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**Adrian Huerta**, JP Morgan

**Alejandro Chavelas**, Credit Suisse

**Coleman Clyde**, HSBC

**Eric Neguelouart**, Bank of America Merrill Lynch

**Francisco Suarez**, Scotia Bank

## PRESENTATION

### Operator

Good morning and welcome to GCC's 2020 Second Quarter Earnings Call. Before we begin, I would like to remind you that this call is being recorded and all participants will be in listen-only mode. Please note that a slide deck will accompany GCC's earnings results webcast. The link is available on the company's website at [gcc.com](http://gcc.com), within the Investor Relations section. There will be an opportunity for you to ask questions at the end of today's presentation. At this time, I would like to turn the call over to Ricardo Martinez, Head of Investor Relations. Please go ahead, Ricardo.

### Ricardo Martinez

Thank you, operator. Good morning everyone and thank you for joining GCC's earnings call. With me today are Enrique Escalante, our Chief Executive Officer and Luis Carlos Arias, our Chief Financial Officer.

As a reminder before we begin, today's discussion contains forward-looking statements about the Company's future business and financial performance. These are based on management's current expectations and are subject to risks and uncertainties. You can find more information about risks, uncertainties and other factors that could affect our operating results in our most recent filings with the Mexican Stock Exchange.

As seen on slide two, our forward-looking statement provides information on risk factors including the effects related to COVID-19 that could affect our financial results. There is significant uncertainty about the duration and anticipated effects of the pandemic. GCC's outlook could change. The effects on the Company's business and its results are a best estimate based on the information available today. Let me now turn the call over to Enrique.

### Enrique Escalante

Thank you, Ricardo, and good morning everyone. First off, on behalf of all of GCC, we hope that each of you, your loved ones, colleagues and friends are safe and healthy. Our thoughts go out to all those impacted by COVID-19, and any acts suffered by racial injustice and racism across the U.S. We are committed to the health and safety of our workforce, especially the effects of the pandemic, as well as, greater equality, diversity and inclusion in our company, and in our communities.

On today's call I will discuss these and the drivers of our performance this past quarter. Luis Carlos, our CFO, will review GCC's financial results and will then turn the call back to me for closing remarks. After that, we will take your questions.

Turning to slide 3, we delivered strong operational results for the second quarter of 2020. GCC had solid bottom-line growth, and our EBITDA margin reflected the successful execution of cost and expense reduction plan throughout GCC. Sales increased by 1% for the quarter and 5% year-to-date - despite the well-known slow down the world's economy is facing.

As reported in our quarterly results released yesterday, our Q2 2020 results in the U.S were driven by solid demand and strong shipments while benefitting from easier comparisons. As a reminder, results in the first half of 2019 were impacted by several one-time expenses, and by an unusually wet Spring and floods in most of our U.S markets. However, the second half of 2019 recovered with strong volumes, so we will have easy comparables for the first half and more challenging comparables for the second half of this year.

In Mexico, as we expected, second quarter results were negatively impacted because most of our customers remained closed in compliance with the national lockdown.

Let me now provide a more detailed review of our business' main drivers starting in the U.S. I will then, review GCC's Mexico operations.

Please turn to slide 4. As you know, in the U.S., construction was deemed an essential industry. As a result, our sales for the second quarter in the U.S. increased 9%. Cement and ready-mix volumes rose 4% and 17% respectively. These volumes were supported by: hitting the start of the construction season, riding the construction industry's tailwinds, with natural inertia from many projects in the pipeline that already started, and relatively good weather.

In El Paso, Texas, infrastructure projects continue to be the main growth driver. Strong quarterly consumption from the Biggs Airforce base project generated favorable margins.

Regarding the Permian Basin in West Texas, we saw pressure on prices in this market beginning last year. This was magnified by COVID-19, including a decrease in oil demand and sharp drop in oil prices. Consequently, oil well cement volumes have declined around 50% with some signs of stabilization at the end of the quarter supported by the recent oil price recovery. Some customers comment they feel the market has reached the bottom line, and they expect a slow recovery more importantly towards the fourth quarter. Consequently, we decided to temporarily idle one of the two kilns in our Odessa, Texas, cement plant and have stopped supplementary shipments of oil well cement from the plants in Chihuahua, Mexico, and Tijeras, New Mexico.

As I have mentioned in previous calls, oil well cement accounted for only nine percent of GCC's 2019 total cement volumes.

On slide 5, in Colorado, we continue to see a strong, stable performance with high levels of activity from public infrastructure projects. The single-family residential segment shows signs of reaching the inflection point as families look for more space.

Turning to our Midwest operations: the wind farm construction sector in South Dakota and Iowa was a strong driver for demand in the quarter. We have a considerable number of ongoing projects and we continue bidding on new projects for 2021. A strong demand for renewable energy and remaining tax credits will continue to fuel this segment for the foreseeable future.

To supplement the increasing demand in the Twin Cities' area, we are opening a second GCC cement terminal. Complementing our current terminal in the south part of town, the new one will be located north of Minneapolis. This new terminal will allow us to increase cement shipments from the recently expanded cement plant in Rapid City, South Dakota. This will leverage our distribution network and expand our market presence on the North side of the city which we are currently unable to cover due to traffic congestion difficulties in the Twin Cities.

In terms of pricing, as we had previously announced, the effective date of the price increase was postponed from April first to June first, a total delay of 60 days. The price increase is currently in place. In some markets we experienced pushback to the increase, but we successfully increased between US\$4 and US\$6 per short ton across all of our markets except in oil well cement.

On slide 6, in mid-March, in order to support our long-standing oil well customers, we offered a temporary ten dollar per ton price reduction. Given the ongoing challenges in that market, we decided to extend this discount until the Fall. By then, our customers expect to have better clarity on the implications of economies reopening and the impact on oil demand. Insight for 2021 should include the OPEC plus production cut agreement and the overall macro conditions. Our expectation would be to eliminate the discount in the fourth quarter.

Except for the oil well cement, our market segments in the U.S. are performing much better than expected. In infrastructure: several projects accelerated during the quarter as lockdowns significantly reduced traffic. This allowed contractors to move more quickly on some road and bridge projects. In addition, most of these projects are already funded by D.O.T.s through the end of the year.

Our backlog continues to be encouraging with several sizable industrial projects including Amazon's distribution centers in El Paso, Texas; Albuquerque, New Mexico; and Sioux Falls, South Dakota.

Our cement shipments remain strong, to the point that with additional infrastructure projects, we practically made up the shortfall felt from the oil well market. We have not seen any relevant work cancellations so far. As of today, we are still above last year's levels.

Turning to our Mexico operations on slide 7, even though the Mexican government deemed the cement industry essential, most of our primary customers were not. Mining, construction and housing were all forced to shut down operations in April and May. That led to a 21% decrease in sales in Mexico in the second quarter. Cement and ready-mix volumes declined by 7% and 24% percent respectively. At the same time, the depreciation of the Mexican peso against the U.S. dollar reduced Mexico's sales by around US\$12 million.

On June first, those segments were allowed to reinstate operations, and we have seen a stable return in cement volumes across our markets. The self-construction segment has been very resilient. Quarantine and work from home triggered construction projects which increased our sales of bagged cement.

Finally, regarding our Sustainability strategy on slide 8, as an active member of the Global Cement and Concrete Association (GCCA), this year we are going to reach an important milestone by reducing net CO2 emissions by nine percent. We remain on track to reach our 2030 target of reducing net CO2 emissions by 22%. Part of our strategic plan to reach this goal is sourcing 25% of our thermal energy consumption from alternative fuels – enabling us to reduce the usage of conventional fossil fuels.

In line with our ESG goals, at GCC, we foster transparency and disclosure. 2020 will be our first year to participate in the SAM Corporate Sustainability Assessment - which is an annual evaluation of companies' sustainability practices and performance. The SAM evaluation is now part of Standard and Poor's Global and has become the basis for numerous S&P ESG indices and has been one of the foremost global sustainability benchmarks. Results will be publicly available at the end of this year and will be a turning point for GCC to track our disclosure and performance in the adoption of ESG global best practices.

We released our annual sustainability report in April. It is available on our website. I would like to share some of the key highlights with you:

- For the second consecutive year, the Pueblo cement plant earned EPA's Energy Star certification with one of the highest scores in the cement industry
- GCC entered into long-term agreements with renewable energy providers to supply 20% of Mexico's electric consumption and 100% of the electricity at the Odessa cement plant
- In 2019, more than 9% of fossil fuels were substituted for alternative fuels
- GCC joined Innovandi, the newly formed GCCA Research Network, to ensure that we are on the leading edge of innovation, benefiting from global research and actions for a sustainable future
- We received the "Great Place to Work" designation for the first time in the U.S. and increased our ranking in Mexico to 14<sup>th</sup>
- 2019 was also GCC's fifteenth consecutive year being recognized as a Socially Responsible Company Awarded by the Mexican Center for Philanthropy

Sustainability is an integral element of our business strategy; thus, we will continue combating climate change throughout our organization.

Thank you for your attention. I will now turn the call over to Luis Carlos to review the quarter's financial results.

### **Luis Carlos Arias**

Thank you, Enrique, and good morning everyone.

Turning to slide 10, while we did not expect the pandemic, we were convinced GCC entered these challenging times in a very solid financial position. Regardless, GCC quickly deployed a comprehensive plan to reduce costs and expenses. Our employees found ways to do more with less – while abiding by new safety protocols and standards. We see that our plan is bearing fruit ahead of schedule.

From the US\$15 million in annual savings announced last quarter, we have already achieved around US\$11.5 million. Furthermore, we have identified an additional US\$5million, totaling US\$20 million in savings, plus a deferral in CapEx of around US\$25 million.

We do more with less, efficiently, while we look for a perfect balance between short-term profitability and long-term value creation. All without compromising any of our operations, our employees' safety or taking unnecessary risks. We are evaluating how much of these savings are sustainable in the future, aiming to permanently maintain as much as feasibly possible, we will keep you informed in the coming conference calls.

Please turn to slide 11. For the second quarter, consolidated net sales increased by 1%. This was mainly driven by the increase in cement and concrete volumes in the U.S which were somewhat offset by Mexico's results in both businesses. Additionally, the Mexican peso depreciated against the U.S dollar reducing Mexico's sales by around US\$11 million. Excluding the FX effect, consolidated net sales would have increased by 6%.

On slide 12, cost of sales as a percentage of revenues decreased 5 percentage points to 68% mainly reflecting favorable variable cost and production expenses, better cement prices in Mexico and concrete prices in the U.S., lower freight costs due to lower cement shipments to the Permian region, operating leverage, as well as the execution of the cost and expense reduction plan. As well as the absence of 2019 one-time expenses associated with the Rapid City plant and purchased cement and coal. This was partially offset by a lower share of higher margin contribution sales in Mexico.

Selling, general and administrative expenses as a percentage of sales decreased one percentage point to 8% in the quarter, mainly due to the depreciation of the Mexican peso relative to the U.S. dollar, and the execution of the cost and expense reduction initiative.

As a result, as we illustrate on slide 13, EBITDA increased 15% in the quarter, with a 420 basis point margin expansion, climbing to 33.7% at the end of the quarter, and 30% percent EBITDA margin for the first half of the year.

Turning to slide 14, net financial expenses fell 24% in the quarter due to a decrease in financial expenses resulting from lower interest rates on the variable portion of GCC's debt, which were partially offset by a higher debt balance resulting from drawing one of our revolving credit lines.

Income tax, by contrast, increased US\$6 million year on year due to a higher income before taxes, partially offset by a higher share of U.S. pre-tax income in the consolidated result, which carries a lower income tax rate.

As a result of these factors, and with benefit of strong operating and financial results earnings per share and consolidated net income increased 32% percent to US\$33 million in this quarter and 71% to US\$49 million year to date.

Moving to our cash generation on slide 15, free cash flow was US\$35 million in the Q2 2020, compared to negative US\$15 million in 2019. This was mainly driven by increased EBITDA generation after operating leases, lower interest expenses, and cash taxes, decreased maintenance CapEx, and more efficient use of working capital.

In light of this, I would point out the improvement made in controlling payables, receivables and inventories. Based on last 12-month sales, we reduced days in net working capital from 77 to 64. That's a total reduction of 13 days in the first half of this year.

Turning to our balance sheet, we ended the first half of 2020 with \$422 million in cash and equivalents, including US\$50 million withdrawn from our revolving credit lines in April.

Please note that as of June 2020, our net debt to EBITDA ratio dropped to 0.96x, placing our balance sheet as one of the strongest and healthiest in our industry.

During our Annual General Shareholder meeting in April, an annual dividend payment of Ps.0.94 per share was declared. Yesterday, the Board of Directors approved paying 50% of it on August 7. The payment date from the remaining dividend will be set based on the cash flow evolution. For the second year in a row, the dividend payment increased by 15%.

Finally, during times of uncertainty as well as entering a global financial downturn, cash is king. Our strong balance sheet, without significant short-term maturities, is most valuable during these times. Therefore, we will continue executing our clear and prudent capital allocation strategy, maintaining liquidity as one of our top priorities. With that, I will now give the call back to Enrique for his closing remarks.

**Enrique Escalante**

Thank you, Luis Carlos. Without a doubt, a lot has changed during these first six months of 2020. I couldn't be more proud of how everyone at GCC has reacted and responded to these unprecedented times.

We believe we were the first in our markets to respond and enact strict health and safety protocols. In early March, we instituted a Covid Task Force who immediately banned travel and quickly moved to skeleton crews and working from home, as well as social distancing and other protocols. We increased our cleaning schedules and protective equipment requirements. I firmly believe that these measures have kept our teammates safe and healthy. Even as economies reopen, we have not dropped our guard. Contrary to other businesses, we maintained a strict adherence to our protocols, and they will remain in place as long as necessary. We will always err on the conservative side to protect the health and lives of our employees and their families.

Like everyone, we are trying to figure out what the new normal means, so that we can continue to quickly adapt. We are prepared for the changes that this new reality will have in our markets and industry considering the unpredictability of this crisis, states reactions to it and the shape of the recovery curve.

GCC performed quite well during the first half of the year. But economists, other business leaders and industry associations foresee a weaker second half of 2020 possibly heading into a recession in 2021 in the U.S. So far this year, government revenues have declined sharply. This trend is expected to continue throughout the pandemic with large state deficits that will require another stimulus package to offset the shortfalls. Without such a package, budget constraints will take a toll on our industry.

U.S. infrastructure is in need of repair; we understand the positive outcome that investing in infrastructure construction projects have on local economies. Therefore, we remain cautiously optimistic that Congress will pass a significant highway bill. However, with the elections just over three months away, we are skeptical that a bill will be approved before November. On the other hand, we expect that the FAST ACT - which expires in September - will be reauthorized for one more year.

In our Mexico division, Chihuahua's fundamentals are strongly tied to the U.S economy and historically have outperformed Mexico as a whole. Our operations there show more resiliency against economic downturns. This is mainly supported by private investment.

Recent Mexican economic data, GDP estimates, and the continued pandemic are evolving; we have limited visibility on the quarters ahead.

These are some of the reasons why we will continue with proactive measures on cost and expense reductions, and a laser focused cash management. All things considered; high levels of uncertainty prevail. Therefore, our full-year guidance remains temporarily suspended until we have improved visibility on the duration and economic impact of the pandemic. We will provide updates as they become available.

Please bear in mind that, for almost 80 years, we have built a strong and resilient business backed by a unique distribution network. We have mastered our operations and are confident in the bold steps we have taken to navigate today's challenges. Once again, our results show that we are on the right path.

Finally, we cannot give enough thanks to our teams, especially our employees out there in the field who take additional risks in order to operate our plants and terminals and deliver products to our customers. Thank you also to our shareholders for the trust you have placed in us.

I have full confidence that, like in the past downturns; GCC will weather the storm and will emerge even stronger.

With that, our prepared remarks are concluded. Let's now turn to your questions. Operator, please go ahead.

**Operator**

Thank you very much. If you would like to ask a question, please signal by pressing star, one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star, one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions.

We'll take the first question from Adrian Huerta from JP Morgan. Please go ahead.

**Adrian Huerta**

Thank you. Hi, Enrique and Luis Carlos, thank you for taking my questions. Congrats on the good results. Can you share with us that how were volumes in the U.S. during the quarter, during the month for April, May and June? If you can share with us how volumes look for July so far.

Then just to clarify on the price increase that you mentioned. Did you say, the effective one across the country that you ended up—the price increase you ended up executing was \$4 to \$6, or just in those markets where it actually stick in, and then there were other markets that you're still holding off that where you faced the pushback?

**Enrique Escalante**

Adrian, thank you for your questions. Regarding volumes in the U.S. for April, May and June, they have been increasing very strongly, very good trend in the quarter, in several of these months, I mean, even going not only above, I mean last year, but also above budget. So the trend was very good. Again, I mean, it was fueled by all these projects in the pipeline that were already ongoing.

Although, we said, we're not obviously giving any guidance, I can probably tell you that July, it's looking well. Probably we're not going to reach budget in the month. It's still strong, but it has slowed down compared to June. We think that the third quarter will be a busy one and would include a good volume of business; where we don't have a really disability is starting the fourth quarter. So that's what I can say on that regard.

In regards to pricing, what I said is that effective June 1 we increased from \$4 to \$6 per short ton in every market where we are, except oil well cement. We did have some very specific and isolated appoint some pushback and some competitors. I mean, obviously, reaching out to some of our traditional customers, and we needed to meet those conditions. In some cases, the price increase was around \$2. But these were, I mean, a very few cases. That's why we're not averaging the \$6 that we were expecting.

**Adrian Huerta**

Okay. Thank you. If I may ask just a follow-up question, Enrique. You're holding a lot of cash, a little more than \$400 million. It seems like free cash flow will be quite strong this year, even with a deceleration of volumes in the second-half. Once we get to 4Q, there's more—better visibility, what to expect in 2021, etc. Should we expect that no later than 4Q of this year, you will be paying down debt and reducing this large cash balance that you have?



**Enrique Escalante**

Adrian, no. Let me say that the GCC structure remains intact in terms of what we want to do medium- and long-term. So, as you know we've been preparing for a good opportunity. We're not rushing into that now, obviously because we've been very conservative, and given the pandemic.

In the same regard, we're not planning to prepay any debt this year, including the revolving line of credit. We continue with the tactic short-term of, as Luis Carlos said, cash is king and we're going to continue to accumulate and maintain all that cash just, again, being conservative in case things turn to be, I mean, really difficult in 2021.

**Operator**

We will take the next question from Eric Neguelouart. Please go ahead, sir.

**Eric Neguelouart**

Thank you. Good morning. Thank you, Enrique and Luis Carlos. So, just one question from my side. The U.S. business saw a 600 basis points margin increase year-over-year. If you can give us a breakdown of how much of this comes from cost savings, the South Dakota one off that's not present this year, your operating leverage? Just to understand how much of this is sustainable during the second-half. And what we should expect in terms of margin? Thank you.

**Enrique Escalante**

Eric, thank you for your questions. I'll address first, I mean the second part of the question and then Luis Carlos will give you a breakdown for margin increase. I think it's very important, and we mentioned it in the conference today, that we are analyzing a lot of this cost savings and expenses we can transform into permanent efficiencies in the Company. We don't have a number for that yet.

What I can tell you that my team and I have announced scheduled meetings to start discussing that precisely in August, in preparation for our budgeting process in September. We will give you probably more information about that in the next call.

**Luis Carlos Arias**

Hi, Eric. On the first part of your question, I can summarize that around 100 basis points of the margin expansion comes from a higher pricing. A little bit above 100 basis points comes from the onetime expenses that we had last year. The rest of it is the effects of the cost and expenses savings plan, and of course, the operating leverage. So that will be the summary.

**Eric Neguelouart**

Okay, understood. Thank you very much.

**Enrique Escalante**

Thank you, Eric.

**Operator**

Your next question is from Coleman Clyde from HSBC. Please go ahead.



**Coleman Clyde**

Hi, gentlemen. Thank you for taking my question. I was just wondering if you can maybe give us any color on the volume impact during the quarter on oil well cement, and what your outlook is for the rest of the year on that front.

**Enrique Escalante**

While Luis Carlos looks for the specific numbers, Coleman—thanks for the question again. What we can tell you is that, again, I've been in Zoom conference with several of our major customers in the Permian Basin. Most of them commented that—and they are also public companies, right, so they couldn't give us any guidelines here.

But they comment, they feel they touched bottom already at the end of the quarter, and this is based on the number of rigs working in the area. They think we're on the path to recovery, even though it is going to be a slow but permanent recovery, and more importantly, taking shape over the last quarter of the year.

Now, anecdotally, I can tell you that when we acquired the Odessa Cement plant, prices were around a little bit above \$40 per ton for oil well cement, I mean, yes, for oil. Pretty soon we started to see a very quick recovery in that market on those years. So, with the current price not too far from those levels, I'm confident that next year we could see a steady recovery.

Again, not a drastic increase, but certainly a recovery. We will give you the numbers now on the volume.

**Luis Carlos Arias**

Yes. In terms of volumes of oil well cement in the quarter, they declined around 50%, but we did see some sign of stabilization at the end of the quarter.

**Coleman Clyde**

Very clear. Thank you for the color. If I may, just a quick follow up on the infrastructure side in the U.S. What would the risks be assuming in a worst case scenario where the FAST Act was not renewed for a year, and we didn't see anything passed until next year? What would you expect the impact to be on fourth quarter volumes? Is that going to be—are we going to see an immediate fallout, or what would you expect there?

**Enrique Escalante**

We don't have an estimate for that, Coleman. We're still bidding in some cases, the work for the year, so that will depend, of course, if we're successful. If the duties continues, I mean, running hard or not by that by the fourth quarter. So it's a little bit blurry at this moment to give you a precise number.

**Coleman Clyde**

Okay. Thank you very much, and congrats on the quarter.

**Enrique Escalante**

Thank you.

**Operator**

Once again, if you would like to ask a question, please, press star, one. If you find your question has been answered, you may remove yourself from the queue by pressing star, two.

Your next question is from Francisco Suarez with Scotia Bank. Please go ahead.

**Francisco Suarez**

Hi. Thank you. Good morning. Congrats on the results. The question that I have with your energy mix. To what point it might make sense to switch between natural gas and coal?

Secondly, on that front, how likely you might be able to expand the tailwinds that we currently see on energy costs on your side, considering that you are integrated in coal? Thank you.

**Enrique Escalante**

Thank you, Francisco, for your questions. As you know, we have this hedge through our coal mine, basically with prices of natural gas. We're continuously monitoring the levels of deliver, I mean gas at the different plants that we have, and what we call at the tip of the burner in order to make the decision of switching to natural gas or coal.

Current levels are more or less, I mean, that breakeven point. For next year, we're planning on running a little bit more on gas on some of our plants, because of the futures of gas that—the contracts that we have been able to lock in today tell us that some of the plants are going to the one with a little higher mix of natural gas next year. That's based on this agreement that we have in place.

What we see is that natural gas is going up in the markets where we source, I mean the majority of our gas. This is precisely because of the slowdown in the Permian Basin, because a lot of the gas producer is what they call associated gas. So with the slower production of oil wells less gas available, so price trends are going up.

But again, that's the great advantage of us having the coal mine, and we are planning obviously to continue operating it in the same way next year. But we're in this levels in which we are able to switch between back and forth and maintain a constant cost of fuel in our plan.

**Francisco Suarez**

Thank you very much. If I may, another one on your new terminal that you are adding up in Minneapolis. Just out of curiosity, how many more terminals do you have now compared to what you guys had 10 years ago, and if that has a certain advantage to improve your overall utilization rate?

Lastly, if that particular terminal that you're adding, does that have a rail connection? Do you foresee to add a more ready-mix plants to source that terminal as such? Thank you.

**Enrique Escalante**

That's a good question, Francisco. The answer I'm going to give you, I don't have the numbers in front of me. So, I cannot substantiate all of them. By memory, I will tell you that from 10 years ago—probably we have at least 10 more terminals than 10 years ago, at least.

Yes, definitely that has given us the opportunity to optimize how we produce each of the cement plants or where do we ship from. We're switching products from one plant to another precisely because of this optimization. Of course, we're always backing up one plant with another plant through this distribution terminal system. So, it has worked very well for us.

In regard to Minneapolis, we want to build our second terminal there, as I explained; it's of course, on the rail and it will be large enough to cover all that northern part of the Twin Cities region. We are not integrated into ready-mix company in that market and we're not planning. We don't have any plans to do that. So it's just serving the ready-mix customers with cement coming from the Rapid City plant.

**Francisco Suarez**

Perfect. Thank you so much for all those answers. Congrats again.

**Operator**

Your next question is from Alejandro Chavelas with Credit Suisse. Please go ahead.

**Alejandro Chavelas**

Hello. Congratulations on the result. Just could you walk us through the decision to idle the Odessa terminal? Could we see perhaps it being converted to Portland cement eventually? Or what are your thoughts on that front, seeing that Texas is nowhere a sales market, a sold out market?

**Enrique Escalante**

Thank you, Alejandro, for question. Very good question and related precisely to the last question about plant optimization. Yes. We have idled the Odessa cement plant after a very careful analysis of as a system what would be, I mean the best decision. At this moment, the decision to idle one of the kilns of the plant was based on economies of shipments from other parts and from other qualities or class sub cement into the region.

The first thing we did is, of course, we stopped shipments from—for Class C cement for oil well from Tijeras and from Chihuahua, and continue running Odessa until the inventory situation was such that we needed to stop the plant.

I can tell you that we're planning to start up the plant back again pretty soon in the next week. So that's again because of this inventory situation and what we expect to happen in that market.

In respect to the question of producing construction cement, yes, we can produce construction cement at Odessa, that was part of the decision. We should have switched the plant to construction cement, or we should continue shipping from other plants that have a cost advantage in that class of cement, and the latter was a decision. But just we have the flexibility, and assuming the turndown in the oil well industry would be the long-term thing, which we don't believe at this moment. But that plant can be started immediately in construction cement and continue running as part of the system.

**Alejandro Chavelas**

That's very clear. Thank you.



**Operator**

Again, if you would like to ask a question, please signal by pressing star, one. All right, it appears there are no further questions at this time.

Mr. Martinez, I'd like to turn the conference back to you for any additional or closing remarks.

**Ricardo Martinez**

Thank you for your interest in GCC and for joining us today, we appreciate your questions this morning and look forward to talking with you again in the months ahead. This concludes our conference call, but our team is, of course, available for any follow up questions you may have. Goodbye and stay safe.

**Operator**

This concludes today's call. Thank you for your participation. You may now disconnect.