

CORPORATE PARTICIPANTS

Enrique Escalante, Chief Executive Officer

Maik Strecker, Chief Financial and Planning Officer

Sahory Ogushi, Head of Investor Relations

INQUIRERS

Alberto Valerio, UBS

Alejandro Azar, GBM

Carlos Peyrelongue, Bank of America Merrill Lynch

Francisco Suárez, Scotiabank

Lucila Gómez, Compass Group

Nikolaj Lippmann, Morgan Stanley

Vanessa Quiroga, Credit Suisse

PRESENTATION

Operator

Good morning and welcome to GCC's Second Quarter 2023 Earnings Results Conference Call. Before we begin, I would like to remind you that this call is being recorded and that all participants will be in listen-only mode. Please also note that a slide presentation accompanies today's webcast. The link is available on the company's IR website at gcc.com.

At this time, I would like to turn the call over to Sahory Ogushi, Head of investor Relations. Please go ahead.

Sahory Ogushi

Good morning, everyone, and thank you for joining. With me today are Mr. Enrique Escalante, our Chief Executive Officer; and Maik Strecker, Chief Financial Officer.

The earnings release detailing our 2023 second quarter results was released yesterday afternoon and is available on the company's website. This conference call is also being broadcast live within the Investors

section of company's website at gcc.com, and both the webcast replay of the call and transcript will be available on the same site approximately one hour after the end of today's call.

Before we begin, I would like to remind you that our remarks today will include forward-looking statements. Actual results may differ materially from those contemplated by these forward-looking statements. Factors that could cause these results to differ materially are set forth in yesterday's press release and in our quarterly report filed with the BMV. Any forward-looking statements that we make on this call are based on assumptions as of today and we undertake no obligation to update these statements as a result of new information or future events. With that, let me now turn the call over to Enrique.

Enrique Escalante

Thank you, Sahory, and good morning, everyone.

I'd like to begin today's call by noting that this is GCC's 9th consecutive quarter delivering year-on-year double-digit topline growth. I'd like to thank our team for their hard work and relentless focus on operational excellence while we further optimize GCC's operations and leverage close relationships with clients and partners alike, also enabling us to capture exciting opportunities from the favorable momentum we're seeing in Mexico.

During the second quarter we continued to feel the adverse effects of the weather-related headwinds challenging our industry, and a prolonged wet spring within many of our key markets. As one example, June 2023 was Colorado's wettest month in recorded history, also exceeding Colorado's annual rainfall for the entire year. This impacted projects and slowed down shipments within certain regions in which we operate.

At our U.S. operations, while we believe the pandemic and post-pandemic's uncharacteristically high demand for construction materials will be forced to moderate, weighed by decreased spending on residential projects. GCC has a demonstrated ability to quickly pivot our business to ensure we're positioned to capture opportunities, ensuring year-on-year improvements to our bottom line.

Our decision to pivot GCC's business away from residential construction continues to prove insightful in light of recently released construction spending data. Rising interest rates are slowing residential construction. However, non-residential construction spend remains strong. Within the Federal Reserve Economic data for May, private non-residential spending increased 21% and private manufacturing construction by 73% compared to May 2022. GCC remains well positioned to capture related demand.

During the quarter we also further strengthened how we manage variable costs across GCC's plants. We took additional steps forward in the quarter to better serve our customers and deliver for key stakeholders by leveraging enhanced cost controls and optimizing our supply chain, while continuing to increase our investments in innovation, our people and end user activation. I'm encouraged by our progress thus far, and I am confident that by using the current transition period to focus on our strategy, we are positioning the company for strong long-term growth, cash flow generation, profitability and shareholder return. This

continuous improvement mindset, and related optimization, will make a sustainable difference as activity levels begin to accelerate with the Infrastructure Bill funding allocation, we expect next year and related bidding in the fourth quarter of this year.

Let me share some highlights related to the three pillars aligned with our vision and goals through 2025.

Starting with our People, even though across all sectors labor continues to be a concern in the US, I'm pleased to note that in the second quarter 2023, GCC achieved the fewest open positions within the last 5 years. This level of retention is the result of prioritizing and investing in our team's well-being, skill-building and training.

We're also ensuring our team's safety through two important strategies. During the first half of the year, GCC began the implementation phase of our Safety Strategy Plan that will enable us to become a World Class Safety Company through proactive identification and control of exposure to hazards. We have been implementing safety governance practices to strengthen our communication, resource allocation and empower our employees. In addition, we are putting in place a Serious Injury and Fatality Prevention System which involves all leaders across the organization.

I am pleased to report on GCC's ongoing commitment to fostering a skilled workforce and maintaining our competitive advantage by investing in training and education initiatives to build technical capacity, increase professional knowledge and accelerate careers; motivating and supporting individuals to adopt a strategic approach that positively affects our business performance and profit. The GCC Cement Training Institute has enabled us to identify gaps within our operations. As a result, during the second quarter we rolled out further GCC training programs tailored to our respective plants' needs and areas of improvement, including job-specific training programs based on a learner-centered experience. This has been fully deployed by the end of the second quarter, with the appropriate work plans in place and employee training at all GCC plants. This results in the quantifiable benefits of strengthened organization stability while mitigating turnover, also in enhanced efficiency with cost savings.

Attracting and training the industry's best talent is a critical part of our operational excellence goal.

Turning to our Profit pillar, we have seen some positive developments in U.S. volumes in recent weeks and remain committed to pushing for maximized production and delivery efficiency in the coming months. Due to a slower first half of the year, we find ourselves with a robust inventory at our plants and terminals, and we're well-positioned to service our project pipeline in the second half of the year. However, catching up entirely to the volume lost in the first half of the year will be a challenge given the ongoing labor constraints in the construction industry chain, and other market dynamics.

While second quarter volumes for our U.S. business decreased year-on-year, these were offset by continued price strength and by running our operations as stable and efficiently as possible.

The use of rail transport has strengthened our margins on a per ton basis compared to the trucks we were forced to use last year.

In addition, thanks to our flexible fuel strategy, most of the plants can burn natural gas, coal and alternative fuels, switching between fuels when we identify a cost benefit. During the quarter, we converted the plants in Mexico to get the maximum benefit from favorable natural gas prices.

During this period, we are capitalizing on the opportunity to take advantage of current market dynamics by accelerating coal sales to third parties. It's important to note that GCC's coal is high-efficiency and low sulfur, ideal for this specific industrial process. Our third-party customers are therefore burning our coal instead of sulfur-heavy coke.

This leads into our Planet pillar. This week we will release our 2022 Sustainability report which provides detailed updates on our commitment to our people, the planet, and best practice corporate governance. To highlight a few of the important milestones we achieved:

- I) 15% of total power consumed in 2022 was derived from renewable sources. As a reminder, we have renewable energy agreements for our Rapid City, Montana and Odessa plants which substitute 50%, 75% and 100% of the hydrocarbon-generated electricity with renewable sources, respectively.
- II) Alternative fuels – including biogenic fuels – are key to reducing emissions from our production process. In 2022, we achieved a 7.7% substitution rate, and we remain on track to reach 25% percent of our fuel consumption by 2030.
- III) We achieved strong fuel substitution rates of roughly 40% at our Juarez plant, 18% at our Samalayuca and Pueblo plants and 6% at our Chihuahua plant in 2022.
- IV) We decreased our clinker ratio to 86% in 2022 from 87% in 2021, also on track to achieve our target of 80% by 2030.

Regarding CO2 emissions:

- I) During 2022, our scope 1 CO2 emissions decreased 1.7% year-on-year and by 3.4% compared to our 2015 baseline year.
- II) And during the same period, our scope 2 CO2 emissions decreased by 26% compared to 2015.

As another related comment, we installed a pilot solar plant at our Samalayuca plant in 2022, and we are continuing today with similar projects at other Mexico facilities. This strategic initiative enables us to gain valuable insights into the technology and its practical implementation. By actively engaging with solar energy at this stage, we're building the corporate knowledge and expertise to effectively incorporate this within our larger-scale operations in the future.

During the quarter GCC saw continued investments in solar projects in Montana. These are progressing nicely and are projected to provide 11% of the plant's electricity needs, representing a significant step towards our goal of transitioning to renewable energies.

Solar plant construction began during the second quarter, with full installation and commissioning set to be completed in early 2024. GCC has secured the newest and most cutting-edge equipment available in the market, all sourced locally within the United States.

Further, this solar project aligns with U.S. Federal grants through the Solar Investment Tax Credit (ITC) tax rate deductible.

While we evaluate a second phase for solar in this plant, we will continue to source the remaining electricity from regional suppliers under long-term contracts, prioritizing economic efficiency and sustainable practices in line with our company's objectives.

Let me now review our markets. The weather-related disruptions in the U.S. I described led to an 11% year-on-year decrease in cement volumes for the quarter. In contrast, concrete volumes grew 4% in the period, driven by strong windfarm project-related demand in South Dakota and a multi-lane widening project on I-10 at El Paso, Texas.

We are working at full capacity while we benefit from close relationships with our clients to assess their needs for the quarters ahead and until the end of the year. Demand from GCC's infrastructure and oil and gas clients remains strong, as these industries continue to see favorable momentum.

Revenues from GCC's U.S. operation increased by 6.6% as compared to the same quarter in 2022, benefitting from sequential price action over the past year. GCC selectively implemented the year's second price increase of US\$7 for construction cement and US\$15 for oil well cement, which took effect on July 1. It's important to note that we did not anticipate a second increase at the beginning of 2023, which will have a favorable impact on margins.

As I noted, we continue strengthening margins by reducing our variable costs, with notably high standards at our South Dakota and Pueblo facilities. Our Pueblo facility has maintained flat costs year-on-year despite inflation. We achieved this by running the plant more efficiently, resulting in decreased power prices. Our Rapid City plant has also benefited from streamlined operations and from our renewable energy commitment that support our energy cost.

To update you on the Odessa plant expansion, we signed the equipment purchase agreement during the second quarter and expect to sign the construction agreement during the third quarter. In parallel to the contracts, we continue to advance in regard to the site and utility preparation, as well as foundation construction according to our plan.

We have worked hard to reduce the original investment communicated in August 2022, and expect to inform the final cost per ton to build the new line during the third quarter, upon finalizing the construction agreements, aiming to start production by the end of 2025.

And, as noted, oil and gas activity in the Permian Basin remains strong- GCC successfully sold every ton of oil well cement we produced during the second quarter and expanded our shipping schedule to include Sundays to address high demand.

Regarding GCC's Mexico operations, we continued to benefit from today's positive nearshoring trend with 15 manufacturing projects currently underway in Juarez and 7 in Chihuahua with clients such as Foxconn, Wistron, Pegatron and Inventec, as well as housing demand to support the flow of labor and employees in the area. To illustrate this point, GCC received 44 new ready-mix trucks during the last 18 months, and during the quarter we purchased 48 additional new ready-mix trucks, a new concrete pump and one more ready-mix plant, all these in addition to the recent investments in 2 mobile crushers for our aggregate's operations in Juarez. These additional investment commitments are focused in maintaining a high service level to all our customers.

In conclusion, during the quarter GCC continued to make meaningful progress on our strategic pillars. Our People, Profit and Planet priorities for 2023 remain unchanged as essential parts of our strategy. With all elements in place, we are well positioned to capitalize on the positive U.S. construction outlook, supported by the Infrastructure Investment and Jobs Act and the Inflation Reduction Act, while taking advantage of the impressive momentum we're seeing in the Mexican market. Our team is activating against our strategy, and I'd like to extend my sincere thanks to our operations associates throughout our markets.

Let me now turn the call over to Maik for some further financial highlights on the quarter and our latest outlook.

Maik Strecker

Thank you, Enrique, and good morning to everyone.

Starting with our financial results on slide 22, consolidated net sales for the second quarter increased by 14%. This was mainly driven by increases in concrete volumes in the Mexico and the U.S, higher cement volumes in Mexico, coupled with strengthened prices in both markets. This was partially offset by lower cement volumes in the U.S. due to the adverse weather conditions during the quarter.

Please turn to slide 23.

Cost of sales as a percentage of revenues decreased 7 percentage points in the second quarter to 62%, mainly reflecting favorable cement prices in both divisions, higher fixed cost dilution and lower fuel prices. These were partially offset by higher production costs and expenses.

It is important to highlight that last year, we experienced some logistical headwinds associated with the railroad network, which led us to rely more heavily on trucks to deliver the product to our customers on time. However, I am pleased to inform you that the situation has now returned to normal, allowing GCC to return to a more cost-effective rail freight.

In addition, as you may recall, we concluded the Samalayuca debottlenecking project in the second half of April, which came at US\$0.5 million one-time impact on our U.S. freight costs for the quarter and a total of

US\$3.5 million one-time impact year to date. These incremental costs were required to support our Southern network through shipments from our Tijeras and Pueblo facilities.

Please turn to slide 24.

SG&A expenses as a percentage of sales increased 70 basis points in the quarter to 8%, mainly due to the appreciation of the Mexican peso.

As a result, second quarter EBITDA increased by 33% to US\$133 million, and the EBITDA margin expanded 540 basis points to 36.4%.

As we mentioned at the beginning of the year, we remain committed to improving our EBITDA margins, by leveraging on our own logistic network, operational excellence, normalized energy costs and a pricing strategy that enables us to offset the impact of inflation on our cost structure.

Moving down the P&L on slide 25, net financial income totaled US\$5 million in the second quarter of 2023 compared to net financial expenses of US\$4 million in the prior year quarter. This was mainly due to a higher cash balance and increased U.S. and Mexican interest rates on our treasury investments.

In turn, consolidated net income increased by US\$29 million in the second quarter to US\$82 million and earnings per share increased 56% year-on-year.

Moving to our cash generation on slide 26, free cash flow decreased 62% to US\$21 million in the second quarter 2023. This was mainly driven by higher working capital requirements, cash taxes and maintenance CapEx, partially offset by increased EBITDA generation.

Turning to our balance sheet, we ended the quarter with US\$770 million in cash and equivalents and US\$500 million in total debt. Our net debt to EBITDA ratio stood at -0.69 times, which is well below the industry's average. As we announced on our first quarter earnings call, GCC's General Shareholders' Meeting held on April declared an annual dividend of \$1.3364 Mexican pesos which was paid on May 24.

Please note that during the quarter we repurchased a net amount of 900,000 shares equivalent to US\$8 million under our current share buyback program.

In terms of capital allocation and inorganic growth, we are optimistic with the opportunities ahead and we continue to actively pursue value creation initiatives through acquisitions of cement assets located in the U.S. that could be plugged into our network and are aligned with our long-term strategic vision.

Finally, and turning to slide 29, I would like to discuss GCC's updated guidance for 2023. Starting in the U.S., as a result of the adverse weather conditions we experienced in the first half of the year, we now expect GCC's cement volumes to decrease mid-single digit year-over-year. In the ready-mix business we had a strong first half performance, thus, we expect volumes to increase mid-single digit.

In terms of prices, in light of the announcements we've already made, we now expect price increases in the double-digits range for cement and high-single digit for concrete.

In Mexico, we continue to see a strong market, with robust demand and a positive pricing environment. Therefore, we now expect concrete volumes to increase high-single digit and prices for both products to increase low-double digits year-over-year. The outlook for Mexico cement volumes remains unchanged.

Regarding profitability, thanks to the operational efficiency and cost strategy Enrique mentioned, we now expect 2023 EBITDA to increase double digits against 2022 levels. We expect to recover the margin lost in 2022 during the year.

With that, I will now turn the call over to your questions. Operator, please begin with the first question.

Q&A

Operator

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

Nikolaj Lippmann

Thank you very much. Congrats on the fantastic results here. I have two very simple questions. Can you first talk a little bit about how we should think about you as pricing for the second half? It looks like you sold out in oil cement which is the highest price product you're going to be growing in the mountains as far as I can see as the weather improves, which is the second best option. Does that mean that net-net we are going to have a—how should we handicap, how should we think about U.S. pricing? Would it be going down a little bit on a sequential basis, or can it continue to grow in your view? So, that's question number one.

Question number two, can you talk a bit about the strategic reasoning for your aggressive push into ready-mix concrete? Thank you very much, and again, congrats on the numbers.

Enrique Escalante

Hi, Nick. Good morning. This is Enrique. Thanks for the questions. On pricing, if I understood correctly your question, it's about the effect of our recent price increase. We expect it to, I mean, hold in several of the markets that we are doing business on. In some of the markets it's not going to take, we discussed some specific situations for several markets within our customers, but overall, we expect it to improve our total price on a sequential basis.

The second question was related to ready-mix, but I've missed a little bit what you said. Can you repeat that please?

Nikolaj Lippmann

Yes. If you can talk a bit about, so you've historically had a relatively, compared to other cement, many of your peers, you've had less of an emphasis on ready-mix, and it looks like you're trying to increase your ready-mix exposure. Can you talk about some of the strategic reasoning behind that?

Enrique Escalante

Well, yes, as we have mentioned in our strategy, ready-mix, we only look at ready-mix favorably in the markets for wet cement to have a totally integrated business. In light of that, we're always open and attentive to see if there is an opportunity to increase that business, but it will have to fit within that criteria. In respective of, a project—strategic project on a new business in ready-mix, we always also continue to see, organic growth and look for opportunities within the regions where we are today. Name it, El Paso, Southern New Mexico, and Iowa, Minnesota and South Dakota. We're attentive all for opportunities there. But if it's—if you're talking about an acquisition, it will have to be totally, on an integrated market for us.

Nikolaj Lippmann

Got it. Thank you.

Operator

Our next question comes from the line of Carlos Peyrelongue with Bank of America. Please proceed with your question.

Carlos Peyrelongue

Thank you. Thank you for taking my question and congrats on the results. Just a quick follow-up on Nick's questions—on Nikolaj question. In terms of the price increase you announced in the U.S., can you give us an idea on what type of traction you're getting? It looks from your new guidance that the traction seems to be going quite well, but would just like to hear, if you had a little bit more color on that.

The second in terms of acquisitions, is—you talked about trying to find assets that would fit into your existing system in the U.S. Can you provide any color as to whether that's something that you are getting closer to finding a potential target? Or is that still something that you're looking for and, should—it's still not something that could occur in the next 12 months or so? Thank you.

Enrique Escalante

Thank you, Carlos. Again, this is Enrique. Let me address first the pricing question. Of course, we announced a \$7 price increase in construction cement and \$15 in oil-well cement. As I mentioned on construction cement, several markets are definitely going up with a full \$7 price increase. In other markets, there is no price increase. In other markets, there is probably, a partial price increase. Overall, I will say that at least 50% of our markets at least, are going to take the price increase. On oil-well cement, of course, we expect a 100% penetration with

the new \$15 price increase. We're looking, very optimistically at the performance of prices for the rest of the year as we report it.

In terms of M&A yes, as we've set our priority to find opportunities within our network. But we're not limited anymore to just that. We are looking at the whole United States as a big opportunity to continue increasing the presence of GCC. Of course, with priority, as I said before on the current network. We are always very active in that Carlos, so we don't have anything specific to report on at this moment, but I can tell you that supported by the planning team here with Maik and his staff and our U.S. folks, we are searching very actively for every opportunity. We think that there will be, more opportunities going forward, of course, than in the last three years.

Carlos Peyrelongue

Perfect, Enrique. If I may add one more related to pricing in Mexico. Volumes have been quite strong, as you mentioned, nearshoring is really taking off, and that's resulting in additional cement demand. Is there room in the second half to move prices higher in Mexico?

Enrique Escalante

Can you repeat the last part now, Carlos? I couldn't hear it. In Mexico...

Carlos Peyrelongue

Sorry. Sure. In Mexico it's related about cement prices. Volumes have been quite strong as a result of the nearshoring related cement demand. Is there room to increase prices in Mexico in the second half?

Enrique Escalante

Yes. Okay, thanks for the question again. Definitely there is room. We're actively determining at this moment, how much we can increase to recover, obviously, the inflation we've been subject to, and, shortly we'll be announcing, price increase for the second half of the year in Mexico.

Carlos Peyrelongue

Perfect. Thank you.

Operator

Our next question comes from the line of Vanessa Quiroga with Credit Suisse. Please proceed with your question.

Vanessa Quiroga

Hi. Thank you for taking my question and congrats on the results. The first one, I want to focus a little bit on Mexico in a segment that is not being talked about that much recently, which is self-construction. Remittance says in peso terms are down now year-over-year, and I was wondering if you are seeing that impacting negatively on the self-construction segment, which I assume it's still quite relevant for your operations in Mexico. That's the first one.

The second one is about your fuel strategy currently, if you can provide your exposure to coal and to natural gas currently and what—how you are using coal given your existing mine that you own and your use of the coal? Thanks.

Enrique Escalante

Thank you, Vanessa. Yes, let me address first the question on the self-construction market in Mexico on our bagged cement, and then I'll turn it to Maik for the analysis on fuel in a strategy.

We see basically a very stable market in terms of bagged and self-construction where we are. We have been shipping about 24%, 25% of our total shipments in Mexico in bags, which is basically the normal level for our market to a little bit of a decrease from the almost 8% during the pandemic. We're stable there. We don't see any big growth. More than anything, I think we will expect it to continue a little bit flat for the rest of the year, but we feel, that's the normal level that we'll always enjoy.

With that, I will turn it to Maik for the second question.

Maik Strecker

Yes. Hi, Vanessa. Regarding the fuel strategy, so over the last few years, we really built out a more flexible fuel strategy across the plants, across the network. A very good example would be Samalayuca. As part of the expansion there, we invested, so we can now burn up to 60% of alternative fuels. That's really in the context, we want to take advantage of economic opportunities like we've done at this quarter on gas in Mexico specific, but also taking advantage of the alternative fuels market that we're seeing evolving. That's really across the network.

Regarding the coal, again, we're in full operation the new reserve of the coal mine since the beginning of the year. The coal is our natural hedge. As Enrique said, it's a very high efficient coal of fuel that really brings a lot of advantages. We're going to use that according to our strategic plan across the network but also again, having the flexibility of taking advantage of other fuels. Then as we mentioned, the coal also is an opportunity in the context of sales and growing the business. Overall, that's a little bit of context around the fuel strategy.

Vanessa Quiroga

Thanks, Maik.

Enrique Escalante

To compliment what Maik said, Vanessa. We don't have any problem to hedge, use a lower cost fuel and then on top of that, sell the excess coal that we produce.

Vanessa Quiroga

That's great. What's your current exposure to each of the fields, if you don't mind?

Enrique Escalante

Today our Mexican plants are running on gas and the U.S. plants, Pueblo, Tijeras and South Dakota are running on coal. Odessa runs on gas and, Montana runs on both combination of both fuels.

Vanessa Quiroga

Thank you very much, Enrique and Maik.

Operator

Our next question comes from the line of Alberto Valerio with UBS. Please proceed with your question.

Alberto Valerio

Hi Enrique, Mike, Sahory thank you for taking my questions. I have two on my side. The first one about the first half of the year. If there is anything that was a tailwind for you guys, because usually we have seasonality against GCC in the first half, but in favor for the second one. Just to have an idea how much you can get on EBITDA levels. It's 20% above last year, 30%, and both being high the guidance, the budget growth, but it's a huge difference. The second one, it's about competition. We see this level of price. I would expect some new projects or some player come to the market. If you have heard any additional capacity maybe the current players, bottlenecking or increasing capacity as you did in Samalayuca, or new players come to Mexico and U.S. in your region? Thank you.

Enrique Escalante

Alberto, good morning. Thanks for the question. I think I understood, on our EBITDA, how's it going to continue growing in the second part of the year and of course because of the seasonality, that's where we are pushing now harder in terms of shipments during the summer and fall in the U.S. operation. That obviously will have a good effect on EBITDA margins. They're going to continue growing in that part of the year because of better cost fixed absorption to the increase sales. That's why based on where we are and what we expected the rest of the year, we increased our outlook for EBITDA as we mentioned in the report. We're looking at it very favorably.

In terms of competition from Mexico, we don't see any additional competition coming from Mexico. I think that we saw that effect, at the beginning of the year, in the last year. I think that basically today we're very stable

and we don't expect any incremental competition. In the U.S. markets of course, we are—as I said, practically sold out, but we have inventories as well as the majority of the industry because of where we come because of the weather. We all have a little bit of extra volumes available for the rest of the year. It will depend a lot on what type of fall or early winter we have or not that we will be in a position to ship out those inventories, but more, in my opinion, of weather related than competition.

Maik Strecker

Maybe Alberto, if I can add. In Mexico the timing of our Samalayuca expansion was very nice. We have that additional capacity really to facilitate the growth for that nearshoring aspect. As Enrique said, we're investing quite heavily in equipment and the ready-mix and aggregates business really to stay very close to the customers and support them in their projects and their growth ambitions. I think there's a good balance right now that we can provide good quality, good products and service.

Alberto Valerio

Fantastic. If I may, just a follow-up, the growth guidance on CapEx of \$220 million, is any on Odessa including there, or Odessa just should start just in 2024?

Maik Strecker

Yes. The guidance on the \$220 million includes Odessa. There's a good portion of Odessa spent in that number this year. As Enrique said, we're progressing nicely around the utility work around some of the foundation work. It's an important portion of that growth CapEx as well as in the first quarter, the completion of Samalayuca that was an important element of that growth CapEx. Then the last important or third element in growth CapEx is really enhancing the distribution network in the U.S., putting some, some CapEx money in the terminal network, and rail capabilities. That's all part of the budget. Yes.

Alberto Valerio

Fantastic. Congrats for the result. Thank you for taking my questions again.

Operator

Our next question comes from the line of Francisco Suarez with Scotiabank. Please proceed with your question.

Francisco Suarez

Hello. Good morning, guys, and thanks for the call. Congrats on the wonderful execution that you have given to us. It's fantastic. The question that I have is well, the Teamsters just got a deal with UPS. It seems that we're going to see a little bit more pain on truck related transportation. You're clearly ahead of the curb, right? But

what you are doing on relying more on rail freight, but the question is if you see any risk to higher cost in overall transportation? Thank you.

Enrique Escalante

I'll turn this call—question to Maik now. But thanks for it.

Maik Strecker

Yes. We don't see any additional pressure on the distribution cost. As we explained in the earlier part of the call, we saw that last year and we had to rely more on trucking last year than this year. But no, we see some good service levels from the rail. We're going back to all our natural routes again, heavily on rail, which is very cost efficient for us. In general, we feel pretty comfortable what's happening there. We don't see any major pressures there.

Francisco Suarez

Got you. If I may just to follow-up on these, any more investments in ground terminals or perhaps making some of your ground terminals multi-model terminals?

Maik Strecker

We're completing and are fully operational now in Minneapolis. That has been a terminal that we have been expanding working on, and that's now fully operational. In addition, for this year there's no additional terminal, but we're working on ideas and things that will enhance us, but more looking in '24, '25. Typically our terminals supported by rail again, most of our plants have good rail capabilities. Then of course, the transloading and trucking to the final customers. That's our typical setup. It has proven pretty efficient.

Francisco Suarez

Perfectly clear. Thank you so much. Congrats again.

Operator

Our next question comes from the line of Alejandro Azar with GBM. Please proceed with your question.

Alejandro Azar

Hi. Good morning, Enrique, Maik, Sahory. Sorry I joined late to the call, but just a quick one Enrique on your first remarks, you mentioned the sign and the construction start of the Odessa project. Is there any changes on the amount of the CapEx that you announced back 12, 18 months ago, I don't know if I recall correctly, \$775 million. Has that changed from as of today?

Enrique Escalante

Hi, Alex, how are you? Yes, Alex, what we announced last year was \$750 million. There's going to be a different total investment that it's going to be lower. I cannot disclose it at this moment as we are actively negotiating the construction agreement, which is obviously a big concept in all that investment. But expect a better cost per ton of what we initially disclosed. We'll be prepared to discuss that in the third quarter call.

Alejandro Azar

Excellent, Enrique. Thank you very much.

Operator

Our next question comes from the line of Lucila Gomez with Compass Group. Please proceed with your question.

Lucila Gomez

Good morning. Thank you for taking my question and congratulations. My question is just a quick, I want to—I have a little bit more of color in the U.S. volume side, I'm assuming of the decrease year-over-year and what has changed this quarter versus the first quarter? Or was it more of the same dynamics? Thank you.

Enrique Escalante

Hi, Lucila. Good morning. Thanks for the question. As we said, our volumes have decreased around 11% compared to the second quarter of last year. As I explained, there has been a very unusual, harsh and, weather and extended wet system too. It was difficult to really have visibility to see how much was the weather related of this decrease and how much would be some soft pockets, especially on the residential side. Now that we have more visibility, we think that we're going to be able to recover part of that loss volume in the second part of the year. Probably, then that's the year around what we said, mid-single digits decrease compared to last year in comparison to the 11% that we have today.

Lucila Gomez

Perfect. Thank you.

Operator

Thank you. We have reached the end of the question-and-answer session. I'll now turn the call back over to Sahory Ogushi for closing remarks.

Sahory Ogushi

Thank you everyone. We appreciate everyone taking the time today to join us and for your interest in GCC. We look forward to speaking with all of you soon.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.

DISCLAIMER

ViaVid has made considerable efforts to provide an accurate transcription of the Q&A. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only. 1-888-562-0262 / 1-604-929-1352 www.viavid.com