

GCC

Quarterly Report

May 4, 2023

Solid start to the year confirms positive outlook

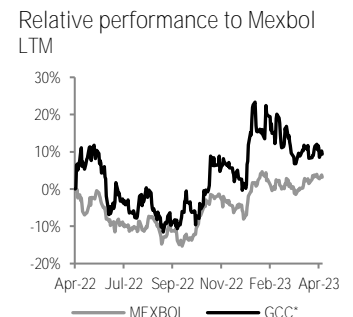
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- **GCC showed solid gains in 1Q23, in line with expectations. Higher volumes and product prices partially offset higher expenses, mitigating pressure on margins**
- **The favorable expectation of sustained growth and recovery in profitability, coupled with an attractive valuation (6.1x vs. 7.5x sector median), makes us reiterate the company in our [selection](#)**

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Higher prices and volumes support increases. GCC's revenues benefited mainly from price increases in local currency terms (+12.5% y/y on average), and in Mexico also in dollar terms (+22.9% y/y). US ready-mix volumes rose 27.0% year-over-year, although cement volumes decreased 9.6%, with the oil and gas, commercial and industrial sectors being the most active segments. In Mexico, cement and ready-mix volumes increased 11.1% y/y and 11.2% y/y, respectively, driven by demand related to the construction of maquiladora plants and industrial warehouses. Thus, sales grew 17.9% y/y to \$244 million. In the same line, EBITDA advanced 15.5% y/y to \$63 million, with the margin adjusting slightly -0.5pp to 25.8%, due to a higher increase in general, administrative and selling expenses (+24.8%), higher production, freight and maintenance costs, partially offset by operating leverage and a favorable sales mix. Net income increased 146% y/y, due to operating performance and higher financial products. **Positive outlook supported by increased profitability.** Although some challenges remain, including those related to economic performance, we believe the outlook for the company is favorable. Pricing strategy and improved demand performance, as well as a less adverse cost environment, should reflect higher margins for the year. This, together with its financial strength (-0.8x ND/EBITDA) and attractive valuation, reaffirms it as one of our favorites.

BUY	
Current Price	\$140.41
PT	\$183.00
Dividend	\$1.3
Dividend (%)	1.0%
Upside Potential	31.3%
Max – Min LTM (\$)	158.9 – 112.1
Market Cap (US\$m)	2,540.9
Shares Outstanding (m)	327.2
Float	49%
Daily Turnover US\$m	75.5
Valuation metrics LTM	
FV/EBITDA	6.1x
P/E	12.3x
MSCI ESG Rating*	N.A.



Financial Statements

USD, million	2021	2022	2023E	2024E
Revenue	1,039	1,169	1,263	1,301
Operating Income	232	269	297	319
EBITDA	338	363	398	422
EBITDA Margin	32.5%	31.0%	31.5%	32.4%
Net Income	152	187	227	240
Net Margin	14.6%	16.0%	18.0%	18.4%
Total Assets	2,223	2,458	2,729	2,999
Cash	683	832	762	782
Total Liabilities	912	977	1,021	1,051
Debt	556	519	516	516
Common Equity	1,311	1,481	1,708	1,948

Source: Banorte

Valuation and Financial metrics

	2021	2022	2023E	2024E
FV/EBITDA	7.1x	6.1x	5.8x	5.4x
P/E	16.7x	13.6x	11.2x	10.6x
P/BV	1.7x	1.6x	1.4x	1.2x
ROE	11.6%	12.6%	13.3%	12.3%
ROA	6.8%	7.6%	8.3%	8.0%
EBITDA/ interest	9.5x	9.4x	14.5x	16.3x
Net Debt/EBITDA	-0.4x	-0.9x	-0.6x	-0.6x
Debt/Equity	0.4x	0.4x	0.3x	0.3x

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GCC – Results 1Q23

USD, million

Concept	1Q22	1Q23	Var %	1Q23e	Diff % vs Estim.
Revenue	207	244	17.9%	234	4.4%
Operating Income	31	40	27.2%	38	5.0%
Ebitda	55	63	15.5%	61	2.5%
Net Income	13	32	146.4%	23	41.2%
Margins					
Operating Margin	15.2%	16.4%	1.2pp	16.3%	0.1pp
Ebitda Margin	26.4%	25.8%	-0.5pp	26.3%	-0.5pp
Net Margin	6.3%	13.3%	6.9pp	9.8%	3.5pp
EPS	\$0.04	\$0.10	149.5%	\$0.07	42.1%

Income Statement (Million pesos)

Year	2022	2022	2023	Change	Change
Quarter	1	4	1	% y/y	% q/q
Net Revenue	206.9	289.7	243.9	17.9%	-15.8%
Costs of goods sold	152.9	194.0	176.0	15.1%	-9.3%
Gross profit	54.0	95.7	67.9	25.8%	-29.1%
General expenses	22.6	26.6	28.0	23.8%	5.2%
Operating Income	31.4	69.1	39.9	27.2%	-42.2%
Operating Margin	15.2%	23.9%	16.4%	1.2pp	(7.5pp)
Depreciation	23.1	22.0	22.8	-1.4%	3.8%
EBITDA	54.5	91.3	63.0	15.5%	-31.0%
EBITDA Margin	26.4%	31.5%	25.8%	(0.5pp)	(5.7pp)
Interest Income (Expense) net	(14.2)	(0.1)	3.7	N.A.	N.A.
Interest expense	16.7	7.0	6.7	-59.7%	-3.1%
Interest income	3.3	8.6	12.4	273.9%	43.6%
Other income (expense)	0.0	0.0	0.0	N.A.	N.A.
Foreign exchange gain (loss)	(0.7)	(1.8)	(1.9)	153.3%	6.8%
Unconsolidated subsidiaries	0.7	0.8	0.3	-61.8%	-68.4%
Income before taxes	17.9	69.8	43.9	145.8%	-37.1%
Income taxes	4.7	18.5	11.6	144.2%	-37.5%
Discontinued operations	0.0	0.0	0.0	N.A.	N.A.
Consolidated Net Income	13.1	51.3	32.4	146.4%	-36.9%
Non-controlling interest	0.0	0.0	0.0	0.0%	N.A.
Net Income	13.1	51.3	32.4	146.4%	-36.9%
Net Margin	6.3%	17.7%	13.3%	6.9pp	(4.4pp)
EPS	0.040	0.156	0.099	149.5%	-36.5%

Balance Sheet (Million pesos)

Total Current Assets	928.3	1,121.2	1,129.2	21.6%	0.7%
Cash & Short Term Investments	640.3	832.1	807.7	26.1%	-2.9%
Long Term Assets	1,275.0	1,336.3	1,355.9	6.3%	1.5%
Property, Plant & Equipment (Net)	940.3	1,002.3	1,031.9	9.7%	3.0%
Intangible Assets (Net)	61.5	57.4	56.1	-8.8%	-2.3%
Total Assets	2,203.3	2,457.5	2,485.1	12.8%	1.1%
Current Liabilities	193.8	252.2	270.8	39.8%	7.4%
Short Term Debt	7.6	10.2	8.5	12.1%	-16.6%
Accounts Payable	128.7	201.9	169.9	32.0%	-15.8%
Long Term Liabilities	679.8	724.5	717.3	5.5%	-1.0%
Long Term Debt	509.7	508.4	507.6	-0.4%	-0.2%
Total Liabilities	873.6	976.7	988.1	13.1%	1.2%
Stockholders' Equity	1,329.7	1,480.8	1,497.0	12.6%	1.1%
Non-controlling interest	1.0	1.0	1.0	0.5%	0.0%
Total Equity	1,328.7	1,479.8	1,496.0	12.6%	1.1%
Liabilities & Equity	2,203.3	2,457.5	2,485.1	12.8%	1.1%
Net Debt	(123.0)	(313.4)	(291.5)	136.9%	-7.0%

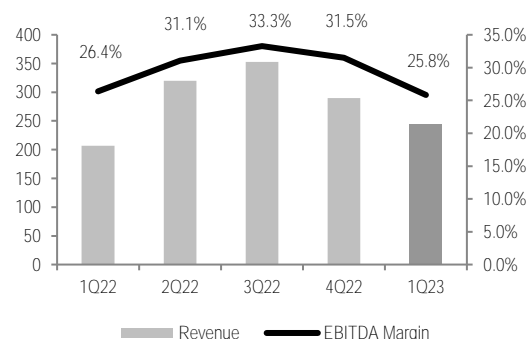
Cash Flow

CF from Operating Activities	21.6	130.1	(10.6)
CF from Investing Activities	(15.0)	(15.2)	(14.6)
CF from Financing Activities	(54.0)	(23.4)	(10.0)
Change in Cash Balance	4.8	8.6	10.8
CF from Operating Activities	(42.6)	100.1	(24.4)

Source: Banorte, MSE.

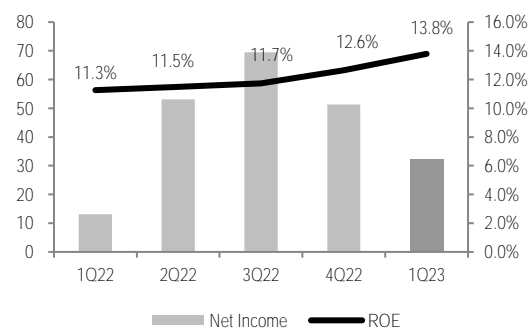
Revenue & EBITDA Margin

USD, million



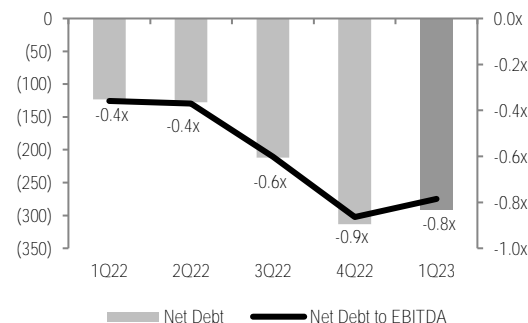
Net Income & ROE

USD, million



Net Debt & Net Debt to EBITDA ratio

USD, million



Volume and price variation per product for the 1Q23

Percentage – y/y variation

Region	Volume		Price*	
	Cement	Concrete	Cement	Concrete
US	-9.6%	27.0%	20.6%	5.6%
Mexico	11.1%	11.2%	12.6%	11.1%

Source: GCC, Banorte.

* Local currency.

GCC – Revenue, EBITDA and EBITDA Margin per region for the 1Q23

USD, million

Region	Revenue	Var y/y	EBITDA	Var y/y	EBITDA Margin	Var y/y
US	148	9.5%	42	10.5%	28.0%	0.3pp
Mexico	96	33.8%	21	26.7%	22.2%	-0.3pp
Consolidated	244	17.9%	63	15.5%	28.5%	-0.5pp

Source: GCC, Banorte.

Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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History of PT and Ratings

Stock	Date	Rating	PT
GCC *	07/27/2021	BUY	\$183.00
GCC *	04/27/2021	BUY	\$173.00
GCC *	01/13/2021	BUY	\$150.00
GCC *	10/22/2019	BUY	\$126.00

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD	AVERAGE				LEADER	

*The MSCI ESG Rating is an indicator that evaluates companies in Environment, Social and Governance (ESG) metrics.

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