year-on-year increase, mainly due to higher income before taxes.

Consolidated net income was US\$30.1 million for the fourth quarter 2021, compared to US\$27.5 million in Q4 20; representing a 9.5% increase.

Twelve months: Consolidated net income increased 17.1% and totaled US\$151.9 million in 2021, compared to US\$129.7 million for the same period of 2020.

Earnings per share was US\$0.0910, compared to US\$0.0831 in Q4 20, a 9.5% increase.

Twelve months: Earnings per share reached US\$0.4583, as compared to US\$0.3913 in 2020, a 17.1% increase.

Free cash flow was US\$88.8 million in the fourth quarter of 2021, compared to US\$96.4 million for the same period in 2020. This reflects higher maintenance CapEx, partially offset by lower working capital requirements, cash taxes and interest expenses.

Twelve months: Free cash flow was US\$243.7 million, compared to US\$246.3 million in 2020. This was primarily due to increased EBITDA generation, as well as lower working capital requirements, interest expenses and cash taxes, partially offset by higher maintenance CapEx.

FREE CASH FLOW (millions of dollars)

	Q4 21	Q4 20	Var	2021	2020	Var
Operating income before other expenses	57.2	56.7	1.0%	241.1	211.3	14.1%
Depreciation and amortization	23.8	24.6	-3.1%	96.6	96.9	-0.4%
EBITDA	81.0	81.3	-0.3%	337.7	308.3	9.5%
Interest (expense)	(7.2)	(8.4)	-14.3%	(16.1)	(21.2)	-24.4%
Decrease (increase) in working capital	37.9	52.3	-27.5%	8.4	26.6	-68.3%
Taxes	(0.9)	(2.4)	-64.3%	(11.8)	(15.3)	-22.9%
Prepaid expenses	(2.5)	(1.9)	36.9%	(0.3)	(0.1)	242.8%
Accruals and other accounts	3.1	(12.3)	n.m.	(7.6)	(1.8)	330.9%
Operating leases (IFRS16 effect)	(3.8)	(4.3)	-12.1%	(17.9)	(19.0)	-6.0%
Operating cash flow	107.6	104.2	3.3%	292.5	277.4	5.4%
Maintenance CapEx	(18.9)	(7.8)	141.0%	(48.7)	(31.2)	56.3%
Free cash flow	88.8	96.4	-7.9%	243.7	246.3	-1.0%
Strategic & Growth CapEx	(0.8)	(0.9)	-10.0%	(2.8)	(1.2)	128.1%
Share repurchase, net	0.0	0.0	0.0%	(0.1)	(5.2)	-97.5%
Sale of assets	0.0	2.6	-100.0%	0.0	2.6	-100.0%
Revolving credit line	0.0	0.0	0.0%	0.0	50.0	-100.0%
Debt amortization, net	(36.0)	(60.0)	-40.0%	(92.0)	(75.4)	22.0%
Dividends paid	0.0	0.0	0.0%	(24.5)	(7.0)	249.9%
FX effect	(1.2)	13.2	n.m.	(3.5)	1.7	n.m.
Initial cash balance	632.1	510.9	23.7%	562.1	350.5	60.4%
Final cash balance	683.0	562.1	21.5%	683.0	562.1	21.5%
FCF conversion rate*	109.5%	118.6%		72.2%	79.9%	

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

Total debt was US\$540 million as of December 31, 2021, based on contractual balances; a 14.6% year-on-year decrease.

Short-term debt was US\$176 million. This represented 32.6% of the total debt.

As of December 31, 2021, 100% of GCC's debt was denominated in U.S. dollars.

Net leverage (net debt/EBITDA) at the end of the fourth quarter 2021 was -0.44 times, compared to -0.18 as of September 30, 2021, and is in accordance with GCC's contractual obligations.

INTEREST-BEARING DEBT* (millions of dollars)

	December 2021	December 2020	2021 vs. 2020
Total	540.0	632.0	-14.6%
Short-term	176.0	92.0	91.3%
Long-term	364.0	540.0	-32.6%

*Excludes amortizable commissions and issuance expenses

OUTLOOK FOR 2022

United States and Mexico		
Volumes	Cement	Low- to mid-single digit
	Concrete	
Prices (US\$)	Cement	Mid- to high-single digit
	Concrete	
Consolidated		
EBITDA Growth		High-single to double digit
FCF Conversion Rate*		> 60%
Total CapEx		US\$260 million
	Growth	\$180
	Maintenance	\$65
	2021 carry-over	\$15
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 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
Fourth quarter average	20.7475	20.6042
As of December 31	20.5835	19.9487
Accumulated average	20.2832	21.4916

Unless otherwise stated, all percentage changes refer to the fourth quarter (or twelve 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. Itaú BBA
9. J.P. Morgan
10. Morgan Stanley
11. Nau Securities Limited
12. Santander
13. Scotiabank
14. UBS

Income Statement

(Thousands of dollars)

	4Q 2021	%	4Q 2020	%	Q21 / Q20
Net sales	257,912	100.0%	232,464	100.0%	10.9%
USA sales	183,632	71.2%	165,162	71.0%	11.2%
Mexico sales	74,280	28.8%	67,302	29.0%	10.4%
Cost of sales	175,023	67.9%	156,627	67.4%	11.7%
Gross income	82,889	32.1%	75,837	32.6%	9.3%
Selling, general and administrative expenses	25,644	9.9%	19,151	8.2%	33.9%
Operating income before other expenses, net	57,245	22.2%	56,686	24.4%	1.0%
Other (income) expenses	8,884	3.4%	12,102	5.2%	-26.6%
Operating income	48,361	18.8%	44,584	19.2%	8.5%
Financial income	2,048	0.8%	1,594	0.7%	28.5%
Financial expenses	(8,500)	-3.3%	(8,190)	-3.5%	3.8%
Exchange gain (loss), net	(427)	-0.2%	(4,568)	-2.0%	-90.7%
Net financing expenses	(6,879)	-2.7%	(11,164)	-4.8%	-38.4%
Share of profit of associates and joint venture	1,177	0.5%	422	0.2%	178.9%
Income before income taxes	42,659	16.5%	33,842	14.6%	26.1%
Income taxes (benefit)	12,512	4.9%	6,317	2.7%	98.1%
Consolidated net income	30,147	11.7%	27,525	11.8%	9.5%
Controlling interest	30,147	11.7%	27,525	11.8%	9.5%
Non-controlling interest	-	0.0%	-	0.0%	0.0%
EBITDA	81,047	31.4%	81,255	35.0%	-0.3%
Free cash flow	88,785	34.4%	96,353	41.4%	-7.9%

Cumulative Income Statement to December

(Thousands of dollars)

	2021	%	2020	%	2021 / 2020
Net sales	1,038,804	100.0%	937,750	100.0%	10.8%
USA sales	750,371	72.2%	693,139	73.9%	8.3%
Mexico sales	288,433	27.8%	244,611	26.1%	17.9%
Cost of sales	707,484	68.1%	647,890	69.1%	9.2%
Gross income	331,320	31.9%	289,860	30.9%	14.3%
Selling, general and administrative expenses	90,236	8.7%	78,524	8.4%	14.9%
Operating income before other expenses, net	241,084	23.2%	211,336	22.5%	14.1%
Other (income) expenses	9,507	0.9%	23,640	2.5%	-59.8%
Operating income	231,577	22.3%	187,696	20.0%	23.4%
Financial income	7,228	0.7%	6,363	0.7%	13.6%
Financial expenses	(35,397)	-3.4%	(35,814)	-3.8%	-1.2%
Exchange gain (loss), net	333	0.0%	944	0.1%	-64.7%
Net financing expenses	(27,836)	-2.7%	(28,507)	-3.0%	-2.4%
Share of profit of associates and joint venture	2,990	0.3%	1,703	0.2%	75.6%
Income before income taxes	206,731	19.9%	160,892	17.2%	28.5%
Income taxes (benefit)	54,877	5.3%	31,185	3.3%	76.0%
Consolidated net income	151,854	14.6%	129,707	13.8%	17.1%
Controlling interest	151,852	14.6%	129,706	13.8%	17.1%
Non-controlling interests	2	0.0%	1	0.0%	100.0%
EBITDA	337,678	32.5%	308,281	32.9%	9.5%
Free cash flow	243,733	23.5%	246,269	26.3%	-1.0%

2021 Income Statement

(Thousands of dollars)

	1Q 2021	%	2Q 2021	%	3Q 2021	%	4Q 2021	%	2021
Net sales	178,756	100.0%	286,715	100.0%	315,421	100.0%	257,912	100.0%	1,038,804
USA sales	112,326	62.8%	210,683	73.5%	243,730	77.3%	183,632	71.2%	750,371
Mexico sales	66,430	37.2%	76,032	26.5%	71,691	22.7%	74,280	28.8%	288,433
Cost of sales	133,026	74.4%	192,776	67.2%	206,659	65.5%	175,023	67.9%	707,484
Gross income	45,730	25.6%	93,939	32.8%	108,762	34.5%	82,889	32.1%	331,320
Selling, general and administrative expenses	20,216	11.3%	20,732	7.2%	23,644	7.5%	25,644	9.9%	90,236
Operating income before other expenses	25,514	14.3%	73,207	25.5%	85,118	27.0%	57,245	22.2%	241,084
Other income	26	0.0%	446	0.2%	151	0.0%	8,884	3.4%	9,507
Operating income	25,488	14.3%	72,761	25.4%	84,967	26.9%	48,361	18.8%	231,577
Financial income	1,529	0.9%	1,676	0.6%	1,975	0.6%	2,048	0.8%	7,228
Financial expenses	(7,999)	-4.5%	(10,658)	-3.7%	(8,240)	-2.6%	(8,500)	-3.3%	(35,397)
Exchange gain (loss), net	1,076	0.6%	(838)	-0.3%	522	0.2%	(427)	-0.2%	333
Net financing expenses	(5,394)	-3.0%	(9,820)	-3.4%	(5,743)	-1.8%	(6,879)	-2.7%	(27,836)
Share of profit of associates and joint venture	483	0.3%	658	0.2%	672	0.2%	1,177	0.5%	2,990
Income before income taxes	20,577	11.5%	63,599	22.2%	79,896	25.3%	42,659	16.5%	206,731
Income taxes (benefit)	5,249	2.9%	15,926	5.6%	21,190	6.7%	12,512	4.9%	54,877
Consolidated net income	15,328	8.6%	47,673	16.6%	58,706	18.6%	30,147	11.7%	151,854
Controlling interest	15,328	8.6%	47,673	16.6%	58,704	18.6%	30,147	11.7%	151,852
Non-controlling interest	-	0.0%	-	0.0%	2	0.0%	-	0.0%	2
EBITDA	49,487	27.7%	97,040	33.8%	110,104	34.9%	81,047	31.4%	337,678

Statement of Financial Position

(Thousands of dollars)

	December 2021	December 2020	Variation
Total assets	2,222,591	2,135,989	4.1%
Current Assets	953,859	830,136	14.9%
Cash and cash equivalents	682,962	562,144	21.5%
Accounts receivable, net	89,279	75,214	18.7%
Other accounts receivable, net	34,103	44,983	-24.2%
Due from related parties	3,196	2,530	26.3%
Inventories	95,692	96,522	-0.9%
Urban land	35,775	36,216	-1.2%
Prepaid expenses	12,852	12,527	2.6%
Non-current assets	1,268,732	1,305,853	-2.8%
Investment in associates	21,888	19,090	14.7%
Property, machinery and equipment, net	934,110	955,592	-2.2%
Long-term right of use assets	19,803	27,954	-29.2%
Goodwill	212,591	212,598	0.0%
Intangible assets, net	62,751	66,766	-6.0%
Other non-current assets	17,589	23,853	-26.3%
Total liabilities	911,609	960,847	-5.1%
Current liabilities	380,179	286,913	32.5%
Current portion of long-term debt	176,000	92,000	91.3%
Trade accounts payable	111,873	89,079	25.6%
Due to related parties	2,702	2,205	22.5%
Short-term - employee benefits	39,007	35,639	9.5%
Accrued expenses and taxes other than income taxes	34,078	47,477	-28.2%
Provisions	2,167	2,116	2.4%
Short-term right of use liabilities	14,352	18,397	-22.0%
Long-term liabilities	531,430	673,934	-21.1%
Long-term debt	363,383	536,851	-32.3%
Long-term right of use liabilities	2,057	8,114	-74.6%
Employee benefits	39,830	49,937	-20.2%
Provision for environmental restoration	23,247	18,921	22.9%
Other long-term liabilities	2,423	576	320.7%
Income taxes payable	676	4,302	-84.3%
Deferred income taxes	99,814	55,233	80.7%
Total equity	1,310,982	1,175,142	11.6%
Controlling interest	1,310,351	1,174,512	11.6%
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	1,138,394	9.9%
Consolidated net income	151,852	129,706	17.1%
Other comprehensive income	(295,623)	(296,682)	0.4%
Non-controlling interest	631	630	0.2%
Total Liabilities and Equity	2,222,591	2,135,989	4.1%

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.