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PRESENTATION

Operator

Good morning and welcome to GCC's Second Quarter Earnings Call for 2021. 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 also note a slide presentation will accompany GCC's earnings results webcast. The link is available on the company's website at gcc.com, within the Investor Relations section. There will be an opportunity for you to ask questions at the end of today's presentation.

I will now turn over the call to Ricardo Martinez, Head of Investor Relations. Ricardo?

Ricardo Martínez

Thank you, operator. Good morning everyone and thank you for joining our earnings call. With me on today's call are Enrique Escalante, our Chief Executive Officer and Luis Carlos Arias, GCC's 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. It is important to note that these statements include expectations and assumptions related to the impact of the COVID-19 pandemic.

As seen on slide two, our forward-looking statement provides information on risk factors including COVID-19 that could affect our financial results. In particular, there is significant uncertainty about the duration and contemplated impact of the pandemic. This means GCC's results could change at any time, and the impact of COVID-19 on the Company's business results and outlook is a best estimate based on information available as of today.

Let me now turn the call over to Enrique.

Enrique Escalante

Thank you, Ricardo, and good morning everyone.

GCC is off to an excellent first half of the year, with a sound beginning of the U.S. construction season as economic growth and recovery continued at a healthy and steady pace. Positive momentum persists in our industry. Construction activity is expected to remain robust throughout the year. We are experiencing high and pent-up demand of our products, as well as a substantial backlog all across markets where we participate. Current cement demand is even stronger than pre-pandemic levels.

We are very pleased with the results delivered as of today. We have increased top and bottom-line growth and EBITDA margin. Our balance sheet is strong and ready for growth. We will allocate more resources to our core business – cement – and our distribution network to maintain our competitive advantage, while we focus on our sustainability strategy and CO2 reduction targets.

In order to continue generating value for all of our stakeholders, we made a number of strategic decisions during the second quarter that will help us achieve our mid and long-term goals.

Let me now briefly discuss market conditions, key highlights from our performance, and the strategic decisions we made this quarter. Luis Carlos, our CFO, will follow with GCC's financial performance and capital allocations priorities. He will then turn the call back to me for comments regarding full-year guidance and closing remarks. Finally, we will take your questions.

Please turn to slide 4 to comment on U.S. operations and strategic CAPEX, GCC's results are encouraging. The U.S. market remains very strong, with a solid demand from El Paso, Texas, all the way to the Canadian border. In the cement business, volumes grew 11%, while prices rose 8% during Q2, somewhat offset by a decline in ready mix volumes. As a result, sales in the U.S. are up 10%. On accumulated basis, cement volumes grew 3%, and we have been able to increase prices by 6%, year to date.

Overall performance and market conditions were much better than what we expected. We are shipping our products at strong levels; however, labor shortages continue to influence and cap the pace and magnitude of the construction projects in some regions.

It's worth mentioning that in response to the expected backlog and stronger demand, every kiln at GCC is up and running to produce construction and oil well cement. For practical purposes, our system is sold out. We are facing some bottlenecks in our grinding, storage and shipping installed capacity. Consequently, we are turning all of our efforts on producing, maintaining operations, and increasing terminal throughput, to supply the demand that lies ahead. GCC's cement operations will reach full capacity in the short term. We have not seen this situation in about fifteen years, which shows signs that we are about to enter a new phase of the industry's cycle.

In the near future, our cement business looks promising across the board. Therefore, we have decided to invest in strategic CapEx to add cement capacity in several projects:

- First, an analysis and recommendation to uprade and expand one of our cement plants was presented to the Board. We will decide shortly which GCC cement plant expansion creates more value. We plan to build a new one million metric tons calcination line. We will inform you of our final decision in the coming months.

- Second, logistics investments to strengthen our cement distribution network in the Mineapolis-St. Paul, Minnesota, and Salt Lake City Utah areas, with two new distribution terminals.

- Third, a debottlenecking project at our Samalayuca Plant, which will add roughly two hundred thousand metric tons of cement per year by the end of twenty twenty two.

- Finally, a set of projects to improve operational efficiency and enhance our social and environmental responsibility to GCC's Chihuahua Plant community.

Our cement capacity expansion and distribution terminals growth call for an estimated investment in the range of US$450 to US$500 million in the next three years. All of these projects have a double-digit return on investment, well above our weighted average cost of capital, or WACC.

Moving to slide 6, in terms of U.S. cement pricing, based on strong cost inflation pressures, we have announced a second price increase of US$6 per short ton effective in August. We remain cautiously optimistic that market conditions will continue to tighten up, therefore we expect this second price increase will be accepted in several regions where we operate. We will be monitoring this closely, region by region, and keep you updated in follow-on conversations.

Regarding U.S. segments, I would like to comment market dynamics by sector haven't changed substantially from what we saw during previous quarters.

- **Infrastructure:** This market has an upside in the short- and mid-term, while projects are running at a steady pace and several more are in the pipeline.

  In regard to the long-term, bipartisan infrastructure package, GCC, as a member of the Portland Cement Association, applauds the White House and the bipartisan group of 21 senators for moving with Surface Transportation Reauthorization Act of 2021 and the House INVEST in America Act. From what is known, it might allocate an incremental funding of 30% to 50% over Fast Act Levels, which expires on September 30 after a one-year extension.

  U.S. economic vitality depends on an integrated, national transportation network that moves goods and people safely and efficiently, while ensuring quality of life and economic prosperity for all citizens.

- As illustrated on slide 7, **the residential sector** showed strong cement consumption as a result of an imbalance of housing supply and demand, low interest rates and favorable demographics.

- **The non-residential and commercial sector** showed mixed demand again this quarter. There were projects which were favored by the pandemic while others remain on hold.

- And regarding **oil well cement demand in the Permian Basin,** as the demand – supply balance in major Texas cities turned negative, mostly as a result of competitors' equipment failures, some participants in the Permian decided to exit the West Texas oil market to focus on construction cement for the Texas triangle.

  This movement, coupled with a surge in oil prices has created a fast-growing demand for oil well cement. In GCC, part of our value proposition to long term customers is precisely permanency and consistency in our supply chain, supported by our main competitive advantage created by our plant and terminals system. We have been able to leverage our unique distribution network to supply the incremental demand in this sector from our Odessa Plant and kiln two at the Chihuahua cement plant. We continue to build customer loyalty in the Permian.

Turning to our **Mexico operations** on slide 8, we delivered strong, second quarter results on the back of high-volume growth in cement and ready-mix. We benefitted from easier comparisons because most of our customers remained closed in compliance with the national lockdown in Q2 last year.

Market dynamics remain similar to our prior quarter, where industrial maquiladora plants, warehouse construction and robust mining projects drove sales volumes. In Juarez City, the middle-income housing segment also continued to show a strong demand.

As a result of a V-shaped recovery in the state of Chihuahua, sales in Mexico's division increased by almost 47% in the second quarter, supported by an increase in cement volumes of 17% and 41% in ready mix volumes. On a year-to-date basis, sales increased 26% while volumes rose 12% and 23% respectively.

Finally turning to slide 9, in regard to our **sustainability strategy and CO2 reduction targets.** We are currently working on our primary goal of reducing net CO2 emissions in 22% by 2030, supported by the Science Based Targets Initiative. We also are aiming to achieve the collective industry ambition for carbon neutral concrete by 2050.

Therefore, we have made two organizational changes,

- we created a single department or area responsible for companywide strategy and sourcing of our alternative fuels,
- we added a Corporate Vicepresident of Sustainability and Environmental Strategy to the Senior Leadership Team with direct report to me.

I would also like to share with you some of the key highlights from the 2020 annual sustainability report we released in April. The full report is available on our website:

- We reached our first benchmark by reducing net CO2 emissions by 10% from 2005 levels
- We entered into a long-term agreement with a renewable energy provider to supply 50% of the electricity consumed at our Rapid City cement plant. This wind farm came online in late 2020.
- The Pueblo cement plant won the Portland Cement Association's 2019 Chairman's Safety Performance Award which recognizes outstanding performance
- Two GCC cement plants earned EPA's Energy Star certification, marking the third consecutive year for the Pueblo Plant and the first year for the Rapid City Plant
- We received the "Great Place to Work" designation for the second time in the U.S. and increased our ranking in Mexico to 7th place and 3rd place in time of crisis, reflecting GCC's response against COVID-19 challenges.
- We formed the Diversity and Inclusion Committee to strengthen our diverse culture, promote labor inclusion and ensure equity for each employee
- We signed on to the Women Empowerment Principles established by the United Nations
- 2020 was also GCC's 16th consecutive year being recognized as a Socially Responsible Company awarded by the Mexican Center for Philanthropy

We are embracing our part of the challenge to build a more sustainable planet. We are adapting faster to the changes presented to us and creating better strategies across all of our business units.

Let me now turn the call over to Luis Carlos to discuss the quarter's financial results and capital allocations priorities, then I will return for comments regarding our full-year guidance and closing remarks.

Luis Carlos Arias

Thank you, Enrique, and good morning, everyone.

Turning to slide 12, our second quarter results were above expectations, consolidated net sales increased by 18%. During Q2, we saw a sharp increase in ready mix in Mexico and cement volumes in both countries coupled with a positive pricing environment in the U.S. These gains were offset by a decline of 17% in U.S. ready-mix volumes, which we already expected.

On slide 13, cost of sales as a percentage of revenues decreased 1.2 percentage points to 67.2% in the quarter, mainly reflecting better prices in both countries and operating leverage, as well as the continuation of the expense reduction plan.

SG&A expenses as a percentage of sales decreased 0.4 percentage points in the quarter to 7.2%. This was mainly due to the continuation of the expense reduction plan and operating leverage, partially offset by the appreciation of the Mexican peso relative to the U.S. dollar.

As a result, as we illustrate on slide 14, EBITDA increased 19% in the quarter while the EBITDA margin was 33.8%, basically unchanged quarter to quarter. On a year-to-date basis EBITDA margin has increased 1.5 percentage points to 31.5%.

We are satisfied with the increase in profitability achieved, even though we are incurring additional expenses this year. Our results show that we are controlling cost of sales and SG&A effectively. As a reminder, this year we will have to compensate for US$14 millions of cost and expenses that were saved last year. The latter is the difference between last year's total savings and 2021 permanent savings due to the financial lessons learned during the COVID-19 crisis. We remain focused on continuing to increase profitability on a yearly basis.

Turning to slide 15, net financial expenses totaled US$10 million due to an increase in the effective interest rate, partially offset by lower debt balance. As a result, earnings per share and consolidated net income increased 44% to US$48 million during the quarter.

Moving to our cash generation on slide 16, free cash flow was US$ 41 million in Q2 2021, compared to US$35 million in 2020. This translates into a free cash flow conversion rate of ~43% in the second quarter. This was mainly driven by increased EBITDA generation, as well as lower interest expenses and cash taxes, partially offset by higher maintenance CapEx and working capital requirements.

I would like to point out GCC's improvement in controlling payables, receivables and inventories. Based on the last twelve months of sales, as of the first half of the year, we reduced days in net working capital from 69 to 57 - a total reduction of 12 days.

Turning to our balance sheet, we ended the quarter with US$593 million in cash and equivalents. Our net debt to EBITDA ratio dropped to 0.06x at the end of June. We are on track to achieve our guidance in this ratio, reaching negative net leverage even before year's end. By any standard, our leverage and other debt ratios are way better than industry averages.

Moving to our **capital allocation priorities** on slide 18**,** as Enrique already covered, market trends remain positive with some regions already reaching capacity. Our balance sheet is ready for growth. Therefore, in addition to the projects already described where we will invest in the next years to increase cement capacity and improve our logistics and distribution network, we are actively looking for inorganic growth opportunities in the cement and materials businesses.

As we implement our clear growth strategy, we are only looking for cement plants that can be plugged into our connected system. We acknowledge that our inorganic growth options are somehow limited based on a strong construction outlook, and valuations are high. However, we are confident that with prudence and patience we will be ready when the right opportunity arises.

If we do not find an appropriate asset that fits into our strict criteria, we will pay down debt to save on interest expenses in the next quarters.

As a last comment, during our Annual Shareholder meeting in April, an annual dividend payment of 1.0105 Mexican pesos per share was declared, and the Board of Directors approved yesterday to pay it on August 17 of this year.

With that, I will now hand the call to Enrique to discuss the guidance for the year and to share his closing remarks.

Enrique Escalante

Thank you, Luis Carlos. Turning to slide 19, my final topic is GCC's **updated guidance for 2021**. Based on the strong first half performance, our backlog and the underlying market trends already commented on, we are revising upwards our guidance for 2021.

Starting In Mexico, we now expect GCC's cement volumes to increase 4% to 6% and ready-mix volumes 10% to 15% percent, with price increases in the 2% to 3% range in both businesses.

In the U.S. we expect GCC's cement volumes to increase 4% to 6% year-over-year. In the ready-mix business, some remarkable projects with record volumes created a high comparison base. Thus, we expect volumes to decline between 15% to 20%, returning to historic levels. In terms of prices, in light of the announcements we've already made, we anticipate a price increase in the 6% to 7% range in cement and 4% to 5% in ready mix.

Regarding profitability, we expect 2021 EBITDA to increase between 8% to 13% year over year, which implies a range of US$333 and US$348 million.

As previously stated, GCC's cement plants are running at high capacity. In order to keep our operations running optimally, as well as to catch up on a number of maintenance projects, we will invest a total of US$75 million in capital expenditures this year. As a result, Free Cash Flow conversion rate is going to reach above 60%, and a net debt to EBITDA ratio would be negative.

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

Operator

Our first question is from Nikolaj Lippmann with Morgan Stanley. Please proceed with your question.

Nikolaj Lippmann

Good morning. Congrats on the numbers. Thanks for the call and for taking my questions. As you guys can imagine, you're going to get a bunch of questions on that capacity expansion, so I'll kick it off there, and then a second question on pricing for the second half.

Whatever you're prepared to talk about here, but I would love to get more color on where you think you can add capacity if you have the permit in Odessa, you have a wet capacity planned up in Montana, several markets that you operate in are in a good shape, in particular in the United States, so whatever you can say there.

I'm also a little intrigued of how you're thinking of supplying that Salt Lake City plant given that Colorado looks to be in a good shape at the moment, so the long-term thinking around supplying Salt Lake City.

The second question relates to how are you feeling about a price increase into the second half and what's the magnitude in your different markets. Thank you very much.

Enrique Escalante

Thanks for your question, Nikolaj. All right, let me address first the increased capacity. We've been commenting that the short-term expansions for one of our plants are really an internal debate between expanding one of the plants in Chihuahua and the Odessa plant. Montana is not, at this very moment, one of the top priorities in terms of expansion and it's a little bit farther down the road in our plans. The issue between Odessa and the Chihuahua plants basically lies on the difference in construction costs in Mexico and in the United States, that is significant. Obviously, we've been in big discussions with equipment manufacturers, suppliers. Three or four, we have bids, we have designs, and that's basically the same amount irrespective of where you're going to build. However, the construction cost, as I said, is significantly more in the U.S.

On the other hand, the cost to operate a plant in Mexico is also more competitive, but the market is developing more in the U.S. short term, so the cement will have to travel, obviously, either from the Odessa or from the Chihuahua or Samalayuca plants into those markets. It's a matter of optimization between construction costs, operating long-term costs, and transportation rates.

Again, we're in the final decision process and we will have a decision pretty soon. Time is of the essence here, we understand that. Market conditions are very good and we're ready to move. In terms of permitting, as you know, we've always said that we have a permit on hand for the Odessa expansion, which is a big plus in the U.S. We will inform you of more details about this plant shortly.

In terms of the Salt Lake City Utah terminal, well, this is part of our original strategy as we expanded the Rapid City plant. The Rapid City plant incremental cement is going to travel East more and more into the Minneapolis and St. Paul area where we're building the second phase of the Albertville terminal, already approved by the Board. Then as we free up cement from that area that was shipped from Pueblo into Iowa and South Dakota, that cement is coming back to Colorado, and of course, Colorado market conditions are very good as you mentioned, but Utah is also in a very pronounced shortage in terms of cement supply.

Strategic plan calls for growth West to Utah with the excess cement that we're bringing back to Colorado to Pueblo from our original shipments into Iowa and South Dakota. That's the rationale of how we're going to supply that market.

Additionally, as I said, we're building a project in the Samalayuca plant to produce approximately 200,000 more tons in the next 18 months. That cement can also, obviously, be exported to complement our system in the U.S. either for Utah, through a ladder moving upward in our system, or can stay also around West Texas where we're seeing a very high demand increase. We have even temporarily shipped Samalayuca cement all the way basically up to Colorado and Utah. The market conditions are there, our balance sheet is prepared for that growth and more, and we're just in the final decision again as of which new line is going to be built.

In terms of pricing, several months ago, we announced a second price increase for August. I think that we're one of the first producers that visualize, at least in our area, that the demand supply conditions are very tight and will continue to be like that for the rest of the year and the coming years. On another hand, we have a very strong cost inflation that we, obviously, need to offset. We announced a $6 per ton price increase. Initially, I have to be honest, I didn't think that we had a very strong traction, but as we kept moving into the summer, many customers are saying “yes, we're up for it, please continue making sure you supply us the committed volumes”. I have very optimistic views that the price increase will take on most of the regions where we're operating.

Nikolaj Lippmann

Very helpful and congratulations. Thanks a lot.

Enrique Escalante

Thank you, Nikolaj.

Operator

Our next question is from Adrian Huerta with JP Morgan. Please proceed with your question.

Adrian Huerta

Hi, Enrique. Thank you for taking my questions and congrats on the good results.

Two questions. One is on Mexico, cement volumes from the infra sector. What have you seen there recently? Are you starting to see a pickup in demand coming from the infra side, or is there something that could come in the next couple of quarters? I believe that demand from the infra sector has been relatively low for a couple of years.

The second question is on oil well cement, what type of recovery you have seen so far on oil well cement and what type of recovery is included on the new guidance that you provided for cement volumes in the U.S.?

Enrique Escalante

Thanks, Adrian. Let me start with the second question, because I had problems hearing the first question, so let me start with the second question on oil well cement. Luis Carlos will give you the exact numbers, but in contrast to last year, when we said that last year, we would have grown in construction cement, if it was not for the decline in oil well cement, this year with COVID is the reversal. I think that we are growing at approximately 4% excluding oil well cement, and 10.6% when we include oil well cement in our mix. We're having exactly the reverse effect that we had last year when we had the oil crisis.

For practical purposes, Adrian, we're completely sold out on the Odessa plant with very low inventories and we're pushing as hard as we can from Mexico on kiln 2, and we have been talking with our customers to prepare them as best as we can, but we're maxed out. We don't see a different scenario going forward than continue to be super occupied in those products. Adrian, can you repeat for me the first question?

Adrian Huerta

Sure, Enrique. Can you hear me better now?

Enrique Escalante

Yeah.

Adrian Huerta

It's basically demand from the infra sector in Mexico. I know it has been relatively low for quite some time. Are you seeing any signs that it could start to recover at some point?

Enrique Escalante

Demand for cement in Mexico is basically what you're asking, right?

Adrian Huerta

From the infrastructures sector, yes.

Enrique Escalante

We've been discussing internally precisely our expectations in terms of infrastructure work in the Chihuahua State. It's been very low, as you mentioned, for the last two government terms. We have been basically for almost 12 years with very low infrastructure work in the State.

We are optimistic that the new administration is going to, of course, have an improvement in the number of projects, but we don't have yet enough visibility. We're very close to both the local and state authorities trying to understand their plans. I think that we are going to be able to give you more color on this probably in the next conference call.

Let me add again, that we try to see the glass half full here because it is obvious to us that the direction is obviously up. It cannot go really any lower than what it has been in the last two terms. Chihuahua as a state is going to be doing very well as a result of the free trade agreement, so we're again partially optimistic infrastructure is going to improve.

Adrian Huerta

Yes, very clear. Again, just one regarding cement prices in the U.S., you are seeing, as you said, for the first time in many years, a second price increase, and the system is sold out, import parity prices are coming up pretty significantly. What could be the case next year? Probably, an announcement of a stronger increase in January and then wait to see in the second half, or are we entering a phase where we're going to start seeing two price increases for the year or even more, like it is in Mexico? I remember many years back in Mexico, it was also the case where there was only one price increase in the year and that changed five years back and now, it's a matter of being revised every month to see the possibilities to increase prices. Do you think that we're entering a point in the U.S. where the way that cement price increases have happened in the past is going to change going forward?

Enrique Escalante

I'm of that view, Adrian, that it's going to be different, faster and stronger. Let me just say, obviously, this is the result of a very tight demand supply balance on one hand, and, of course, the concerns of a strong cost inflation as I was alluding to earlier in my remarks. Now, I think it's too soon for us to say if there's going to be one or two, or what magnitude. Most likely, we'll be ready with our position for that in the next quarter to make an announcement for next year, but on the other hand, as you know, the system is very tight and imports are going to get more and more expensive. Want it or not, because of ocean freights on one hand are super high, and on another hand, of course, the pressures of CO_2 costs going forward, more in some countries than in others, but that's also going to influence the price that the cement can land in the U.S. With a sold-out market, increased cost of exports, I definitely expect higher and stronger price increases for next year.

Adrian Huerta

Thank you, Enrique. I appreciate it.

Enrique Escalante

Thank you.

Luis Carlos Arias

Adrian, this is Luis Carlos. Just to complement on the oil well cement, today, we are around 40% above what we expected at the beginning of the year, but we are still around 8% lower volumes than 2020. We've had a much better than expected trend in oil well cement, but still below the previous years. We definitely see more potential of upside trend in that market.

Adrian Huerta

Luis Carlos, you said that 8% level versus which level? 2020?

Luis Carlos Arias

2020 year-to-date. For six months in 2021 and then six months 2020.

Adrian Huerta

Versus 2019, you know what that would be?

Luis Carlos Arias

I don't have the number, but the peak in '18 and '19 were pretty high levels of consumption.

Adrian Huerta

Okay. Thank you.

Luis Carlos Arias

Thanks, Adrian.

Operator

Our next question is from Vanessa Quiroga with Credit Suisse. Please proceed with your question.

Vanessa Quiroga

Hi, good morning. Congrats on the results. I have a couple of questions, one, about the strategic projects that you mentioned. Can you give more details about the debottlenecking of the Samalayuca plant and how this would work along with a potential capacity expansion, if you decide to go on the Mexico expansion?

The other question is regarding in general, that competitive situation in your markets in the U.S., just to get more details whether there's any competitor that seems to be less sold out with some capacity to give more competitive prices, or you see a situation where everybody's now on the same situation regarding being sold out. Thank you.

Enrique Escalante

Thank you, Vanessa. Let me address the first question on the strategic projects. The debottlenecking of Samalayuca, as I mentioned, is around 200,000 metric tons. Today, those can entirely go and will entirely go to the U.S. market. That means that we still will need to eventually expand a new kiln also in Mexico, either a second line in Samalayuca, or the kiln five project in Chihuahua that is well advanced in terms of design and planning. The Samalayuca project is just as I mentioned it at debottlenecking and it's a short term, and it's not contingent on any of the other new kiln lines in the system. We're moving forward with that as we speak.

In terms of competitiveness in the U.S. market, again, we believe that most of the plants where we're operating, basically, are not sold out in the process of continuing going into that direction. Market conditions seem very tight in Colorado, New Mexico is doing well, West Texas and the whole State of Texas is impressive, what is going on there. More than thinking that there is going to be a weakness in terms of price increases, I think that most competitors today, I cannot assure that, of course, but it will be my assumption that most or all of the competitors are today looking at how they can increase production capacity for the coming years in the U.S. We feel pretty confident that the imbalance in supply demand is going to prevail for the next year's planning.

Vanessa Quiroga

Thank you very much.

Operator

Our next question is from Carlos Peyrelongue with Bank of America. Please proceed with your question.

Carlos Peyrelongue

Thank you. Thank you, Enrique and Luis Carlos, for the call and congratulations on the results. I would like to go back to your capacity utilization. If you take out Texas, that you said you're sold out in Odessa, what's your utilization in the rest of the U.S., and can you also comment on your utilization in Mexico? The second question with regards to the expansions, are the total expansions for 1.2 million, that's 1 million in the U.S and the other 200,000 in Samalayuca, is that correct? Thank you.

Enrique Escalante

Thank you for your questions, Carlos. First, in terms of our utilization, we've been ramping up as we go through this year. We fired kiln number two in Chihuahua because we started to see a very robust demand increase both in Chihuahua and the U.S. as I said. Then we fired kiln number two in Chihuahua also to supply complimentary oil well cement. With all that, all of the kilns are working, and we're scheduled to continue full steam ahead in every plant for the full year. Even at that pace, we think we may be having some inventory challenges at the end of the year. That means our systems today, we basically cannot take on any more customers or orders. Actually, we have been telling our customers that we'll protect our permanent customers, but new customers, it's very difficult that we could take on anyone, even incremental volumes for permanent customers, we are in discussion with some of them. We're completely sold out going forward. Suffice to say that we even bought some clinker that we found from one competitor to supplement our supply this year. If I could find today relatively good price delivered to one of our plants more clinker, I would buy it.

That's how we were operating. In terms of the projects, yes, the expansion is going to be around a 1 million metric ton line, and it's in addition to the debottlenecking of Samalayuca of 200,000. We're looking to add at least 1.2 million metric tons.

Carlos Peyrelongue

Okay, perfect. You're sold out across the U.S. and in Mexico as well, right?

Enrique Escalante

In Mexico as well. Absolutely.

Carlos Peyrelongue

Okay. The final question, I think you guys mentioned that the cash conversion would be 60% for this year. I just wanted to verify, 60%.

Enrique Escalante

Yes, Carlos.

Carlos Peyrelongue

So with that mind and having, as you said, you were going to become cash positive, are you considering dividends as well potentially for next year or you're thinking more just expansions and potentially some M&A?

Enrique Escalante

Carlos, as we've expressed in the past, we want to continue increasing our cash, our firepower for M&A. The expectation in terms of dividends is based on the historical levels of dividends, so we were not expecting that the Board is going to propose a special dividend in the future.

Carlos Peyrelongue

Okay, great. Thank you so much. Congrats on the results.

Enrique Escalante

Thank you, Carlos.

Operator

Our next question is from Francisco Suarez with Scotiabank. Please proceed with your question.

Francisco Suarez

Good morning, gents. Congrats on the results. The two questions that I have, how do you see yourselves and your cost structure across different geographies? How do you think your cost structure is much more competitive or might be vulnerable to your peers in the sense of the following; petcoke prices have gone through the roof, other people sources their fuel needs by coal. You are more integrated and you have the option to use natural gas, if the economics are there. Do you think that the push on petcoke may give in certain geographies an additional reason to consider price hikes in cement for these players, and that you, ultimately, might be actually benefiting because of that because perhaps you are not seeing the cost pressures on the energy side as many of your peers? Can you discuss a little bit about that?

Enrique Escalante

Hi, Francisco. Thank you for the question. Yes, absolutely. As I have mentioned, we feel, across the board, in general, for the industry, cost inflation pressures, definitely. However, I have to say that in terms of fuel, we feel very, very comfortable given our internal hedge with our coal production that supplies multiple of our plants. We don't consume any petcoke, so we can continue consuming our own coal at most of our plants, as I said. In some plants, we consume natural gas. Like, in Odessa, for example, which historically, has been cheaper than the rest of the fuels because of all these reasons they are independent. However, natural gas prices are going up very fast and so a lot of the competitors that use a high proportion of natural gas and what we use, of course, are going to be a little bit of a disadvantage.

We are trying to protect, as much as we can, our contracts for natural gas in terms of buying blocks of gas when we think that the price justifies it. Between that and our core production, we feel very comfortable in terms of our fuel costs.

As I have said, we have entered also into several renewable projects at fixed prices in the U.S. which also is a good cost containment strategy on top of being and working to a more sustainable company. In Mexico, we're also entering into a power contract. Now the Chihuahua plant is entirely consuming power from a local generator at more competitive prices than what we were receiving from CFE. We feel, again, comfortable, still we are continuing to work on more strategies to maintain our fuels and energy costs in line with what we budgeted for the year. I definitely think that the competitors burning coke are, obviously, at a disadvantage. I think that's a lot of cost inflation pressures for them, and I would assume, I would presume, that they will obviously try to offset that through better pricing in the market.

Francisco Suarez

Perfect. Thank you for that color. The second question that I have is on liability management, probably for Luis Carlos. The question that I have is that now your bonds are callable, you are now an investment grade company, you may or may not consider to issue a sustainable linked bond to get an excess benefit on the spreads. Is this the right time to think about initiating long-term bonds considering these factors? Is this something that we should be starting to model in GCC?

Luis Carlos Arias

Thanks Paco. Yes, definitely, we want to take advantage of our investment grade rating, and of course we have that bond at five and a quarter that we can reduce the cost. We definitely are planning to execute on liability management in the coming months.

Francisco Suarez

Perfect. Thanks so much. Congrats again. Take care.

Luis Carlos Arias

Thank you, Paco.

Operator

The next question is from Alberto Valerio with UBS. Please proceed with your question.

Alberto Valerio

Hi, Enrique. Hi, Luis Carlos. Thank you for taking my questions and congrats on the results, really strong second quarter. If you could provide any additional color, I think you mentioned in the initial remarks that you spent between $450 million to $500 million in Capex for expansion in the next three years. How much capacity would GCC add with this Capex?

Enrique Escalante

Thank you, Alberto. This is basically what were about the projects that we've mentioned that includes a new kiln line in one of the plants, the expansion in Samalayuca, and the two terminals. The terminals we're talking about here, as I said, cement capacity will translate to 1.2 million, perhaps 1.3 million metric tons of capacity.

Then the throughput in the terminals we're talking about at least 200,000 metric tons of additional throughput in Albertville, in Minnesota, and also in 250,000 to 300,000 tons of throughput in the new terminal for Salt Lake City. Those are more or less the numbers that we are planning for in this work projects.

Alberto Valerio

Close to 1.8 million to 2 million extra cement ton capacity, right?

Enrique Escalante

From a capacity perspective, 1.2 million to 1.3 million metric tons. From a throughput capacity, other terminals we're talking, between the two terminals, 400,000 to 500,000 capacity at those terminals to move to those terminals.

Alberto Valerio

Very clear. Thank you. Have you seen any Greenfield or Brownfield relevant close to its markets in developing by competitors?

Enrique Escalante

Can you repeat the question, Alberto? I couldn't hear you well.

Alberto Valerio

No problem. If you guys have seen relevant projects of greenfield or brownfield close to GCC markets being developed?

Enrique Escalante

Thank you for the question. No, we have not heard. We don't know of any new project. We, of course, continuously search on what's going on in terms of permitting. That is public information. In our market regions, we have not detected any movement to increase capacity to either brownfield projects or greenfield projects.

Alberto Valerio

Perfect. Okay. Thank you very much, and congrats again.

Enrique Escalante

Thank you.

Operator

Our next question is from Froylan Mendez with JP Morgan. Please proceed with your question.

Froylan Mendez

Hello, guys. Thank you for taking my question. When you mentioned that the potential expansions would be calcinated lines, does this mean more focused on blended cement, and then therefore should we expect better margins versus what the current system has?

In that sense, too, Enrique, could you update us in the DOTs willingness to accept more blended cement today versus let's say six months ago that we discussed this?

Lastly, you mentioned looking for M&A opportunities in the materials business too. Under which circumstances would you be willing to go into the aggregate business? Thank you.

Enrique Escalante

All right, Froylan, thank you for your questions. I wrote down three or four questions basically. The calcination line is, obviously a clinker that translated into cement after we blended clinkers of 1.2 million to 1.3 million metric tons of original capacity. That is irrespective of our push to produce more blended cement. Some of that new capacity can be turned into blended cement, more specifically Portland limestone cement. We continue to move forward in that regard irrespective of the increasing capacity.

In terms of more information on the DOTs, I don't think I have any new recent information. I can tell you that there is a big push in many states, and many of the DOTs are accepting or have accepted the use of limestone cement, including Texas, Colorado, New Mexico, we are introducing to the market a pozzolan addition cement that is helping us compete much better by offering our customers a solution for the lack of enough fly ash in the market. So in the movement, in terms of blended cement, and again, including Portland limestone cement, will continue to be strong in our opinion, and more and more, it gets actually facilitated by the supply demand tightness in Montana. In our plant in Montana, we're increasing every month, the proportion of Portland limestone cement that we're shipping. The market is, again, looking promising for the acceptance of more blended cement.

In terms of M&A, we continue, as we've said before, looking for opportunities that will make sense. I've seen organic growth in cement. It's our main priority. This is a permanent work that we do here to try to add a plant or two to our system as soon as we can. Obviously, with this market perspectives, not many competitors that I know are really willing to entertain selling a plant at this moment.

However, we're always analyzing where we could add more value because cement is a weakened grade in our systems than other competitors and that's our proposition to them. If you think that we can create more value here than you, perhaps because of the synergies that we can create, we're open, obviously, to discuss any interest in an acquisition here. We have the balance sheet prepared in case we find an opportunity.

Obviously, we have to be very careful because valuations are obviously on the high side at the moment. In terms of aggregates, that's the second tier in our strategic plan after cement plant, is aggregates that can be integrated into any of our markets. We're not looking for a standalone aggregate in different regions.

We are, more than anything, focused on aggregates, even ready-mix, only if they can be vertically integrated in one of our plants or regions. We continue to look actively cement, aggregates and ready mix.

Froylan Mendez

I appreciate it, Enrique. Thank you.

Enrique Escalante

Thank you, Froylan.

Operator

We have reached the end of the question-and-answer session. I'll now turn the call over to Management for closing remarks.

Ricardo Martínez

Once again thank you to everyone 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 conference. You may disconnect your lines at this time. Thank you for your participation.