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PRESENTATION

Operator

Good morning and welcome to the GCC Fourth Quarter and Year-End 2021 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 also note a slide presentation will accompany GCC's earnings results 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 Ricardo Martinez, Head of Investor Relations. Please go ahead.

Ricardo Martínez

Thank you, operator. Good morning, everyone and thank you for joining our earnings call. We will begin today's discussion with remarks from Mr. Enrique Escalante, our Chief Executive Officer, followed by financial

highlights from the quarter by Luis Carlos Arias, Chief Financial Officer, and we will then close with your questions.

As you will note on slide 2, our call will include projections and other forward-looking statements, and it's important to note that actual results could differ materially from those projected. GCC undertakes no obligation to update or revise publicly any forward-looking statements whether because of new information, future events or other factors. Investors are urged to carefully review various disclosures made by the company, including the risk and other information disclosed in the Company's filings with the Mexican Stock Exchange.

In particular, uncertainty remains about the duration and impact of the COVID-19 pandemic. This means results could change at any time due to the pandemic's impact on the Company's business results. Management's outlook is therefore a best estimate based on the information available as of today's date. With that, let me now turn the call over to Enrique.

Enrique Escalante

Thank you, Ricardo, and good morning, everyone.

Turning to slide 3

2021 was another extraordinary year. GCC delivered strong results, particularly in the second half, for the first time surpassing an important milestone of one billion in sales and record high EBITDA for the Company, which enabled us to upwardly adjust full year guidance despite continued supply chain, labor, and energy cost headwinds.

We saw robust customer demand in both Mexico and the US during the year, which continued in the fourth quarter supported by a long construction season, and strong trends persisted in infrastructure, commercial, oil well drilling and in global economic growth.

Along these lines, we continue to prioritize meeting today's heightened customer demand while operating in an unusually complex labor and supply chain environment. I thank our two thousand eight hundred plus employees in Mexico and the US for delivering record revenue and EBITDA under these circumstances. And in particular, I want to offer special thanks to our employees at plants, drivers and service people, as well as supervisors and managers, and other staff that had to be in the field or travel to support our business, for their incredible dedication, agility and resilience to serve our customers during this particularly challenging year as they always do.

We have developed an array of growth drivers to position our businesses to capture this opportunity. We're continuing to invest in innovation, inventory, in our plants and logistics in particular, as well as in previously announced projects to improve operational efficiency and enhance GCC's social and environmental responsibility while we meet the strong demand in the near term and fuel sustainable growth over the medium and long terms.

Further, our operations teams remain focused on ensuring our plants are producing at a consistent level, also to accommodate this year's extended construction and shipping season due to favorable weather for the third consecutive year, with strong backlogs complicated by an ongoing labor shortage. The industry will therefore continue to be challenged by low inventories. As I mentioned last quarter, for the first time in fifteen years every GCC kiln continues producing clinker for both construction and oil well cement.

Turning to pricing on slide five, as we noted in the third quarter, last spring we informed our customers of a second price increase of US\$6 per short ton which took effect in August in most of our markets.

It's also important to note that a second price increase is unusual for GCC and the industry, something we have not seen since the last cement demand peak, which enables us to capitalize on current opportunities while offsetting incremental costs.

We remain optimistic about early signs that this trend could be permanent across the board, to ensure we pass freight, diesel, and commodities increased pricing through to clients as quickly as possible.

As we're focused on maintaining EBITDA margins, we're extremely vigilant and agile in identifying market opportunities to further increase prices, particularly with tight supply and demand dynamics. In light of the current operating environment, we announced an additional 6% to 8% price increase per short ton in construction cement which came into effect earlier this month on January 1, and for oil well cement we announced a US\$15 per ton price increase effective April 1, 2022.

To date, these price increases have been well received by our customers. In the current environment, most of our customers are significantly more concerned about ensuring uninterrupted supply, and GCC has had an important competitive advantage when uniquely positioned to guarantee product availability.

As Luis Carlos will review, despite planned strategic CapEx investments in 2021 directed towards incremental capacity, GCC ended the year with balance sheet strength that ensures we're particularly well positioned to capture the right opportunities in today's unprecedented market conditions.

Another important development during the year was that the U.S. House of Representatives finally passed the Bipartisan Infrastructure Investment and Jobs Act, in November 2021.

To reiterate, The Portland Cement Association estimates the US\$550 billion in new spending included within the Infrastructure Investment and Jobs Act should result in approximately 48 million metric tons of increased cement consumption over the life of the program. To provide context on the magnitude of this additional funding, should everything be consumed within the Bill's five-year timeframe, cement consumption would increase by around 9% annually as compared to 2020 levels, on top of the 2% to 3% normal organic growth.

But it's also important to note that we would only expect to see initial related benefits beginning roughly a year from now and thereafter.

Let me now share a more detailed review of our key business drivers during the fourth quarter. Luis Carlos will then provide color on our financial results, and he'll then turn the call back to me regarding 2022 full year guidance and closing remarks.

Turning to slide 7, as I've commented, we're very pleased with the results we achieved during the year in both of our markets.

We delivered another record high for fourth quarter in US cement volumes, which rose 5% for the fourth quarter with a 6% increase for the full year, as we were able to ship our considerable backlog. I'll review some key performance drivers in the US and then touch upon GCC's Mexico operations.

The El Paso market remained strong during the fourth quarter of the year, and we don't expect this to change, with extraordinary near-shoring demand and warehousing project work driving tight supply and demand dynamics in every US market.

Turning to slide 8, in West Texas, drilling continued to rebound during the fourth quarter with related demand for oil well cement in the Permian Basin market which was higher than expected and challenging to fully supply. We expect to see continued strength in 2022 while the US\$15 per ton price increase has been fully accepted by our clients in this market.

To reiterate, both kilns at our Odessa cement plant are running at full capacity, with one kiln at the Chihuahua Plant complementing our supply to produce this type of cement. Separately, while the Odessa plant runs older kilns, price increases have also enabled us to offset increased costs.

Turning to slide 9, in Colorado we maintained a strong performance in every market segment, particularly in residential and industrial warehousing driven by today's elevated consumer demand environment and the e-Commerce boom, as well as infrastructure projects.

Salt Lake City, Utah continues to surprise on the upside, with cement volumes reflecting a more than 50% year on year increase where I'm pleased to note we have successfully built a solid customer base in one of, if not the hottest market in the US. Our customers are bullish about this market's prospects and remain focused on ensured cement supply as their paramount concern.

Turning to the northern Midwest and Plains states, agriculture drivers are particularly strong within this region and represent a stable long-term source of business for GCC as companies continue to move production and processing as close as possible to their end market- also a trend that is favorably impacting our northern markets.

However, during the year we noticed a decrease in cement volumes for wind farm projects that to date haven't materialized, with more funds than available projects. And while the Midwest and Plains states appear to be saturated and we don't see the trend reversing, we note that the industry has been migrating to other locations

along the wind corridor. We therefore expect related demand will surface in other states where GCC has cement presence, including the Dakotas and Montana.

Turning to slide 10. Today, Montana is essentially sold out. We have begun introduction of Portland limestone cement in this market, which is one of the sustainable products of the future in the US.

The Montana cement plant is now fully converted to produce only Portland Limestone cement (PLC), a high-quality cement that reduces our carbon footprint with a lower clinker factor while still providing the strength, workability, and durability of regular Portland cement.

This is an important milestone in our blended cements effort to reduce our clinker factor and expand the range of our products as part of GCC's sustainability tool kit.

GCC has been actively working with mixes to address current fly ash scarcity and plan to expand PLC production to more of our U.S. plants in the near future.

Also on the innovation front, GCC has been working with and will invest in carbon capture technology and have made important initial steps to date. We have developed internal targets to ensure we're close to technology developers, working with them to identify the right technology to fit each plant. These steps are part of our broad-based sustainability strategy and entails a long-term process.

Briefly touching upon the Minnesota market on slide twelve, it's important to note that we limited the volume shipped to this market during 2021 as part our overall strategy as a concerted decision not to ship volume to this previously well supplied area, and to instead ship to higher margin regions within the US.

We expect to increase our shipments to Minnesota in 2022 and have been pushing more product due to the supply issues we're now seeing. We're working to free up additional capacity in Rapid City where we do indeed have capacity. The team has therefore been focused on running the plant in the first quarter to unlock this additional capacity.

Separately, work progressed during the year towards completing the new Albertville cement rail terminal to solidify our important position in Minneapolis/St Paul and to expand and strengthen our distribution and storage capacity in this market overall, in line with our strategic plan. We expect this will continue to be a booming market in the years ahead.

Turning to slide 13, looking ahead related to pricing, as I noted, the percentage and frequency of increases during 2021 are encouraging. This past summer we successfully passed through a price increase as one of the few companies among our peers to announce a second price increase.

We also expect cost increases will continue in the short term, including the increases in freight, diesel, and certain commodity prices we are already seeing. Our goal is to calibrate our pricing to pass these cost increases as quickly as possible with an eye towards improved margins also on ensuring we remain agile in identifying important market opportunities, particularly in today's current environment.

As I noted, our strong performance in 2021 was due to GCC's unique ability to supply our clients when some of our competitors were unable to do so, since they pared down production at the end of 2020. GCC instead made the decision to continue to run plants and build our inventories during the pandemic while tightly managing employees. Crucially, this enabled inventory during the first part of 2021 for which many of our clients appreciated our support, and our ability to fulfill orders when many peers were unfortunately sold out.

Turning to our Mexico operations on slide 14, we're very pleased with our fourth quarter results and for our overall full year performance in the Mexican market. Cement volumes grew 5% and concrete 14%, on a yearly basis cement grew 7% and concrete 19%.

Mexico continued to surprise on the upside during the year and in the fourth quarter, with solid performance and a strong backlog in the Chihuahua region overall and particularly the Juarez-area where demand remains strong with continued industrial warehouse construction and plant expansions as benefits of USMCA nearshoring and high operating levels in the mining sector. Importantly, GCC again successfully maintained market share on a customer by customer and project by project basis in the Chihuahua market. And while projects do continue to drive employment, we're seeing self-construction demand normalize to pre-2019 levels in this market.

In closing, while 2021 was an outstanding year for our company enabling us to achieve our updated guidance, we expect similar positive performance in the year ahead, also with the expectation that 2023 and 2024 will be even better with benefit of the US infrastructure bill.

There are several positive secular demand trends that are benefiting our businesses, and we remain bullish on the residential and nonres construction markets as well as on industrial recovery in Mexico and the US.

As a company, we are laser-focused on ensuring we are best positioned for the considerable market growth we are anticipating supported by the overall resilience of industry and of GCC.

So, while we will continue to see bottlenecks, particularly related to equipment lead times, we have already begun planning and are placing orders much earlier than normal to anticipate this challenge. Our close customer relationships also ensure we maintain better visibility with tight control of orders and demand for our product.

Further, we have important projects under development, with one cement plant expansion, a debottlenecking project in Samalayuca, Mexico, two new terminals under construction, several projects to improve operational efficiency and enhance our social and environmental responsibility. GCC has committed to investing roughly US\$500 million related to these projects over the next 3 years.

With that, let me now turn the call over to Luis Carlos to review the quarter's financial results and I will return for some brief closing comments.

Luis Carlos Arias

Thank you, Enrique, and good morning to everyone.

Turning to slide 17, consolidated net sales for the fourth quarter increased by 11%. This was mainly driven by the increase in ready mix volumes in Mexico and cement volumes in both countries along with better prices in the U.S. This was partially offset by an 8% decline in ready mix volumes in the U.S impacted by a difficult year on year comparison related to the wind farm projects that Enrique discussed.

For the full year 2021, net sales increased 11% as well. I would like to highlight the strong performance of our Mexican operations, where we closed the year exceeding our guidance in both cement and ready-mix volumes.

Please turn to slide 18

Cost of sales as a percentage of revenues remained relatively stable in the fourth quarter and decreased one percentage point, to 68.1% in the full year 2021, mainly reflecting efficiencies derived with benefit of our vertical integration, better selling prices in both countries and higher fixed cost dilution as well as a more significant share of higher-margin cement sales compared to ready-mix sales.

SG&A expenses as a percentage of sales increased one point six percentage points in the quarter to 9.9%, reflecting the non-permanent savings associated with the expense reduction plan implemented in 2020.

For the full year 2021, SG&A expenses remained relatively stable compared to the prior year period.

Turning to slide 19. As a result, we closed the quarter with an EBITDA of US\$81 million while the EBITDA margin was 31.5% compared to 35% in fourth quarter 2020. For the full year 2021, EBITDA increased 10% year on year, in line with our guidance, and the EBITDA margin decreased 0.4 percentage points to 32.5%.

We are very pleased with the savings achieved as a result of the cost control initiatives implemented at the onset of the crisis, particularly during 2021, given the record high inflation we saw in Mexico and the U.S. Despite this challenging environment, we were able to maintain our margins.

We continue working towards recovering our pre financial crisis margins, focusing on controlling costs and expenses while we face an inflationary environment and higher energy costs. Along these lines, we are leveraging our coal mine in Colorado which enables us to lower our energy costs while reducing exposure to gas and coke price hikes. During the year we also signed a one-year contract to lock in the natural gas price for our Odessa cement plant.

As a reminder, in 2021 we successfully offset US\$14 million in costs and expenses which were saved during 2020 in response to the pandemic. That number is the difference between 2020 total savings and 2021 permanent savings thanks to the financial lessons learned during the COVID-19 crisis.

Turning to slide 20, net financial expenses totaled US\$7 million in the fourth quarter 2021 due to a positive foreign exchange variation in GCC's cash position and a lower debt balance, partially offset by an increase in the effective interest rate. For the full year period, net financial expenses decreased 2%.

Consolidated net income increased 2% in the fourth quarter of 2021 and 15% for the full year 2021.

Earnings per share increased 2% in this quarter and 15% for the full year period.

Moving to our cash generation on slide 21, free cash flow was US\$89 million in this quarter and US\$292 million for the full year. This translates into a free cash flow conversion rate of approximately 109% in the fourth quarter and 72% for the full year.

I would like to point out GCC's improvement in controlling payables, receivables, and inventories. Based on the last twelve months of sales, we reduced days in net working capital from 47 to 39 - an 8 day decrease in total.

Turning to our balance sheet on slide 22, we ended the quarter with US\$683 million in cash and equivalents. At the end of December 2021, our net debt to EBITDA ratio dropped to -0.4x, or equivalent to US\$143 million net cash, achieving our full-year guidance of reaching negative net leverage in the third quarter.

In line with our strategy of further strengthening our balance sheet while supporting our ESG initiatives, we successfully completed the issuance of a 10-year US\$500 million sustainability linked bond (SLB) with an interest coupon of 3.614% and a maturity date of April 2032. Net proceeds from this issuance were used to redeem the full amount of the GCC 5.250% notes which come due in 2024, and refinanced bank debt.

This bond received investment grade ratings by both S&P and Fitch ratings and is aligned with the Sustainability-linked Bond principles and will enable us to ensure GCC's sustained growth while reducing interest expenses and significantly improving our maturity profile.

Notably, with the closing of this transaction, we became the first cement company in the Americas to issue a SLB, and it was the largest issuance ever completed by a cement company globally, positioning GCC at the forefront of the industry's decarbonization strategy.

We expect the issuance of GCC's sustainability-linked bond will inspire other companies to follow the same path, truly committing to a low carbon economy.

As Enrique noted, we are entering 2022 with a very strong financial position that provides us with flexibility to capture future growth opportunities and we will focus our efforts to ensure the Company is prepared for a new phase of the industry's cycle.

In terms of organic growth, as we announced last quarter, we will expect to invest around US\$500 million over the next 3 years to increase GCC's cement capacity and improve our logistics and distribution network.

Regarding inorganic growth, we continue to look for opportunities to acquire cement assets that can be plugged into our connected system or eventually begin the construction of a new system in the U.S.

We remain strongly committed to improving returns and delivering strong stakeholder value, while investing in the future growth of our business.

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

Enrique Escalante

Thank you, Luis Carlos. Turning to slide 25, I would like to now take this opportunity to discuss our 2022 outlook.

We're expecting the current positive momentum to continue, as the underlying trends of GCC's business remain favorable. As I mentioned earlier, there are a number of positive trends benefitting our business and we expect robust customer demand to continue in the year ahead, driving sales volume growth with a positive pricing environment in both divisions.

Therefore, we expect GCC's cement and concrete sales volumes to increase low to mid-single digits year-over-year in both countries.

In terms of prices, considering the announcements we have already made, coupled with tight supply and demand dynamics, we anticipate another year of price increases in the mid to high single digit range for cement and concrete in Mexico and the U.S.

Regarding profitability, we expect 2022 EBITDA to increase between high single digit to double digits against 2021 levels.

We approximate our capital expenditures at two hundred and US\$60 million, including

- US\$180 million allocated to the relevant strategic and growth projects already described
- US\$65 million related to maintenance expenses and
- US\$15 million carried over from last year to the current year.
- As a result, the Free Cash Flow conversion rate before strategic and growth Capex is expected to reach more than 60% with a net debt to EBITDA ratio which would remain negative

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

Operator

Thank you, and at this time, we will be conducting a question-and-answer session.

Our first question comes from the line of Adrián Huerta with JP Morgan. Please proceed with your questions.

Adrián Huerta

Thank you.

Hi Enrique, Luis Carlos, and Ricardo. Enrique, can you tell us if there are plans for new cement capacity in your territories in the U.S. from peers? And if none, which are the tightest markets at the moment, and how do you think that with this increased demand over the next two or three years, and once we start seeing these regions operating at full capacity, how demand is going to be satisfied?

Is that going to be just buying from other states or it will have to be actually imports from abroad, and if that is the case, given the long distance that it will have to travel, should we see stronger price increases in the central region of the U.S. versus the coastal regions?

Enrique Escalante

Morning Adrian and thank you for your questions. Let me try to address one by one.

First up, on new capacity increase plans, within our region from any of the peers, we have not heard anything specific of capacity increases where we are, except for our own projects, of course. The only capacity increase that is coming online that we know of, it's in Alabama, and that doesn't touch our region or our system; so, we feel pretty positive that we can capitalize on the market growth with our capacity increase plan for the following years.

The market, of course it's going to continue to remain tight, more in some areas than in others. I will suspect the whole Texas will still remain a tight market, Colorado the same. Utah, obviously, I mentioned in the report, one of the hottest markets in the U.S., and in this region some of the customers are especially concerned as I said with availability more than anything else.

So, we do expect to continue see market growth in the 2% - 3% range on organic growth, and of course, with the future benefits of the infrastructure built that I mentioned that should have around 9% per year on an annual basis. That of course, it's national. We don't have a lot of visibility yet in terms of how that national increase is going to be allocated to different markets where we participate, but we suspect that it's going to be very close to that 9% estimated by PCA.

I'm pretty sure that given that the market dynamics and the infrastructure bill, capacity is going to be strangled in the U.S. at some point in time in the next few years, and that only means more imports from abroad. Traditionally, when this has happened, and we saw it before the great recession, that happened too, and of

course, prices responded to that. Nowadays, with the cost inflation on freight, we expect this to be significant, we're very optimistic about the prospects of price increases that we're going to be able to also reflect in our market region, Adrian.

Of course, as we have mentioned in our model, in our system, we are better protected than any other regions in the country, from precisely the imported cement, but still since it's going to be tight, we're going to be able to increase our prices according to what's happening in the cost lines.

Adrián Huerta

Excellent, thank you, and if I may add just a follow-up question regarding this and something that you mentioned.

I think in Montana, where you now are producing PLC cement, where do you see the clinker factor moving over the next couple of years, and in which places are you seeing already more willingness from the government, etc., etc., to allow for lower clinker factors?

Enrique Escalante

Well generally speaking it's going to be across the board, of course some states were more progressive in allowing the usage of PLC cement before others, but in the markets where we are, the challenge is not for us on the market side; the challenge is on the speed at which we can convert and make sure that we supply that cement to the customers. It's more an operation, logistics issue in terms of mix of products, I mean the silos and the storage capacity. We have a plan to move first as I said, with Montana, and in Tijeras, we're continuing with a pozzolanic cement that we have been already producing, and we're targeting to ship around 80,000 tons of that pozzolanic cement this year from that plant. In Rapid City, we finalized with everything related to the project and to expansion project in the last years in Rapid City. Now we're targeting around 11% of production of PLC this year. In Pueblo we're also moving with some testing with customers in the market. As soon as we finish retrofitting some logistical issues there in terms of silo capacity and things like that, the second part of the year we're going to start with PLC.

Again, we don't see a problem. I think the market is ready for it. Most of the peers are also announcing that they are moving into this sustainable cement as a first step in lowering our clinker ratio, but we're going to continue not only with PLC to the following years, but also with an increase of pozzolanic cement, like the one that I was mentioning for the Tijeras plant.

Adrián Huerta

If you had to guess, Enrique, we should be seeing a reduction on the clinker factor in the U.S. on your operations, what, 1% per year? Two percentage points a year for the next couple of years? Just to get a rough sense of how this could be moving over the next couple of year.

Enrique Escalante

In the sustainable-linked bond that we just issued, obviously we committed to some KPIs to get there. Part of that, of the way to get to those numbers that we committed to, Adrian, it's by lowering the clinker factor. I believe that in that projection we have getting to about 85% clinker factor in our current U.S. plans.

Adrián Huerta

Thank you, Enrique. I appreciate it.

Enrique Escalante

Over several years of course.

Operator

Our next question comes from the line of Nikolaj Lippmann with Morgan Stanley. Please proceed with your question.

Nikolaj Lippmann

Thank you very much. Sorry for that. Thanks, thanks gentlemen. Congrats on your superb year, and thanks for taking my question. I have two questions.

First, a follow-up on the comment, I think it was Luis Carlos, about a new network. Also, I guess a follow-up on Adrian's question. Are you currently—do you have any ongoing permitting processes, either in the existing state or in a new state? That's question number one.

Question number two: can you give us some color on what's your break-even pricing, given the increase in energy cost? Your guidance suggests sort of mid-high single-digit, your EBITDA growth is almost similar, and you're almost sold out. How should we think about break-even pricing in 2022 to just stand still on an EBITDA per ton? Thanks, guys.

Enrique Escalante

Nikolaj, good morning. Thank you for your questions. I'm going to answer, obviously, in the same order you asked them.

Permitting? Yes, we do have permitting in process in our regions, and I will reiterate again, we have a permit on hand to build more capacity in Texas, and as part of our environmental effort, we're always maintaining those permits alike, and in this case, we're working on amending the permits to include more equipment than what is actually or currently permitted, and more capacity than what is currently permitted. Everything's looking very positive on that regard.

Again, if we decide to build in that plant, which is an imminent decision, and as I have said in other calls, we have several sites in competition to see which one is going to be the site that we're going to expand, but in terms of permitting in the U.S., we're ready for that. We are not, or we don't have at this moment, any efforts of permitting outside of our network.

In terms of break-even pricing, if I understood your question correctly, I think that with what we have announced already, Nikolaj, we are certain that we are not only going to maintain our EBITDA margin, including of course, what we have budgeted for energy cost increases, but we are in the position to continue to improve that EBITDA margin this year.

Nikolaj Lippmann

Got it. Thanks.

Enrique Escalante

Thank you, Nikolaj.

Operator

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

Vanessa Quiroga

Hello everybody, good morning. My question is regarding your Capex guidance. The increase in strategic Capex, does it reflect some progress already in the expansion plan or what explains the significant increase compared to the previous year in strategic Capex?

The other question that I have is regarding pricing in the U.S. Do you think there is upside in your pricing indication, given how tight the market is and the potential increase in imports and everything you mentioned about the fundamentals? Thank you.

Enrique Escalante

Thank you, Vanessa. I'll answer the second question and then I will pass on the question on the Capex guidance to Luis Carlos so he can give you more specific data there.

Pricing in the U.S., yes, of course, the market, as we see, specifically in some regions more than others, will continue to be very tight. We have already communicated to our customer base that they need to be prepared, perhaps, for a second price increase during the year. We have not announced anything regarding that yet, but we have been having conversations with customers and trying to understand on a one-on-one basis, their

needs for the year, and how tight we are, and so of course we are reiterating that they should be prepared for a second price increase.

I will pass it on now to Luis Carlos for your question on Capex.

Luis Carlos Arias

Thank you, Enrique. Yes, Vanessa, in that figure that Enrique gave for the guidance, we have included expansion projects, both, the debottlenecking of Samalayuca, and the investment needed in the first year for the construction of a kiln in one of our cement plants. That also includes as Enrique said \$65 million of maintenance expenses, but also \$15 million of carry-over from last year. You can see the numbers for that year, that it was well below our guidance. We are carrying over from 2021 those \$15 million.

Vanessa Quiroga

Okay, that's clear. Thank you very much, both.

Luis Carlos Arias

Thank you, Vanessa.

Operator

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

Alberto Valerio

Hi. Congrats for an excellent year in 2021, Enrique and Luis Carlos.

My questions are a follow-up on Vanessa's question about the Capex. If you could provide a little bit more detail again, and how much would you expand Samalayuca's plant, and for how much would be the total Capex of these investments? It should be in 2022 and 2023, or just 2022? If you could provide more color on that, it would be perfect. Thank you.

Enrique Escalante

Thank you, Alberto. I will pass it on again to the team to see if they have the breakdown that you're asking handy here.

Luis Carlos Arias

Yes, Enrique. Hi Alberto. Well, the majority of the expansion, Capex, relates to the construction of a new kiln line. In terms of size, the Samalayuca project is much, much lower than the amount for a new kiln, because it's

just a debottlenecking that we're doing in the plant. It's going to be below \$40 million. The majority of it is going to be, again, the construction of a new kiln line.

Alberto Valerio

Okay, thank you very much.

Luis Carlos Arias

We are also including in that number the investments in terms of logistics that we're going to do next year in a couple of terminals, but the big chunk of that amount for expansion is the new kiln line.

Alberto Valerio

Okay. Thank you very much.

Operator

Our next question comes from the line of Laisha Zaack with GVM. Please proceed with your question.

Laisha Zaack

Hi Enrique, hi Luis, hi Ricardo. Congratulations on a good year. My question goes in line with the other expenses that were around \$9 million. Could you give us more color on what are they about? Is it related to the consulting expenses that you mention?

Enrique Escalante

I'll defer to Luis Carlos on this, but the majority are what we call one-off expenses that are not going to be repeated. Luis Carlos can give you a little bit more color on the breakdown of those numbers.

Luis Carlos Arias

Sure, Enrique. Yes, hi Laisha. As Enrique was explaining, it's one-offs. We normally accrued during the full year those type of expenses, and sometimes we have some of the quarters that are hit the most in the year, but also, that comes from the non-permanent savings that we have, that we explained last year and this year. Part of it is those one-offs in terms of consulting expenses for operations, and the rest is the incorporation of the non-permanent savings of the plan that we did in 2021 and 2020 too.

Enrique Escalante

You also have the revolver line, Luis Carlos.

Luis Carlos Arias

Yes. Yes, that's right. As you may recall, Laisha, we agreed with our syndicate of banks of a new revolver line of credit for \$240 million, so the fees and expenses associated with that revolver, it also hit the—I think it was on the third quarter. That's part of the full-year number that you see.

Laisha Zaack

Okay. Thank you very much.

Operator

Our next question comes from the line of Collin Verron with Jefferies. Please proceed with your question.

Collin Verron

Great. Thank you for taking my question. I just wanted to follow up on the questions asked around U.S. cement pricing.

Does your 2022 U.S. cement pricing guide for mid to high single-digit increases include a second price increase in 2022? What is the 6% to 8% price increase for construction cement on a dollar per ton basis? Thank you.

Enrique Escalante

Thank you for the question. Yes, some clarification here. The announced increases for 2022 are effective on January 1, in the case of construction cement, and April 1 in the case of oil well cement. Those price increases do not include yet a second price increase. These are increases that are already taking place. In terms of the 6% to 8% increase, depending on the market, where we are, it should be around \$10 per ton.

Collin Verron

Great. That's helpful. Then, just in terms of import parity price in your markets, can you provide any color as to how you're thinking about that, as we start to need more imports in the U.S.?

Enrique Escalante

I'm sorry, can you repeat the question? You break down a little bit here.

Collin Verron

Sorry. Can you just comment on the cost of importing cement into the U.S. market and what you guys view as an import parity price in your U.S. markets?

Enrique Escalante

I don't have specific numbers in front of me here, since we don't import cement currently into the U.S. Obviously, I heard the same thing that everybody in terms of the huge increase in freight last year, but I cannot give you a specific parity number compared to our cement (at this moment. Probably we can follow up on a separate call with more specific on that if that's of interest to you.

Collin Verron

Okay, thank you very much.

Enrique Escalante

Yes.

Luis Carlos Arias

Maybe just to complement Enrique, Collin. Of course, the further you are away from the costs, the lower the import parity pricing should be, right? Because we have to account for the freight cost, moving that cement from the terminals to the end market. So as Enrique explained in his remarks, us being in the central part of the U.S., of course, we are further away from any imported cement.

Collin Verron

Great. Thank you for the color.

Operator

Our next question comes from the line of Daniel Rojas with Bank of America. Please proceed with your question.

Daniel Rojas

Good morning, everyone. Thank you for taking my call. I'm curious about the demand for oil well cement. What visibility do you have in the next few months? Do you think you can see upside in that segment? Can you give us any color on that?

My second question is in the acquisition of cement from third parties. Is this something that's going to become recurring? Can you also give us some color on what happened there within the quarter? Thank you.

Enrique Escalante

Daniel, thanks for the question. Again, I mean, I'm hearing a little bit of trouble here, but I understood your question about the oil well demand in the Permian over the next months?

Daniel Rojas

Yes.

Enrique Escalante

We're running at full capacity to supply that market and both kilns in Odessa are running 100%, plus one kiln in Chihuahua supplementing them in shipments area. Apparently, there is only one other competitor in the area supplying consistently and significantly oil well cement, so that the rest of the producers that traditionally ship some oil well cement to that region last year decided to allocate that cement to other markets in Texas away from that area. This complicates things a little bit, as I said. It was a challenge last year to be able to supply this market at 100%.

We are increasing production and supply this year with the three kilns that I described to you. I don't see any changes in the dynamic there. It's going to be tight the whole year, and we're doing our best to keep all our customers supplied as they need, but it's going to be tight.

In terms of cement acquisition from third parties, this has been small volumes that we have had, we elected to purchase in the previous years for specific projects in some locations where either we needed a different type of cement or it was more better economically for us to buy part of that, so we had our own cement shipment at a higher margin to other customers. We don't foresee this to continue this year, as this has been more on a project-by-project basis, but I know we don't have any specific needs to acquire any cement in our markets.

Daniel Rojas

Okay. Thank you.

Enrique Escalante

Thank you, Daniel.

Operator

Our next question comes from the line of Federico Galassi with The Rohatyn Group. Please proceed with your question.

Federico Galassi

Hi, thank you for the call. Just one question, we know you feel comfortable with the level of cash, the negative debt, etc. etc. What's your view for dividends for this year after 60% percent of conversion rate from EBITDA? That's the question. Thanks.

Enrique Escalante

Federico, thank you for your question. I will pass it on to Luis Carlos.

Luis Carlos Arias

Hi, Federico. Thanks for the question. We don't expect any major changes in terms of dividends for this year, for the proposal that will be made in the shareholders meeting. As we said, we have important expansion projects coming up, and also, we are very committed and focused on executing on the growth strategy that Enrique has explained, but, of course on the other side, as we said, we're fully committed to giving the returns to the shareholder that you all expect.

Again, we don't expect major changes in dividends, we have expansion projects to fund, and we continue looking for M&A opportunities, as we said in the linking to our current footprint, or beginning to think about a new system in the U.S.

Federico Galassi

Just another question if I can and thank you for your answer. If you think in terms of how your firepower of \$1 billion, what's your maximum target of what will you think in, again firepower? If we're thinking three times net debt/EBITDA, that we are talking about \$3 billion (inaudible) it's a huge amount of money. What do you think that could be, that firepower for inorganic growth? Thanks.

Enrique Escalante

I think that we can spend in growth projects let's say around \$1 billion without exceeding our leverage ratios that the board has been very specific about continuing with a conservative financial strategy. I think that that range will be something that we can do comfortably with obviously considering the EBITDA of the target plus our EBITDA growth.

Federico Galassi

Thank you so much, and congrats again for the results.

Enrique Escalante

Thank you.

Operator

Our next question comes from the line of Alan Miranda with REDD Intelligence. Please proceed with your question.

Alan Miranda

Hi, good morning. I would like to ask about the statement that a trade group made yesterday in Mexico. They said that with the electricity reform that is currently being discussed and that is expected to be approved later on in the year, CFE said they would be unable to cover—well, to offer additional demand for expansion or for new companies setting up plants in several states, but particularly in Chihuahua, Querétaro, and Baja California.

I wanted to ask GCC whether the reform actually poses any threat to the expansion of the plants in the state of Chihuahua? Also, whether the fact that CFE's not guaranteeing that it will offer renewable energy, does that pose any threat to your KPIs under the new sustainability bond that you issued?

Enrique Escalante

Thank you for the question, Alan. Well, it's a little bit of speculating at the moment, of obviously what's going to be the end result of the energy reform. We're not too concerned at this moment with the capacity that we have and the electricity that we need. We're not talking big expansions in this region at the moment.

That's on one hand, but on another hand, we are cautiously optimistic that perhaps the energy reform will allow some projects of what we call behind the meter, "abasto aislado" in Spanish. We have had a project developed in our plant in Mexico and completed all the permitting process which is in front of the CRE. Depending on what happens with the reform, we may be benefiting from the "abasto aislado" part of the reform that we think has high probabilities of success.

That will give us, long term, the comfort that we need, both in terms of expansions and requirements of new power capacity in the future on one hand, and also our progress on the renewable energy plant consumption that we have and the sustainability target that we have.

In terms of the bond, the bond it's linked exclusively to basically what we call Scope 1 emissions, which are the direct emissions that we produce in our cement process, and our plans to decrease the CO2 intensity per ton of cementitious material, it doesn't consider the Scope 2 emissions that come from power generation. From the bond perspective, it's not a concern. Of course, we're looking at this more as an opportunity to enhance our carbon footprint in the future, but it's not a concern from the bond perspective.

Alan Miranda

Okay. Thank you.

Operator

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

Alejandro Azar

Hi, good morning, guys, Enrique, Luis Carlos, and Ricardo. My question is on the comments on the press release about purchasing cement from third parties. How should we think about this when there is no additional volumes in the U.S.? Are you buying clinker or cement from the producers that import? I just want to better understand the GCC operation. Thank you.

Enrique Escalate

Alejandro, I think you're referring to our purchases of cement in the past years. Am I correct?

Alejandro Azar

Yes. In the fourth quarter you mentioned that some of the higher cost of production came from purchasing cement and coal from third parties.

Enrique Escalate

Yes. Okay, no that's what I thought I heard. I just wanted to clarify. No, we don't have any issues with purchased cement going forward. As I explained, we're going to be running at full capacity, and in the past, we have only purchased small amounts of cement from third parties for specific project needs. For example, last year, when we purchased Type III cement, which we could have produced, but since we're running at capacity, for us it was better to purchase that cement and free up grinding capacity for Type II or Type II/V cement, which of course, gives us a much larger volume compared to Type III.

It was just an optimization decision, but of course, when you purchase cement, even though it makes sense marginally, because we make a profit on it, of course the cost is very high compared to our production cost. That of course affects the margin on a percentage basis, but that's, again, a one-time project, a specific project, and we're not planning to continue to do that going forward, unless there's a specific situation where it, again, makes sense for us to try to acquire a small amount of cement. I don't know if that was clear.

Alejandro Azar

Yes, that's excellent Enrique. Thank you very much. So, no material purchase of cement from third parties in the future?

Enrique Escalante

Yes, sir.

Alejandro Azar

Thank you.

Operator

And we have reached the end of the question-and-answer session. I will now turn the call back over to Management for closing remarks.

Ricardo Martínez

Once again thank you to everyone for your interest in GCC and for joining us today. As always, we appreciate the opportunity to discuss your questions and look forward to talking with you again in the months ahead-virtually or perhaps in person. This concludes our conference call, but our team and I are of course available for any follow up conversations. Goodbye for now.

Operator

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

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