

### CORPORATE PARTICIPANTS

Enrique Escalante, Chief Executive Officer

Maik Strecker, Chief Financial and Planning Officer

Sahory Ogushi, Head of Investor Relations

### INQUIRERS

Adrian Huerta, JP Morgan

Nikolaj Lippmann, Morgan Stanley

Pablo Ricalde, Santander

Alejandro Azar, GBM

Lucila Gomez, Compass Group

Laisha Zaack, GBM

Francisco Suarez, Scotiabank

Federico Galassi, TRG Management

Rafael Simonetti, Private Investor

### PRESENTATION

**Operator**

Good morning and welcome to GCC's Fourth Quarter 2022 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 accompanies today's webcast. The link is available on the company's IR website at [gcc.com](http://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 our call. With me today are Mr. Enrique Escalante, our Chief Executive Officer; and Maik Strecker, Chief Financial Officer.

The earnings release detailing our 2022 fourth quarter results crossed the wire yesterday afternoon and is available on the company's website. This conference call is also being broadcast live within the Investors section of the company's website at gcc.com, and the webcast replay of the call will be available at the same site approximately one hour after the end of today's call. Before we begin, I would like to caution listeners that during the course of this conference call management will make projections or forward-looking statements regarding future events, including statements about our business, assets, strategies, demand and markets as well as trends that may continue.

Management uses these measures to establish operational goals and review operational performance based on current assumptions and believes that these measures may assist investors in analyzing underlying trends in the company's business over time. These statements are subject to risks and uncertainties that could cause actual results to differ materially. We undertake no obligation to update them 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.

The challenge facing GCC and our industry in 2022 was to ensure high-quality product availability for our customers in light of unprecedented demand dynamics and logistics obstacles. GCC's commitment to operational excellence enabled us to consistently deliver. Our teams exhibited outstanding performance to mitigate the effects of the challenging environment, taking advantage of pricing opportunities and swiftly adapting to offset cost pressures. I'd like to again thank our employees for their focus and dedication which made our success possible, also supporting our customers and communities. Our employees are our greatest resource, therefore, in 2022 we initiated a Company-wide effort to reengage and revisit GCC's safety strategy with related goals. We've begun a comprehensive diagnostic conducted by an independent consultant to ensure the health and well-being for all GCC employees and will keep you posted in the coming months.

While today's discussion focuses on our full year results and 2023 outlook, I'd like to highlight a few notable takeaways from our fourth quarter.

GCC delivered US\$91 million in EBITDA for the fourth quarter 2022; a 13% increase, despite continued volatility in the energy markets and enduring inflation which moderated by mid-fourth quarter with easing supply-side constraints and more hawkish monetary policy.

The decisive actions we've taken have enabled us to minimize the impacts of the quarter's tough operating environment and extraordinary inflation. Our third price increase in the U.S. of US\$6 per short ton for construction cement across markets and clients took effect on October 1, and we achieved pricing growth across product lines to deliver solid fourth quarter results relative to a difficult year on year comparison.

While we saw a strong fourth quarter start for our U.S. operations, when GCC was initially shipping at a rate ahead of budget, this was adversely affected by the mid-December cold front throughout the regions in which

we're present. Notably, this was after four years of unseasonably warm weather that had enabled shipments straight through the winter season.

Permian Basin oil well cement demand strengthened during the quarter with solid drilling activity despite oil price volatility in Q4, as producers raised production and capital budgets in 2022 due to stellar well performance. GCC's Odessa, Texas cement plant is running at full capacity supplemented with cement from the Chihuahua plant. We expect demand to remain robust in the year ahead, also with strong cement pricing. The current market outlook represents an opportunity for our clients, and companies will continue to invest in the Permian Basin. One of the largest international energy and petrochemicals companies recently announced that a significant portion of its 2023 budget will be allocated to Permian Basin oil field projects. We therefore remain focused on increased efficiency at our Odessa plant and are on track on our announced capacity expansion. It's important to note that GCC is also able to allocate our Tijeras plant's production to oil well cement to supplement Odessa production should the need arise.

We're pleased to share that U.S. logistics headwinds eased during the fourth quarter, earlier than initial expectations, enabling GCC to revert to more cost-effective rail freight and reducing our reliance on trucks.

Turning to GCC's Mexico business on slide 6, we significantly benefit from the explosive nearshoring trend's impact on industrial real estate construction demand. The Northern Mexico Juarez market and the El Paso area are increasingly popular destinations for manufacturing maquila factories in Mexico building for non-Mexican companies- which are relocating to North America from Asia and elsewhere. GCC has seen a steady stream of projects entering our pipeline; a trend we're confident will continue for the foreseeable future. Cross-border commerce between the U.S. and Mexico totaled US\$656 billion in the first 10 months of 2022, according to the latest U.S. Census Bureau figures. Further, as the Juarez market nears saturation, infrastructure is migrating south to Chihuahua in search of new warehouse properties.

GCC is increasing capacity in all of our product lines in Juarez; expanding as quickly as possible to protect and increase our share in this market. Our Samalayuca expansion project is advancing well, we purchased an additional crusher during the fourth quarter for our aggregates business and are leveraging our subcontractor relationships to enable immediate access to equipment and ready-mix trucks, ensuring seamless customer supply.

In contrast, while bagged cement has reached pre-pandemic levels, fourth quarter and full year demand reflects year on year shipment declines relative to the 2021 pandemic-driven spike which drove retail customers' Do It Yourself projects. So while we have seen in 2022 decreased purchasing as inflation forced consumers to allocate budgets to other expenditures, we do expect a normalization of demand for this segment going forward.

Fourth quarter Mexico mining sector activity remained weak, consistent with the variability of cement demand required for mine stabilization and tailings dams as is expected in this industry. Cement demand varies with changes in mining processes. It also shifts based on underground versus above-ground mine cement and

concrete intensity. This is a normal part of the production cycle and will continue to show variations in demand in the quarters ahead. But it's important to note that while mining activity fluctuates, GCC has maintained the same number of mining clients without any customer attrition.

Turning to the continued progress GCC is making towards our Sustainability goals, on slide 8 we've shared some updates on our work related to blended cements to reduce our clinker factor and to expand our product range. During the fourth quarter we accelerated our push towards blended cements, enabling us to reduce our clinker content from its current 86%. GCC is on track to shift to 100% Portland limestone cement (PLC) by 2024, when our Tijeras, New Mexico plant concludes a modification to increase pozzolan and limestone additions.

I'm proud to share that our Pueblo plant was fully converted in the fourth quarter 2022. Today GCC has three cement plants fully converted to (PLC): Trident, which was fully converted in the first half of 2022, and Pueblo and Rapid City were converted in the second half. Our Samalayuca plant produces and exports Portland Limestone Cement to the U.S. 59% of GCC's 2022 cement production was blended cement, a significant increase from 30% in 2021.

On another note, the "Carbon Disclosure Project", or CDP, is a global environmental non-profit that runs the disclosure system for investors and companies to manage their environmental impacts and provides a snapshot of a company's disclosure and environmental performance. CDP awarded GCC a "B" in December 2022, which is the highest rating in GCC's history and also an important reflection that GCC has addressed the environmental impacts of our business to ensure good environmental management by creating strategies to take action on climate related issues. It's important to note that this is a significant improvement from our 2020 score and an important indication of the progress we continue to make in driving our decarbonization agenda.

I'm also pleased to share that the Science Based Targets initiative validated GCC's greenhouse gas emissions reduction target. Our target aims to reduce scope 1 and 2 emissions by 30.7% and 57% per ton, respectively, of cementitious materials by 2030, compared to a 2015 base year. GCC further commits to reduce absolute scope 3 GHG emissions from use of sold products by 37.5% within the same timeframe.

This is a reflection of the company's commitment to keep global temperature increases well below 2 degrees Celsius. Additionally, this validated reduction target is also the sustainability performance target (SPT) of our US\$500 million Sustainability-Linked Bond issued in January 2022, and will be verified annually by an independent reviewer, with the annual performance that will be publicly available on GCC's website.

Further, our Pueblo and Rapid City cement plants earned the EPA's 2022 ENERGY STAR certification for another consecutive year, raising internal awareness about energy efficiency opportunities and responsibilities that drive our emissions reduction.

On another note, we're investing in our business through our employees, with education programs at our newly unveiled GCC Technical Training Institute, in partnership with The Cement Institute in New York, to

ensure that our employees develop technical competencies anticipating a new competitive landscape and strengthening GCC's training structure. The GCC Technical Training Institute consists of assessments for employees in all operational positions to identify training needs and certifications which are tailored to operational requirements. With this, we seek to standardize the competencies and training processes for all cement plants. Our goal is to ensure GCC remains the best cement company and prepare for potential future challenges. We're focused on ensuring our employees have the necessary skills to run any cement plant at GCC.

With that let me now introduce you to GCC's CFO Maik Strecker. Maik joined GCC in 2020 as Chief Planning Officer and was appointed Chief Financial and Planning Officer this past November. He has more than 20 years of industry experience at global companies; which ranges from Mergers & Acquisitions and Business Development to Product-line Management and Sales & Marketing. I'm very pleased to have him join me today. Maik?

### **Maik Strecker**

Thank you, Enrique, and good morning to everyone. I'm delighted to be here and have enjoyed the meetings I have already had with many of you over recent months and am looking forward to continuing the open dialogue with the investment community.

Let's now move on to our financial results. Turning to slide 13, consolidated net sales for the fourth quarter increased by 12%. This was mainly driven by the increase in concrete volumes in Mexico as well as strengthened prices in both markets. This was partially offset by lower cement and concrete volumes in the U.S. due to adverse weather conditions, and lower cement volumes in Mexico reflecting reduced demand of bagged cement.

For the full year 2022, net sales increased 13% driven by strong price growth in both countries and good volume growth in the US for cement and concrete. I would like to confirm Enrique's comments regarding the strong performance we continue to see at our oil well cement business which was the major contributor to our cement volume growth in the U.S. throughout the year.

Please turn to slide 14.

Cost of sales as a percentage of revenues decreased 90 basis points in the fourth quarter and increased 60 basis points to 68.7% percent for the full year 2022. Our successful pricing strategy which drove price increases in line or above our full year guidance across all our segments, coupled with higher fixed cost dilution, enabled us to nearly offset our cost increases in a highly inflationary and volatile environment.

We made further progress switching to a new reserve at our coal mine during the fourth quarter. However, the delay we experienced throughout the year impacted GCC's coal production. For this reason, we had to purchase coal from third parties for our Mexico cement plants during 2022. In 2023, we expect that all our plants in Mexico will be supplied with GCC's coal to cover the full needs.

SG&A expenses as a percentage of sales decreased 80 basis points in the quarter to 9.1% and 50 basis points to 8.2% in the full year 2022.

Please turn to slide 15. As a result, fourth quarter EBITDA increased by 13% to US\$91 million while the EBITDA margin stood at 31.5%. For the full year 2022, EBITDA increased 7% year on year, and the EBITDA margin decreased 1.5 percentage points to 31%.

Looking ahead to 2023, we remain committed to regaining and even increasing our EBITDA margins through our pricing strategy and our cost saving initiatives. We are focused on improving our fuel mix, optimizing our distribution network to reduce freight costs, and maintaining a high plant utilization rate- in what we expect to be a continued challenging economic environment.

Moving down the P&L on slide 16, net financial expenses totaled US\$100 thousand in the fourth quarter of 2022 compared to US\$7 million in the prior year quarter due to higher financial income and a decrease in the effective interest rate. For the full year period, net financial expenses decreased 34%.

Consolidated net income increased 70% in the fourth quarter and 23% for the full year 2022.

Earnings per share increased 72% for the fourth quarter and 24% for the full year period. Please note that during the year we repurchased more than 5 million shares equivalent to U\$26 million under our current share buyback program. To further promote our stocks' liquidity, in October we signed a market maker agreement for a 12-month period.

Turning to our cash generation on slide 18, free cash flow was US\$115 million in the fourth quarter and US\$285 million for the full year. This translates into a free cash flow conversion rate of approximately 126% in the fourth quarter and 78% for the full year.

Turning to slide 19, once again, I would like to call out GCC's improvement in controlling payables, receivables, and inventories. Based on the last 12 months of sales, we reduced days in net working capital to 28 from 39— an 11-day total decrease.

Moreover, GCC's return on invested capital ROIC for the full year increased to 15.2% from 13.1% percent in 2021, well above our weighted average cost of capital, and one of the highest in our industry.

Turning to our balance sheet, we ended the year with US\$832 million in cash and equivalents. At the end of December 2022, our net debt to EBITDA ratio dropped to -0.95 times. Our solid financial position, combined with our strong operating track record and leadership position within our footprint, was also recognized in our improved credit rating outlook. We were pleased that in December 2022 Fitch Ratings affirmed GCC's credit rating at BBB- while revising the outlook to positive from stable.

Looking ahead, our capital allocation strategy remains unchanged, we are committed to delivering strong stakeholder value while investing in the future growth of our business. In terms of organic growth, during 2022 we announced the expansion of our Odessa plant which will enable us to increase production by over 1 million

metric tons while improving our logistics and distribution network. Regarding inorganic growth, we continue to look for opportunities to acquire cement assets located in the U.S. that could be plugged into our network and are aligned with our long-term strategic vision.

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, Maik. Turning to slide 21, I would like to now take this opportunity to discuss the underlying demand environment and our construction-related outlook for the year ahead.

We see both challenges and opportunities related to the changing dynamics as I've described. GCC has anticipated these, with our demonstrated ability to respond and adapt. Single family new residential homebuilding numbers have declined. And while companies continue to build out their backlog, new starts are down year on year. Permits have plunged as high borrowing costs paired with widespread inflation eroded housing affordability and demand. Single-family home construction permits fell more than 7% to the weakest pace since 2020. However, multi-family apartment housing demand and private non-residential starts are rising, driven by immigration and continued population shifts, which we expect to partially mitigate this decline.

2023 U.S. projects of note include continued construction work on a runway in the Denver International Airport. For 2023, we see considerable demand in South Dakota, with an air force base, a large dairy farm project, two significant paving projects and a significant uptick that we're seeing in windfarm projects driving ready-mix demand. We believe windfarm related demand will also continue to escalate in 2023 and 2024. Projects are shifting from California to South Dakota driven by regulatory costs and an increasing global focus on renewable energy. Today's increased renewable energy focus is also propelled by the Inflation Reduction Act provisions and incentives: IRA incentives reduce renewable energy costs for organizations like Green Power Partners – businesses, nonprofits, educational institutions, and state, local, and tribal organizations that are taking advantage of IRA incentives, such as tax credits. These are key to lowering greenhouse gas emission and accelerating the clean energy transition, from which GCC will experience meaningful benefits in the future ahead. Today's scenario is one with more funding available than projects under construction to date. Construction projects that remained dormant during the pandemic are also returning in 2023; GCC has already booked two wind farm projects in South Dakota with expected completion in the second half of 2023. Along these lines, solar farm interest is also ramping up and we've had frequent related conversations with potential clients, which is yet another clear sign of the uptick we're seeing in renewables.

On the public side, leading indicators for highways and other infrastructure show strong signs for 2023. There have been no recent relevant updates related to the Infrastructure Investment and Jobs Act, and while states and DOTs are preparing for funding and putting on hold any projects potentially eligible for the bill, plenty of projects remain. GCC has again demonstrated our strength in reading the market climate when we anticipated

a potential slowdown in other market segments and deepened our focus on infrastructure project bidding in 2022.

We continue seeing a strong market and stay cautiously optimistic that this trend will remain during the year. As I mentioned, 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-single digits year-over-year in the U.S., and low to mid-single digits in Mexico.

In terms of prices, a US\$12 per short ton price increase took effect on January 1 for both construction and oil-well cement in the U.S., with no significant pushback from customers. We're advising customers of a possible second price increase and remain vigilant of market and economy dynamics.

Considering this announcement, 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 both countries.

Regarding profitability, we expect 2023 EBITDA to increase high-single to low-double digit against 2022 levels driven by the top line drives increases and more stable energy costs. We expect to recover the margin lost in 2022 during the year.

We approximate our capital expenditures at US\$290 million, including:

- US\$220 million allocated to the relevant strategic and growth projects
- US\$70 million related to maintenance expenses and
- 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.

### **Q&A**

#### **Operator**

Thank you. Our first question comes from the line of Adrian Huerta with JP Morgan. Please proceed with your question.

#### **Adrian Huerta**

Hi, thank you. Good morning, everyone.

My question has to do with prices, Enrique. You mentioned that you expect the prices to increase mid-to-high single-digits. Is this increase, were you expecting to apply during the year, basically that increase versus December, or this is the increase of average prices for this year versus average prices of last year?

**Enrique Escalante**

Adrian, good morning. Thank you for your question. We normally measure that on average, year-on-year.

**Adrian Huerta**

But given the sharp increase that we saw in the last three quarters of last year, even if you don't have price increases and prices remain at the same level of 4Q, it seems like average prices will already be, in the U.S., up mid-single-digits this year. That's why I'm asking how you compare this.

**Enrique Escalante**

Adrian, I think that if I'm understanding your question correct, if we implement the full top dollars now as we have been doing, and we expect that to continue, I think we will be very close to what you are saying.

**Adrian Huerta**

Okay, perfect. Thank you. My follow-up question has to do with buybacks. I'm glad to see that you guys were quite active last year. The stock has recovered quite a bit. Do you guys plan this to be something that you guys will be doing every year?

**Enrique Escalante**

Yes, Adrian, we're planning to continue more at the same level of what we have been doing in the last year. Of course, we will go to our Shareholders' Meeting in April to make sure that we get the appropriate authorization for that.

**Adrian Huerta**

Great, perfect. Thank you, Enrique. Appreciate it.

**Operator**

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

**Nikolaj Lippmann**

Thank you very much, and congratulations on the results.

The call and the guidance are very clear here, but in terms of the cash cost, can you just give us a little bit of detail in terms of how—when you're looking at a lot of moving parts, declining gas prices, the coal mine is back, and particularly for the U.S., what are you thinking on a per ton of cement sold basis? Can you give a percentage or maybe a number in terms of the potential reduction that you have baked into the guidance?

Sorry if I was a little bit slow there with Adrian's question, but are you planning to cancel the shares that you have bought back? Thank you very much, guys, and again, congrats on the numbers.

**Enrique Escalante**

Nikolaj. Well, we don't have a specific number per ton of reduction here to disclose, but what I can tell you is that we're very confident that with the combination of our pricing and the fuel mix reduction, we will easily achieve a recovery in the 1.5% that we lost, and I'm confident that we can go above that. It will be, at least in my opinion, returning to the 2022 levels of profitability and most likely increasing it a little bit.

In terms of the share back purchased, no, we don't plan to cancel the shares. We don't have any intention of doing that at the moment.

**Nikolaj Lippmann**

Got it. Thank you very much.

**Operator**

Thank you. Our next question comes from the line of Pablo Ricalde with Santander. Please proceed with your question.

**Pablo Ricalde**

Hi. Hello, everybody. I have a question on dividends. You are guiding net positive cash for year-end, so how are you seeing dividends for the year?

**Enrique Escalante**

Pablo, good morning. Thank you for the question.

We'll probably continue running the same course in terms of dividends, Pablo. We're going to obviously increase the dividend distribution for the year, obviously above inflation, but nothing out of the ordinary of what we have been doing in the last years.

**Pablo Ricalde**

Okay.

**Operator**

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

**Alejandro Azar**

Good morning, guys. Hi, Enrique. Hi, Sahory. Two quick ones. The first one is if you could detail what the impact, the monetary impact on the problems that you had in the coal mine in 2022, if you could share that figure with us.

Enrique, would you mind sharing with us your thoughts on capital allocation apart from dividends and buybacks? On the M&A front, what has been the reason on not closing a transaction in the past three years? Is it valuation, or do you see less willingness across the industry to divest assets? Thank you.

**Enrique Escalante**

Alejandro, good morning. Could you repeat your first question, the impact, did you say on pricing of the coal mine?

**Alejandro Azar**

Yes, yes, if you could share the monetary impact from the troubles that you had in the coal mine during the full 2022?

**Enrique Escalante**

No, I will have to come back to you with that specific number, Alejandro. Sahory will be in contact with you to elaborate on that specific impact.

On the second question on capital allocation, well, we continue basically with our same strategy. As you know, I already mentioned what we'll do on the dividend side, and you know also the capital projects that we're investing on this year that I just mentioned in my remarks.

On top of that, of course, we will strongly continue with our effort on the M&A side and continue to look for targets that we can and that we could incorporate into our business model. We plan to—I mean, obviously if needed, we can go out and get financing for that, but with the cash that we have and the financing that we can get, staying below 3x leverage, I think that we're prepared for a meaningful growth on the M&A side, if we can find a reasonably well-priced asset, or assets.

It's widely known that our model in this same region where we are, it has some limited potential, but again, that's our first priority. But we are discussing strategies to now open up our growth strategy to other regions in the U.S. too, so stay tuned and we'll continue updating you on that as the year goes on.

**Alejandro Azar**

Excellent, Enrique. Great color.

**Operator**

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

**Lucila Gomez**

Hi, good morning. Thank you for taking my question.

It's more of a follow-on on what you've mentioned of M&A and capital allocation. I know that you've mentioned that you will continue to look for something within the M&A budget. Have you not found any investing opportunity? Is it because, as Alejandro mentioned, because of valuation or because you're not finding any good players in the market right now?

**Enrique Escalante**

Good morning. I will turn this call to Maik, as he has obviously been very active on the M&A side, for him to elaborate on your question.

**Maik Strecker**

Yes, good morning, Lucila. Thank you for the question.

We have been really focused on finding the opportunities that connects to our existing network, from a cement perspective. As you can imagine, as the U.S. has been very strong, companies are not as easy to sell as it's in a slower market. We continue that work. We believe there will be some opportunities in the near future, and we want to be ready and take advantage of that.

Like Enrique said, we're also discussing, how do we strengthen, potentially, our aggregates business within the footprint? We see some opportunity there. As you know, we have an aggregates business, we have some experience there, so we're trying to leverage that and see it as a next level of growth. We're, again, scanning the U.S. market and probably also look a little bit further out of our network within the United States. That's our really defined M&A strategy.

**Lucila Gomez**

Perfect. Thank you.

**Operator**

Thank you. Our next question comes from the line of Laisha Zaack with GBM. Please proceed with your question.

**Laisha Zaack**

Hi, good morning. Thanks for taking my question.

I have two, actually. The first one would be if you could give us some color on why your maintenance Capex for 2022 stands at around \$30 million and not at its usual levels of \$60 million a year. What is the reasoning behind the underinvestment in maintenance in 2022?

**Enrique Escalante**

Laisha, thanks again for your question. I'll let Maik give you the details of what we have in the Capex budget.

**Maik Strecker**

Yes, Laisha, thank you for the question.

We maintain our overall maintenance Capex around \$70 million. I think last year, we saw a little bit of timing aspect to that, that's why you only—it was recorded, the \$35 million. But we're not taking any step back investing in the assets. On the contrary, we're very diligent to put the money back into the business to be able to produce at full capacity. I think what you saw there is just a little bit of timing, and we continue our reinvestment path for the assets.

**Laisha Zaack**

Okay, perfect. My second question would be, is the outlook for Capex that you shared, is the target that you are aiming to reach, and that could change depending on how the situation evolves, as it did last year? As you mentioned regarding timing, and how you're seeing the environment as a whole.

**Maik Strecker**

Again, regarding the Capex, I already elaborated on the maintenance side. On our growth and strategic Capex, again, that's the execution of our two announced upgrades, right? Samalayuca, which is on track, and we're finalizing that upgrade, so that's part of that growth and strategic Capex, and then of course Odessa. Our investment in Odessa, which is on track, and we're working through that detail. But that's pretty much representing our strategic and growth Capex, those two projects.

Then in addition, I would also mention some additional Capex in our logistics network, in the terminals to enhance our capabilities to really supply the product in this very tight market.

**Laisha Zaack**

Okay, thank you very much.

**Operator**

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

**Francisco Suarez**

Good morning. Thanks for the call. Congrats on the results, gents.

Two questions that I have. First of all, on your statements related with this idea of Tijeras actually helping to address demand in oil wells in New Mexico, just remind me, does the plant have two lines? In other words, a line can be dedicated to only oil well cement and the other to normal Portland cement?

Secondly, the other question that I have is on your overall guidance for 2023. Can you help me to understand, how much is the overall percentage of our exposure on residential that is clearly declining generally speaking on this year, and how much is the overall exposure that you may have to nonresidential real estate and to infrastructure that seems to be enough to have this positive outlook on volumes in the United States? Thank you.

**Enrique Escalante**

Good morning. Thank you for the questions. I will answer your first question on the Permian, and then I will allow Maik to elaborate on the guidance in residential exposure through this year.

Yes, I mean, the plant at Tijeras has two lines, two cement kilns that basically are identical. You can easily change production in one or both the kilns from construction cement to oil well cement. You can do that for a period of time or a more extended period of time, depending on market need, so it's very flexible. This is again one of the, I would say, escape valves that we have in our toolkit. Precisely with the residential impact different than what we're expecting today, we can switch one or two kilns even to oil well cement that should go to the Permian Basin. We have the tools, and now obviously I'll let Maik complement, if that risk materializes and where we are in GCC.

**Maik Strecker**

Yes. Francisco, thank you for the question.

Regarding the guidance and specifically the U.S., we're anticipating that the residential side of the business will slow down. The PCA forecast across the U.S. is about a 12.6% slowdown. We believe in our footprint, it might be a little bit less than that, but close to a high single-digit number where we see the slowdown. However, we believe we can compensate strongly in our oil and gas business. That is forecasted in the

segment to increase by 30%, so nice growth, and we have very strong order books so we believe we can compensate that. That's the reason, what Enrique explained, with the flexibility of Tijeras in the network.

Then also as Enrique said earlier, we see some very nice growth in the industrial, commercial segments. We have very good order books there. We foresee that we can offset any slowdown in that residential segment with those other segments.

**Francisco Suarez**

Perfect. Thank you for that.

**Enrique Escalante**

I can tell you that with what we see today, I mean, shifting from one segment to another and one product to another, we still see today a full year for GCC's plans to run at capacity during the year.

**Francisco Suarez**

Got you. Thank you so much. Congrats again.

**Operator**

Thank you. Our next question comes from the line of Federico Galassi with TRG Management. Please proceed with your question.

**Federico Galassi**

Hi, guys. Thank you for the call, and congrats on the results.

Two questions, if I may. The first one is, when you talk in particular in the U.S., I'm thinking in the infrastructure plan at the end of this year, next year, when you talk with your clients, distributors, etc., they are more worried for the availability of cement or pricing? This is the first question.

**Enrique Escalante**

Federico, how are you? Good to hear from you again. I mean, we just met a few weeks ago.

**Federico Galassi**

Yes.

**Enrique Escalante**

I think that our customers, the information that we have today from our customers is that they continue to be very aware that they need cement for the year, and that they have a lot of projects in their books too. What

they have been transmitting to us is that they are concerned that we don't meet them without the right quantities of cement for their order book. I will say, in my opinion, they are more concerned with availability today than with pricing. I think that's one of the reasons why the price increases went in so well with no major pushback.

**Federico Galassi**

Okay, great. The second question, and in your guidance, you are talking about the EBITDA growth, so high single-digit, low double-digit. But last year, you don't have all the availability of your own coal, this year you will have—we can see that, some increase in margins, EBITDA margins for this year?

**Maik Strecker**

Yes, Federico, thanks for the question.

Yes, our goal is to regain some of the margins that we lost last year, for the reasons we explained, with specifically the fuel mix. That readjustment of the fuel mix and getting to our normal setup with our own coal will help us, number one, to regain some of those lost margins, and then the goal is really to work on improving those margins. The pricing strategy, the other costs or cost savings, running the plants efficient, that all will contribute that we believe we can improve the margins in 2023.

**Federico Galassi**

Okay, thank you for your answers.

**Operator**

Thank you. Our next question comes from the line of Rafael Simonetti, a Private Investor. Please proceed with your question.

**Rafael Simonetti**

Hello, everyone. Thanks for taking my question and congratulations on the results.

My question is about energy costs. Could you give any color about its impact on the fourth quarter and what do you expect for 2023?

Also, if you could talk about any energy hedges you may have? Thank you.

**Enrique Escalante**

Good morning. We have some figures here that we can share with you. Let us adjust them, look for them for the fourth quarter.

The year-on-year increase, but I'm still looking for the quarterly increases, year-on-year, '21 to '22, just for you to understand better why we had such a high impact on our margins last year, diesel fuel increased 14% for us, natural gas 147%, coal 36% and other fuels, 11%. That was a huge increase in 2022 that of course eroded our EBITDA margin close to 1.5%. This is what Maik was referring to, in terms of going back to our normal fuel mix. That's where we have so much potential to improve the margin, of course combined with the price increase that will all flow in kind of the perfect alignment on the way to the bottom line. Did you find something on the quarter? Give me just a second, Rafael.

In terms of our gas price for this year, we have hedged basically a full year for our Odessa plant. That is the only plant that runs fully on gas. If we go back, as we plan, to coal in the rest of our plants, I think that we have a very stable fuel mix for the total year 2023. We can provide you some more on the specific quarterly increases at a later point, if that's okay with you, Rafael.

**Operator**

Thank you. Our next question comes from the line of Laisha Zaack with GBM. Please proceed with your question.

**Laisha Zaack**

Hi again. Just a quick question. Can you repeat what was the forecast that you expect for the oil and gas business? I think you mentioned, I don't know if 30% or 13%. Will you repeat that, please?

**Maik Strecker**

Yes, Laisha, the PCA forecast for that segment, 30%. We expect, specifically in the Permian Basin, a very active year. We have strong order books, it's one of the lowest cost production fields in the continental United States, so we expect very strong demand, and that's why we're prepared with Odessa, with Tijeras, and supporting it from our Chihuahua plant here in Mexico to really take advantage of that and supply those customers.

**Laisha Zaack**

Okay, thank you very much.

**Operator**

Thank you. Ladies and gentlemen, that concludes our question-and-answer session. I'll turn the floor back to Ms. Ogushi for any final comments.

**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**

Thank you. 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](http://www.viavid.com)