

GCC

Quarterly Report

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Solid results, but with an expected tough outlook

- The company posted a sound report, above estimates, still with no impact from COVID-19. Higher profitability favorably surprised, supported by solid US operations
- GCC stands out for its financial solidity (ND/EBITDA 1.2x) as well for a determined focus on maintaining liquidity. However, an expectation of low economic growth would affect its results

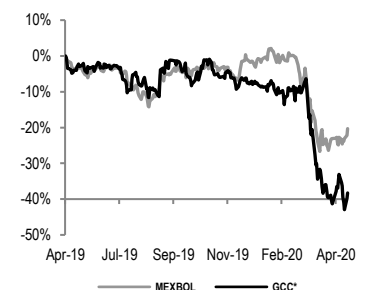
Sound results, still with no impact from COVID-19. GCC registered positive results in 1Q20, highlighting the U.S. operations performance, stemming from better weather conditions, boosting a 12.5% jump in cement volume and 21.2% rise in concrete. Unlike limited growths registered in Mexico. In that sense, average prices increased (local currency) 3.8% in the U.S. and 5.5% in Mexico. The latter led to an 11.0% y/y climb in sales. On another hand, EBITDA showed a 18.4% y/y jump, boosted by U.S. operations due to lower variable costs and expenses at the Rapid City plant and at the coal mine, in addition to higher fixed cost dilution, partially offset by weakness in Mexico. Thus, its respective margin registered a 1.6pp expansion to 25.0%. At net level, higher income is explained by a greater operating income and a positive FX effect.

Deterioration sector perspective given lower demand. In face of a tough outlook, GCC removed its 2020 guideline and announced some measures aimed at minimizing the financial impact, such as cost and expense reduction, capex reduction and credit line withdrawals. The company stands out for its financial solidity (ND/EBITDA of 1.2x); however, we consider that, given an expectation of a low economic growth, demand would be negatively impacted, for which we will review our estimates.

BUY

Current Price	\$67.42
PT2020	\$126.00
Dividend 2020e	\$0.82
Dividend Yield (%e)	1.2%
Upside Potential	
Max – Min LTM (\$)	110.88 – 60.30
Market Cap (US\$m)	921.5
Shares Outstanding (m)	332.5
Float	48.4%
Daily Turnover (\$m)	48.6
Valuation metrics LTM	
FV/EBITDA	4.3x
P/E	7.1x

Relative Performance to MEXBOL LTM



Financial Statements

USD, million	2018	2019	2020E	2021E
Revenues	883	934	969	993
Operating Income	161	176	194	201
EBITDA	256	292	311	321
EBITDA Margin	29.0%	31.3%	32.1%	32.3%
Net Income	63	117	130	143
Net Margin	7.2%	12.5%	13.4%	14.4%
Total Assets	1,903	2,059	2,209	2,324
Cash	252	351	468	549
Total Liabilities	930	984	1,053	1,080
Debt	650	705	707	706
Common Equity	972	1,075	1,156	1,244

Source: Banorte

Valuation and financial metrics

	2018	2019	2020E	2021E
FV/EBITDA	5.1x	4.4x	3.7x	3.4x
P/E	14.2x	7.9x	7.1x	6.4x
P/BV	1.2x	1.1x	0.8x	0.7x
ROE	6.8%	11.5%	12.0%	12.1%
ROA	3.4%	5.9%	6.1%	6.4%
EBITDA/ Interest exp.	5.8x	9.1x	12.9x	15.5x
Net Debt/EBITDA	1.6x	1.2x	0.8x	0.5x
Debt/Equity	0.7x	0.7x	0.6x	0.6x

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Document for distribution among public

GCC – Results 1Q20

USD, million

Concept	1Q19	1Q20	Var %	1Q20e	Diff % vs Estim.
Revenue	163	181	11.0%	174	4.1%
Operating Income	11	20	82.6%	12	68.7%
Ebitda	38	45	18.4%	42	7.8%
Net Income	4	16	321.7%	19	-12.2%
Margins					
Operating Margin	6.8%	11.3%	4.4pp	7.0%	4.3pp
Ebitda Margin	23.4%	25.0%	1.6pp	24.1%	0.8pp
Net Margin	2.4%	9.1%	6.7pp	10.8%	-1.7pp
EPS	\$0.01	\$0.05	321.7%	\$0.06	-12.2%

Income Statement

Year	2019	2019	2020	Change	Variation
Quarter	1	4	1	% y/y	% q/q
Net Revenue	163.4	228.6	181.4	11.0%	-20.6%
Cost of goods sold	130.8	149.8	139.0	6.3%	-7.2%
Gross profit	32.6	78.7	42.4	29.8%	-46.2%
General expenses	21.4	24.9	21.9	2.3%	-12.1%
Operating Income	11.2	53.8	20.4	82.6%	-62.0%
Operating Margin	6.8%	23.5%	11.3%	4.4pp	(12.3pp)
Depreciation	27.2	26.0	24.7	-9.4%	-5.1%
EBITDA	38.3	86.4	45.3	18.4%	-47.6%
EBITDA Margin	23.4%	37.8%	25.0%	1.6pp	(12.8pp)
Interes income (expense) net	(8.6)	(6.3)	0.2	N.A.	N.A.
Interest expense	10.5	5.1	9.8	-6.7%	94.4%
Interest income	2.1	2.2	1.8	-15.4%	-19.7%
Other income (expenses)	0.0	0.0	0.0	N.A.	N.A.
Exchange Income (loss)	(0.1)	(3.5)	8.2	N.A.	N.A.
Unconsolidated subsidiaries	0.5	0.5	0.5	10.9%	2.1%
Income before taxes	3.1	48.0	21.2	>500%	-55.9%
Income taxes	(0.8)	8.8	4.7	N.A.	-46.4%
Discontinued operations	0.0	0.0	0.0	N.A.	N.A.
Consolidated Net Income	3.9	39.3	16.5	321.7%	-58.1%
Minorities	0.0	0.0	0.0	N.A.	N.A.
Net Income	3.9	39.3	16.5	321.7%	-58.1%
Net margin	2.4%	17.2%	9.1%	6.7pp	(8.1pp)
EPS	0.012	0.118	0.050	321.7%	-58.1%

Balance Sheet (Million pesos)

	2019	2019	2020	Change	Variation
Total Current Assets	548.8	656.0	627.0	14.3%	-4.4%
Cash & Short Term Investments	223.3	350.5	338.7	51.7%	-3.4%
Long Term Assets	1,405.5	1,403.1	1,341.1	-4.6%	-4.4%
Property, Plant & Equipment (Net)	1,030.9	1,015.9	962.9	-6.6%	-5.2%
Intangible Assets (Net)	71.6	68.5	65.2	-8.9%	-4.9%
Total Assets	1,954.3	2,059.1	1,968.2	0.7%	-4.4%
Current Liabilities	176.7	195.2	193.8	9.7%	-0.7%
Short Term Debt	26.8	46.2	53.2	98.6%	15.1%
Accounts Payable	74.9	114.5	83.9	12.0%	-26.7%
Long Term Liabilities	802.7	788.4	715.1	-10.9%	-9.3%
Long Term Debt	677.5	658.5	658.5	-2.8%	0.0%
Total Liabilities	979.3	983.6	908.9	-7.2%	-7.6%
Common Stock	975.0	1,075.5	1,059.3	8.6%	-1.5%
Preferred Stock	0.0	0.0	0.0	-12.9%	-18.2%
Total Equity	975.0	1,075.4	1,059.2	8.6%	-1.5%
Liabilities & Equity	1,954.3	2,059.1	1,968.2	0.7%	-4.4%
Net Debt	481.0	354.2	373.0	-22.4%	5.3%

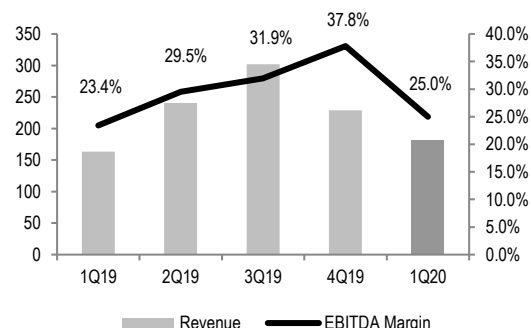
Cash Flow (Million pesos)

Cash Flow from Operating Activities	(0.3)	103.4	26.7
Cash Flow from Investing Activities	(19.4)	(14.7)	(7.0)
Cash Flow from Financing Activities	(9.7)	(18.0)	(11.3)
FX effect on cash	(0.3)	2.9	(19.5)
Change in Cash Balance	(29.8)	73.6	(11.1)

Source: Banorte, MSE.

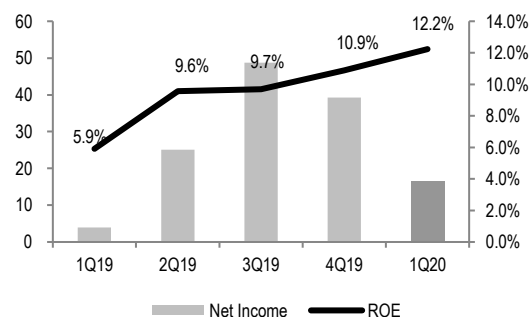
Revenue & EBITDA Margin

USD, million



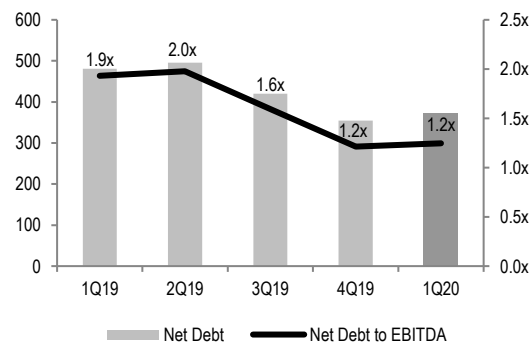
Net Income & ROE

USD, million



Net Debt & Net debt to EBITDA ratio

USD, million



Volume and price variation per product for the 1Q20

Percentage – y/y variation

Region	Volume		Price	
	Cement	Concrete	Cement	Concrete
EE.UU.	12.5%	21.2%	2.1%	5.4%
Mexico	-0.5%	1.5%	5.9%	5.0%

Source: Gcc, Banorte.

GCC - Revenue, EBITDA and EBITDA Margin per region

USD, million

Region	Reveue	Var y/y	EBITDA	Var y/y	EBITDA Margin	Var y/y
EE.UU.	119.7	15.8%	28.5	52.2%	23.8%	5.7 pp
Mexico	61.7	2.8%	16.8	-14.1%	29.9%	-2.4 pp
Consolidated	181.4	11.0%	45.3	18.4%	25.0%	1.6 pp

Source: GCC.

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We, Gabriel Casillas Olivera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Jorge Antonio Izquierdo Lobato and Eridani Ruibal Ortega, 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	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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History of PT and Ratings

Stock	Date	Rating	PT
GCC *	10/22/2019	Buy	\$126.00
GCC *	04/23/2019	Buy	\$124.50
GCC *	02/13/2019	Buy	\$124.50
GCC *	01/08/2019	Buy	\$135.00

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