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## **Loma Negra First Quarter 2021 Earnings Call and Webcast May 13, 2021 at 10:00 AM Eastern**

### **CORPORATE PARTICIPANTS**

**Gaston Pinnel – Head of Investor Relations**

**Sergio Faifman – Chief Executive Officer & VP, Board of Directors**

**Marcos Gradin – Chief Financial Officer**

### **About Loma Negra**

Founded in 1926, Loma Negra is the leading cement company in Argentina, producing and distributing cement, masonry cement, aggregates, concrete and lime, products primarily used in private and public construction. Loma Negra is a vertically-integrated cement and concrete company, with nationwide operations, supported by vast limestone reserves, strategically located plants, top-of-mind brands and established distribution channels. Loma Negra is listed both on BYMA and on NYSE in the U.S., where it trades under the symbol "LOMA". One ADS represents five (5) common shares. For more information, visit [www.lomanegra.com](http://www.lomanegra.com)

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*This presentation may contain forward-looking statements within the meaning of federal securities law that are subject to risks and uncertainties. These statements are only predictions based upon our current expectations and projections about possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and objectives. In some cases, you can identify forward-looking statements by terminology such as "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect," "predict," "potential," "seek," "forecast," or the negative of these terms or other similar expressions.*

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*Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this release to conform these statements to actual results or to changes in our expectations.*

*The Company presented some figures converted from Argentine pesos to U.S. dollars for comparison purposes. The exchange rate used to convert Pesos to U.S. dollars was the reference exchange rate (Communication "A" 3500) reported by the Central Bank for U.S. dollars. The information presented in U.S. dollars is for the convenience of the reader only. Certain figures included in this report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregations of the figures presented in previous quarters.*

*Note: Loma Negra's financial information has been prepared in accordance with the Argentine Securities Commission (Comisión Nacional de Valores-CNV) and with International Financial Reporting Standards. Following the categorization of Argentina as a country with a three-year cumulative inflation rate greater than 100%, the country is considered highly inflationary in accordance with IFRS. Consequently, starting July 1, 2018, the Company is reporting results applying IFRS rule IAS 29. IAS 29 requires that results of operations in hyperinflationary economies are reported as if these economies were highly inflationary as of January 1, 2018, and thus year-to-date, together with comparable results, should be restated adjusting for the change in general purchasing power of the local currency, using official indices. For comparison purposes and a better understanding of our underlying performance, in addition to presenting 'As Reported' results, we are also disclosing selected figures as previously reported excluding rule IAS 29. Additional information in connection with the application of rule IAS 29 can be found in our earnings report.*

## Slide 1

### Operator

Good morning and welcome to the Loma Negra first Quarter 2021 Conference Call and Webcast. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero.

After today's presentation, there will be an opportunity to ask questions. Also, Mr. Sergio Faifman will be responding in Spanish immediately following an English translation. To ask a question, you may press star, then one on your telephone keypad. To withdraw your question, please press star, then two. Please note that this event is being recorded. I would now like to turn the conference over to Mr. Gastón Pinnel, Head of IR. Please Gastón go ahead.

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## Slide 2

### **Gastón Pinnel**

Thank you. Good morning and welcome to Loma Negra's first quarter earnings conference call.

By now, everyone should have access to our earnings press release and the presentation for today's call, both of which were distributed yesterday after market close.

Joining me on the call this morning, will be Sergio Faifman, our CEO and Vice President of the Board of Directors; and our CFO, Marcos Gradin. Both of them will be available for the Q&A session.

Before I turn the call over to Sergio, I would like to make the following Safe Harbor statements. Today's call will contain forward-looking statements and I refer you to the forward-looking statements section of our earnings release, and recent filing with the SEC. We assume no obligation to update or revise any forward-looking statements to reflect new or changed events or circumstances.

This conference call will also include discussion on Non-GAAP financial measures. The full reconciliation to the corresponding financial measures is included in the Earnings press release.

Now, I would like to turn the call over to Sergio.

## Slide 3

### Sergio Faifman

Thank you, Gastón. Hello everyone and thank you for joining us today. First, I hope you and your families are safe and healthy.

As always, I am going to mention a few highlights of the first quarter, and then Marcos will walk you through our market review and financial results. After that, I will provide some final remarks, and then we will open the call to your questions.

As you could see from our release issued yesterday, in the first quarter we had a great performance mainly on the back of our cement business. The strong momentum experienced in cement sales since last year's bottom is now decelerating, and volumes are stabilizing around pre-pandemic levels.

The higher operational leverage together with good performance in production inputs, translate into world-class profitability levels, enabling us to grow our EBITDA by 49.6% and expand our margins by 341 basis points.

Our Adjusted EBITDA in the quarter was 52 million dollars compared to 36 million dollars in first quarter 2020, when COVID-19 pandemic lockdowns were established.

Our top-tier profitability levels, our focus on our working capital management and our recent deleveraging, results into a strong cashflow generation and solid capital structure, with a Net Debt ratio of 0.04x.

Finally, we continue to move forward completion of our strategic L'Amalí expansion project, which we expect to start producing clinker in the upcoming days. Full commissioning of the second line is programmed for the next months.

I will now hand off the call to Marcos Gradin who will walk you through our market review and financial results.

Please, Marcos.

## Slide 4

**Marcos Gradin**

**Thank you, Sergio. Good day, everyone.**

As you can see on Slide 4, leaving behind the fierce double digit drops of beginning of 2020, the year ended with an estimate GDP drop of 4.3% in the 4Q20, and in the first two months of 2021 the economic activity contracted around 2.4%.

In the case of the Cement national industry sales the recovery was much stronger, especially in the bag format. After a steady increase in sales volumes since the collapse of demand of the first and second quarter last year, demand seems to have stabilized around pre-pandemic figures. 1Q21 posted a total volume of 2.7 million tons, a 38.6% higher than 1Q20, but only 2% lower than 1Q19.

The main driver behind this trend is bagged cement sales, which posted an increase of 35.6% YoY, and almost 9% when compared to 1Q19. Bulk segment, which started to contribute with positive year-on-year growth is still lagging behind 1Q19 figures by around 16%.

Consequently, the share of cement sold in bulk increased by almost 200 percentage points from 36% in 1Q20 to almost 38% in 1Q21. We expect this breakdown to remain rather stable on the following months, with a moderate Bulk recovery. the macroeconomic context together with Covid-19 second wave could increase the uncertainty and affect resumption of major projects construction.

Naturally, when total industry figures are compared to last year, March and April presented and outstanding 94 and 135%, respectively, as those months were the most affected by the initial lockdowns.

Certainly, the economy as a whole still faces different tests, particularly on the macroeconomic outlook, expectations about GDP growth for 2021 revolve around a mid-single digit expansion, definitely far from pre-pandemic levels. In this sense we carefully watch the strength of different economic sectors as they are re-opening for business.

## Slide 5

### **Turning to slide 5 for a review of our topline performance by segment.**

Consolidated revenues increased year-on-year by 35.4%, mainly reflecting the positive momentum experienced by our core cement business which is now stabilizing around pre-pandemic levels.

Additionally, and bearing in mind that by the end of the first quarter last year it was established the lockdown to contain the Covid-19 outbreak, in this first quarter all segments sales volumes experienced a strong recovery.

Cement, masonry cement and lime segment was up 38.4%, with volumes expanding 38.0% with stable pricing.

Concrete posted a revenues increase of 64.8%, continuing with the mild recovery path in sales volumes, yet distant from pre-pandemic levels, but with a negative pricing environment.

By contrast, Aggregates posted a revenue increase of 47.3% as higher volume sales coupled with a positive pricing mix.

Railroad revenues decreased 12.7% in 1Q21 versus the same quarter in 2020, as the higher transported volumes were more than offset by poor pricing performance.

## Slide 7

**Moving on to slide 7**, consolidated gross profit for the quarter was up 61% year-over-year with margin expanding by 577 basis points, a result reinforced by the pulse of our core cement business.

Cement gross margin expanded in the back of higher operational leverage and profiting from costs discipline. Energy inputs benefitted from earlier prices re-negotiations together with improvements in unitary energy consumptions.

SG&A expenses as a percentage of revenues, decreased by 57 basis points to 8.2% from 8.8%, mainly due to cost dilutions from higher sales volume and higher labor cost compare to last year's level.

## Slide 8

**Please turn to slide eight.**

Our Adjusted EBITDA was up 49.6% in the quarter, reaching 52 million dollars and consolidated EBITDA margin expanded by 314 basis points to 35.7%, what represents a world-class level.

mainly thanks to margin expansion in our core business segment, cement, masonry cement and lime.

This segment expanded by 322 bps to a best-in-class 40.8%, mainly due to the increase in sales volume and the improved energy inputs. In an per ton basis, EBITDA increased compared with the same period last year and sequentially, around 6% and 5%, respectively, and stood at 38 dollars.

Railroad Adjusted EBITDA margin deteriorated to 107 bps mainly impacted by pricing performance, and partially offset by higher transported volume.

Concrete Adjusted EBITDA decreased 63% compared to 1Q20, as softer pricing and higher SG&A costs outweighed the increase in sales volumes and the reduction in unitary costs of sales.

Finally, Aggregates Adjusted EBITDA margin improved to -11.2% from -25.2%, with better pricing being outweighed by still depressed sales volume and low operational leverage.



## Slide 10

**Moving on to the bottom line on slide ten**, driven by EBITDA growth and net finance gain, net profit surged by 104% to 37 million dollars, compared to 1Q20 levels affected by initial lockdowns.

Total finance gain stood at Ps.141 million in 1Q21 compared to a net loss of Ps.570 million in 1Q20, as our net monetary position presented a gain of Ps.558 million in 1Q21 compared to Ps.176 million on 1Q20.

Additionally, the Exchange rate differences also presented a gain of Ps. 21 million reverting a loss of Ps. 239 million in 1Q20.

Finally our Net Financial expense, declined by Ps. 70 million to Ps.438 million compared to same quarter last year driven by lower total Financial Debt.

Measured in US dollars, our net income for this first quarter was 37 million dollars compared to 10 million dollars in first quarter 2020.

## Slide 11

### **Moving on to the balance sheet, as you can see on slide eleven,**

Our top-tier profitability levels, our focus on our working capital management and our recent deleveraging, results into a strong cashflow generation and solid capital structure.

We ended the quarter with a cash position of Ps. 6.0 billion and total debt at Ps. 6.7 billion, consequently our Net Debt to EBITDA ratio stood at 0.04x compared to 0.16x at the end of 2020.

During the quarter we made capital expenditures for 1.0 billion pesos, 28% of which were dedicated to L'Amalí expansion project. Additionally, we cancelled Ps. 443 million of financial debt, and repurchased share for a total amount of Ps. 255 million.

Now for our final remarks, I would like to handle the call back to Sergio.

## Slide 13

**Sergio Faifman**

**Thanks Marcos,**

**Now to wrap up the presentation I please ask you to turn to slide thirteen.**

Although we are getting to co-exist with the virus and a vaccination plan is progressing, Cement demand seems to be stabilizing around pre-pandemic levels and we expect a moderate growth perspectives for the remainder of the year.

In this sense, current macroeconomic context together with potential restrictions related to a second wave could increase the uncertainty and affect large construction projects reopening.

Yet, our World-class profitability levels, our focus on our working capital management and our recent deleveraging, results into a strong cashflow generation and solid capital structure.

This together with Capital expenditures in L´Amalí plant, which will start producing clinker in the next days and which will be fully commissioned in the next months, are for us a solid ground to rely on in the years to come.

Last but not least, I would like to thank all our people, and stakeholders, without whom these set of solid results would have been very difficult.

We are now ready to take questions. Operator, please open the call for questions.

## QUESTIONS AND ANSWERS

### Operator

Thank you. We will now begin the question and answer session. If you would like to ask a question, you may press the star then one on your telephone keypad. A confirmation tone will indicate that your lien is in the question queue. You may press star then two if you would like to remove the line. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the keys. One again, star then one on your telephone keypad.

We like also to ask that you limit yourself to one question and one follow-up. Please, if you have additional questions, you may re-queue for these questions, and they will be addressed. Also, please note that Mr. Sergio Faifman will be responding in Spanish immediately an English translation. Please hold momentarily while we assemble our roster.

Our first question comes from Nikolaj Lippmann from Morgan Stanley. Go ahead.

### Nikolaj Lippmann

Thank you. Thanks for taking my question here, and congratulations on both the results and also on finishing the plant out in L´Amalí. My question, and it is hard just to go down to one, but my question is you are generating a lot of cash, and it looks likely that you will continue to

generate a lot of cash. What can you do? What are the potential M&A opportunities? I don't know if you're seeing anything in aggregates. So, what is the thinking around your balance sheet and the use of cash over the next couple of years? Thank you very much. Again, congrats.

**Sergio Faifman**

Hi, Nikolaj. Thank you for your question. [Spanish].

[Translation]. Regarding the cash, exceeding cash, we are working as we mentioned before, we're working on the board of directors under the committee of finance into a long-term plan. In the last time to now, we have been working with two banks in order to think about and to strengthen our strategy and to think what to do with this exceeding cash. So, under this analysis, we're thinking on a more aggressive dividend policy, some acquisitions locally or some deal abroad. So, yes, the strategy is not defined, and in the short term, we are using our resources for the repurchase plan that is coming to an end by the end of the month.

**Nikolaj Lippmann**

Yes. Got it. Thank you very much.

**Sergio Faifman**

You're welcome.

**Operator**

Our next question is from Alberto Valerio from UBS. Go ahead.

**Alberto Valerio**

Hi, everyone. Hi, Gastón. Hi, Sergio and Marcos. Congrats on the results. I think it was the best results in the market ever. I'd like to ask you additional color on margin gains. I think it was close to 3.5% year-over-year, and even with the price is US terms drop a little bit, if you could provide additional color, it would be very helpful on these margin expansion. Thanks.

**Gastón Pinnel**

Sorry, Alberto, we are not clear if we understood the question. It's regarding the margin expansion?

**Alberto Valerio**

Exactly, Gastón. If you could just provide additional color how you achieved this 36% of EBITDA margin, nearly 3.5% expansion from first quarter of 2020?

**Sergio Faifman**

Hi, Valerio, thank you for your question. [Spanish].

[Translation]. So, regarding the margin expansion, there are a few factors playing in. First, we have to remember the lockdown that happened in March last year. Logically the higher volume this year comes together with a higher cost solution per ton. Additionally, last year between April and May, we signed some natural gas contracts, which had an impact not only last year, but also in this first quarter. Finally, our performance that we improved as a continuous operation

and also the pricing policy which was also positive during the period.

**Alberto Valerio**

Just a follow up, can we have the level of capacity that Loma is running at the moment, and at what capacity, which you'll be running after L'Amalí plant starts operating? Thanks. That's all my questions.

**Sergio Faifman**

Currently, we are working at 80% to 85% of our capacity and you should remember that the expansion of L'Amalí represents an additional 40% of our total capacity. Obviously, the second line will enable us to further optimize our production and to benefit from the seasonality in our costs.

**Alberto Valerio**

[Spanish].

**Operator**

Our next question is from Nicholas Giannone [ph] from Balas [ph] Capital. Go ahead.

**Nicholas Giannone**

Hi, good morning. Hope you're doing well, and congratulations on another great quarterly result. I have one question regarding your gas supply contracts. How do you see the new Biden environment and the gas market impacting on margins as you start to renovate contracts? I don't know if you have meaningful maturities this year, and trying to understand if these are sort of a straightforward revolving of the contracts, or giving your long standing relationship with the suppliers you usually you're able to perhaps negotiate some discount versus market prices. Thanks.

**Sergio Faifman**

Thank you for your question, Nicholas. [Spanish].

[Translation]. As you know, there has been some issues with the supply of natural gas elevated from some conflicts in the natural gas basins in Argentina. Last month, we had renovated our natural gas contracts for the next 12 months. Many of those contracts, they raised the awareness that we may have some issues of supply due to the supply problem that we mentioned before. So given that situation, we took two concrete actions, one related to the import of petcoke to guarantee our winter production and the other one to renew some of the contracts that we were mentioning. As a consequence, the other risk that was mitigated is our capacity to produce cement during the winter.

**Nicholas Giannone**

Okay. Thank you. Very clear.

**Operator**

This concludes our question and answer session. I would like to turn the call back to Gastón Pinnel for closing remarks. Oh, I'm sorry, there's more questions. Nikolaj Lippmann from

Morgan Stanley, go ahead.

**Nikolaj Lippmann**

Sorry for coming back, but just a clarifying question I had. Did I understand this correctly? You're importing petcoke for the winter period to some degree, but you don't expect it to have a negative impact on your cash cost. It sounds very counterintuitive. I was just wondering if I got that correct.

**Sergio Faifman**

Thank you, Nikolaj. [Spanish].

[Translation]. So, yes, we are importing one vessel of petcoke, and we're going to produce during the winter with a mix between petcoke and natural gas. Additionally, during winter, just to remember that we do the overhauling of our equipment, and that's why we typically produce in a lesser extent during winter. So, without a mixture of petcoke and natural gas and the contracts that we already have signed for natural gas, we do not expect volatility in our production costs.

**Nikolaj Lippmann**

Got it. So, it's more like an insurance policy. Thanks for clarifying.

**CONCLUSION**

**Operator**

Now it concludes our question and answer session. I would like to turn the conference back over to Gastón Pinnel for closing remarks.

**Gastón Pinnel**

Well, thank you for joining us today. We appreciate your participation and your interest in our company. We look forward to meeting more of you over the coming months and providing financial and business updates next quarter. In the meantime, the team remains available to answer any questions you may have. Thanks again, and stay safe.

**Operator**

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.