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Loma Negra Second Quarter 2020 Earnings Call and Webcast August 11, 2020 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. The Company also owns a 51% equity stake in an integrated cement production plant in Paraguay, which is one of two leading cement producers in that country. 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

Disclaimer

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.

The forward-looking statements are based on the information currently available to us. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including, among others things: changes in general economic, political, governmental and business conditions globally and in Argentina, changes in inflation rates, fluctuations in the exchange rate of the peso, the level of construction generally, changes in cement demand and prices, changes in raw material and energy prices, changes in business strategy and various other factors.

You should not rely upon forward-looking statements as predictions of future events. Although we believe in good faith that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Any or all of Loma Negra's forward-looking statements in this release may turn out to be wrong. You should consider these forward-looking statements in light of other factors discussed under the heading "Risk Factors" in Company's Annual Report on Form 20-F, as well as periodic filings made on Form 6-K, which are filed with or furnished to the United States Securities and Exchange Commission.

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 as of and for the three-month periods ended March 31, 2018 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 Second Quarter 2020 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, IR manager. Please go ahead.

Slide 2

Gastón Pinnel

Thank you. Good morning and welcome to our second quarter 2020 earnings release conference call. Above all, we hope you and your families are safe and well.

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 we proceed, 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 well.

I would like to mention a few highlights of the 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 a consequence of the COVID-19 pandemic, we entered the second quarter amid an unprecedented nation-wide lockdown which impacted heavily on our businesses. Along the quarter, and depending on how the sanitation situation developed in each jurisdiction, some of these restrictions were softened, or even lifted.

In anticipation to the effects of COVID-19, we took proactive actions with special focus on protecting our communities and strengthening our financial condition.

We adopted strict biosafety protocols in our operations.

We remained diligent in our cash management, securing working capital needs, tightening fixed cost structures, reformulating our capital expenditure priorities, and extending short term maturities. Altogether let us reduce our Net Debt and our Net Debt to EBITDA ratio to 1.17 times.

As our country and the world continues to battle the COVID-19 pandemic, economic activity remains weak. Our Adjusted EBITDA stood at 32 million dollars with a contraction of 24.6% in the quarter compared to the same quarter last year, heavily impacted in April and recovering since then.

Relative to the Cement demand, after the initial plummeting of sales in April, we are now more encouraged by the improvement observed in May, June and July in the bag segment.

Regarding the L'Amalí expansion project, and as we previously anticipated, works on-site were resumed on late April after the temporarily restrictions due to the Covid-19 were lifted. This suspension together with the biosafety protocols adopted have delayed the inauguration date of the project, which is now expected to be at the beginning of 2021.

Once again, I want to thank all our people in Argentina and Paraguay, who faced enormous obstacles and showed a great responsibility to keep this business running.

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

Please, Marcos, go ahead.

Slide 4

Marcos Gradin

Thank you, Sergio. Good day, everyone, I also hope you and your beloved ones are safe and well.

As you can see on Slide 4, in April the construction sector and the cement industry in Argentina suffered a severe contraction, revealing a high degree of abidance to the Covid-19 lockdown declared by the end of March and which is currently in different phases according to each jurisdiction.

Since May we observed a very strong rebound in the bag segment, which besides being positively surprising, it proved right our expectations that household demand and self-construction was going to be a more relevant driver in this new scenario. The rebound of this segment was observed across Argentina and also in Paraguay. In June, the bag segment posted a double digit increase in a year over year basis.

By contrast, during this quarter, bulk segment suffered the most impacted by the halt in infrastructure works together with the restrictions on private construction held in several areas of the country, including the City of Buenos Aires and the greater Buenos Aires area,

Naturally, the share of cement sold in bag increased by almost 15 percentage points from 56% in 2Q19 to more than 70% in 2Q20. We expect this trend to continue on the following months. Bulk demand could eventually start to catch up as main urban centers lift restrictions on larger private construction works and when public works start to gain some momentum again.

Expectations about GDP growth for 2020 revolve around a double digit decline, however, we are cautious, and we are attentive to development of the pandemic in the country and to the before mentioned upside risks.

Slide 5

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

Consolidated Revenues were down 30.1%, mainly affected by the very strong contraction of economic activity in April.

Cement Sales volumes dropped 24.5% year-on-year, and revenues fell by 25.8% year-on-year -. As mentioned before, Bag segment rebounded vigorously since May, achieving very good levels on June and there on.

In Paraguay, the situation is more favorable, not only because the own economic momentum of the country, pre-pandemic, but also because the lock-down more flexible. Altogether, the volumes during the quarter improved by 3.3% YoY, and posted a record high during June.

Revenues from our Railroad segments, decreased 36.1% and year-on-year, closely related to the drop in transported building materials and frac-sand, an partially compensated by other services rendered.

Revenues of Concrete and Aggregates in Argentina were the most impacted by the halt in public and private projects, plummeting 92.6% and 94.0%, respectively.

Slide 6

Moving on to slide 6, consolidated gross profit for the quarter declined by 34.2% year-on-year. A heavier burden of D&A impacted gross profit margin which contracted by 151 basis points reaching 24.1% in the quarter.

Our core Cement operation in Argentina contributed positively, as we benefitted from favorable input costs and lighter fixed cost structure, reflecting footprint adequacy efforts achieved last year.

SG&A expenses as a percentage of revenues, increased by 209 basis points to 8.6% from 6.5%, heavily impacted by the sharp decline in revenues.

Slide 7

Please turn to slide seven.

Our Adjusted EBITDA was down 24.6% in the quarter, reaching 32 million dollars. Yet, consolidated EBITDA margin expanded by 204 basis points to 27.9%, thanks to margin expansion in our Argentine and Paraguayan cement segments.

When excluding the application of inflation accounting, Adjusted EBITDA margin in our Cement, masonry and lime segment in Argentina expanded by 155 basis points to 30.7%, as we benefited by a significant reduction in energy input costs, and also by the footprint adequacy efforts achieved last year.

Also Paraguay posted an Adjusted EBITDA margin improvement of 104 basis points to 42.4%.

Railroad Adjusted EBITDA margin deteriorated to 6.9% from 12.8%, while concrete and aggregate posted a negative 83% and negative 173%, respectively. These two latter segments were much severely affected by the restriction to execute construction works in major urban centers.

EBITDA in US dollars per ton stood at 26, decreasing around 3% compared with the same period last year, as it was affected mainly by the drop in volumes.

Slide 8

Moving on to the bottom line on slide eight, net income for the quarter decreased by almost 93% year-on-year reaching 111 million pesos, resulted mainly from an Adjusted EBITDA contraction, and a negative impact total foreign exchange loss.

Total finance results represented a loss of 1,1 billion pesos compared to a gain of Ps.377 million in the second quarter in the previous year. Mostly explained by the Foreign exchange loss of Ps.560 million compared to a gain of Ps.414 million in 2Q19.

The higher interest rate environment together with the higher gross debt resulted in a Net Financial expense of Ps.615 million, or Ps.78 million higher than in 2Q19.

The net passive monetary position resulted in a Gain of 431 million pesos.

Measured in US dollars, our net income decreased 59.1% to 10 million dollars in the quarter from 25 million dollars in the year ago quarter.

Slide 9

Moving on to the balance sheet, as you can see on slide nine,

During the second quarter, we remained diligent in our cash management, securing working capital needs, tightening fixed cost structures, reformulating our capital expenditure priorities, and extending short term maturities. Altogether let us reduce our Net Debt by 26 million dollar to 200 million, and our Net Debt to EBITDA ratio to 1.17 times from 1.26 times in the first quarter this year.

Gross debt by currency breakdowns like this, 48% in Argentine pesos, 37% in hard currency, and 15% in Guaranies.

Our capital expenditure plan, with investments for the quarter reaching 1 billion pesos, or approximately 15 million dollars, almost entirely dedicated to the expansion project.

As the current situation continues to be conditioned by the Covid-19 restrictions, we remain particularly on top of our liquidity and our liability management.

During this quarter, we have rollover short term maturities, and we continue searching for opportunities that allow us to further improve our capital structure.

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

Slide 10

Sergio Faifman

Thanks Marcos,

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

Health and safety of our employees are always a priority, as it is our commitment with our communities, our supplier and customers, and of course our shareholders.

Our businesses suffer a heavy toll back in April, with sales plummeting in all segments, however we are now more encouraged by the strong recovery observed in May, June and July in the bag segment. At some point in time, Bulk segment should also awake, particularly in the Buenos Aires Metropolitan Area, where the restrictions are being more severe.

From the macroeconomic perspective, having the government reached an agreement with bondholders is a step in the right direction. In this context we understand that the construction sector is going to be a key sector in the so much needed economic turnaround. Still, the recovery path is uncertain and rather challenging, therefore we remain cautious about providing a guidance for 2020 industry growth.

At the end of April we had resumed works on L'Amalí expansion project, which is now back on track. Naturally, the temporarily suspension together with the biosafety protocols adopted have delayed the inauguration date of the project, which is now expected to be at the beginning of 2021.

We remain alert and cautious regarding the evolution of this worldwide crisis, which ending seems hard to predict.

I would finally like to thank our people who, in this unprecedented Covid-19 situation, showed a great responsibility and resourcefulness in order to overcome difficulties and to keep on running the business.

This is the end of our prepared remarks. We are now ready to take questions. Operator, please open the call for questions.

QUESTIONS AND ANSWERS

Operator

We will now begin the question-and-answer session. To ask a question you may press star, then one on your touchtone phone. If you are using a speaker phone, please pick up your handset before pressing the keys. To withdraw your questions please press star, then two.

Also, please note that Mr. Sergio Faifman will be responding in Spanish, immediately following an English translation. And at this time, we will pause momentarily to assemble the roster.

And our first question today will come from Eric Neguelouart with Bank of America. Please go ahead.

Eric Neguelouart

Hi, good morning. Thank you for your time. So just a quick question from my side. Thinking about bag segment and the increase in demand during the second half of the quarter, I'd like to know how much of this is from an actual increase in demand, and how much you think would come from low availability of bulk cement, and how sustainable the incremental demand would be for the remainder of the year? Thank you very much.

Sergio Faifman

Good morning, Eric. Thank you for your questions. If you take a look to the demand, the strong driver of demand during the quarter was the bag segment and bulk represented approximately 20% of total demand.

So, what is behind this situation. There are two points. The first one is that in the metropolitan area, basically, Buenos Aires city and the surrounding region, there is a restriction to operate in private constructions. And the other thing is this is also the case in some parts of the rest of the country.

Taking a look to some numbers, June, and July, the bag segment is approximately 15% above the year-ago month, and bulk is approximately 50% below June and July figures of last year.

So, it's quite probable that, considering the lift in the restrictions to operate, together with the upcoming public works that we expect that bulk cement should also increase dispatches.

Eric Neguelouart

Thank you.

Operator

And once again if you would like to ask a question, please press star, then one. And our next question will come from Antonella Rapuano with Santander. Please go ahead.

Antonella Rapuano

Hi. Well, congratulations for the result and thank you for taking my question. I was wondering if you can comment a little bit on the pricing dynamic that you have seen so far. And also, what

you expect for the coming months, considering that analysts are expecting an acceleration in inflation rate? And also, if you see any risk of price controls, given your experience in the past with Peronist government? Thank you.

Sergio Faifman

Hi, Antonella. Thank you for your question. So, first I would like to stand out that besides the price increases during the quarter that were below what we could have achieved, the important thing to stand out is that our cost control, together with the fixed cost structure—restructuring that we did last year enabled us to keep a certain level under control of our EBITDA per ton.

So, the price dynamic during the quarter was not as usual, especially due to the lockdown and the slow recovery path at the beginning of the lockdown. Already for June and July, the pricing dynamic came back to normal, and we expect for the rest of the year to be in line with inflation and other parameters that we take into account.

CONCLUSION

Operator

And once again, if you would like to ask a question, please press star and then one. And at this time, I would like to turn the conference back over to Gaston Pinnel for any closing remarks.

Gaston Pinnel

Thank you for joining us today. We appreciate your participation and your interest in our company, and 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 that 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 your lines at this time.