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Loma Negra Third Quarter 2019 Earnings Call and Webcast November 8, 2019 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.

PRESENTATION

Operator

Good morning and welcome to the Loma Negra Third Quarter 2019 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. Gaston Pinnel, Head of IR. Please go ahead.

Gaston Pinnel

Thank you. Hi. Good morning. Thank you for joining us today. We appreciate your participation in this conference call. By now, everyone should have access to our earnings press release and today's call presentation, both of which were distributed yesterday after market close.

Speaking during today's call will be Sergio Faifman, our CEO and Vice President of the Board of Directors; and our CFO, Marcos Gradin. Both will be available for the Q&A session right after the presentation.

Before we begin, 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 filings with the SEC. We assume no obligation to update or revise any forward-looking statements to reflect new or changed events or circumstances.

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

Sergio Faifman

Thank you, Gaston. Hello, everyone, and thank you for joining us today. I am pleased to welcome you again to Loma Negra Third Quarter 2019 Earnings Conference Call.

We will begin our presentation with a discussion of the highlights of the quarter, and then Marco will take you through our market review and financial results. Afterwards, I will share some thoughts for the remainder of the year. Finally, we will open the call to your questions.

Starting with slide 3. We ended the quarter with another solid set of result amid a challenging context. The unexpected result in the August primary elections lead to a high financial economic volatility that eroded the incipient recovery previously observed in some of the macroeconomic variables.

The peso depreciated sharply and inflation started again, affecting overall activity levels and the already weak growth expectation. In this line our Cement demand dropped by 7.5% in a year-on-year basis. As a major infrastructure public work completed, consumption is lower down or even put on hold probably until the economic landscape become more foreseeable. However

EBITDA grew by 2.7% with margin expansion of 289 basis point as we were able to control our costs and start capturing benefit from previous efficiency initiative.

During the quarter, we continued with our effort to streamlining our production footprint and this is the reason why we converted the San Juan facility into a grinding and distribution center. In this quarter, we achieved an adjusted EBITDA of \$52 million. And when excluding the non-recurrent costs the EBITDA reached \$53 million, almost equal to the third quarter last year.

The expansion of our L'Amali plant continue on track, as it's a key element of our long-term strategy and will contribute to our production efficiency and profitability. The kick-in date is expected to be at the end of the second quarter next year. Finally, our strong balance sheet should enable us to work through a more complex financial environment in Argentina.

I will now hand the call to Marcos Gradin. Please, Marcos, go ahead.

Marcos Gradin

Thank you, Sergio. Good day, everyone.

Turning to slide 4, let me start by providing a quick overview of the macro environment and industry trends in Argentina. The rather unforeseen mid-August primary election outcome impacted a few incipient signs of stabilization that we have observed in previous month. This higher financial and political uncertainty during the period triggered a sharp peso depreciation and higher than expected inflation level, both impacting the economy in general and the construction activity in particular.

During this quarter, the Cement industry declined by a rate of 2.9% year-on-year. On a sequential basis, the third quarter surged by almost 9.5% compared to the second quarter of this year, but mostly explained by the seasonality effect in our industry.

Taking a closer look at the Cement demand, unlike with previous quarter, the bag segment declined less than the bulk segment. Bag segment declined by 2.4% and bulk decreased by 3.2%. Consequently, the share of Cement sold in bulk remained almost unchanged at 42% when compared with the same period one year ago.

Looking toward the last part of the year, we expect the industry to continue suffering from a weak economy and a high volatility environment. In this line economy downgraded GDP growth expectation for 2019 to minus 3% from our previous level of 1.4%. Additionally economy's expectation for 2020 also deteriorated drastically from an expansion of 2.2% to a construction of 1.7%. In this sense, at this moment, we choose to be more cautious until the key guidelines are defined by the new administration.

Now please turn to slide 5 for a review of our top-line performance by segment. Revenues were down 7.6%. For the quarter, Cement revenues dropped by 4% impacted by sales volume drop of 7.5% and partially compensated by real-term price increases. In Paraguay, revenues were down 1.7%, with volumes declining 1.1%, affected by a slower than expected public works execution, an impact offset by the private sector demand. Prices remain practically unchanged.

Concrete segment presented a decline of 37.7% in revenues as both sales volumes and prices were down when compared to the strong third quarter in the year-ago period. Several large infrastructure projects that have commenced in recent years were in completion phase and during this year, other new large projects were either slowed down or even put on hold.

For the Railroad segment, construction volume transported contributed positively to revenues. However, it was not enough to compensate the drop in building materials and chemical volumes, resulting in a total decline of 9.4%. By contrast, aggregates revenues were up 2% year-on-year during the period driven by improving volumes.

Moving on to slide 6. Consolidated gross profit for the quarter was up 7.3% year-on-year, with a margin expansion of 368 basis points reaching 26.6% in the quarter, reflecting the production cost where under control and the benefits from the footprint adequacy efforts achieved in the second quarter this year. Non-recurrent costs relative to reconverting San Juan accounted approximately to ARS61 million pesos or \$1.2 million. This excluded gross profit would have grown by 10% with margin expansion of 435 basis points to 27.2%.

SG&A expenses as a percentage of revenues decreased by 22 basis points to 6.6%, positively impacted by commercial and administrative structure adequacy measures previously adopted in the first quarter of 2019, together with a further reduction in the effective sales tax rate.

Please turn to slide 7. Despite the softer demand we reached consolidated adjusted EBITDA growth of 2.7% in the quarter, over ARS2.6 billion pesos or \$52 million dollars with margin expanded 289 basis points to 28.8%, mainly driven by Cement and further supported by growth in Railroad. Excluding the non-recurring charges, the EBITDA margin would have been 29.5% reaching \$53 million US dollars in the same period one year ago.

When excluding the application of inflation accounting, adjusted EBITDA for the Cement segment in Argentina increased 52% year-on-year and the margin expanded by 90 basis points to 31%, and excluding the non-recurring cost would have been 31.8%. Likewise, Paraguay posted around 57% growth in adjusted EBITDA with a margin of more than 45%, improving 156 basis points compared to third quarter of 2018.

Our Concrete segment reported an increase in adjusted EBITDA reaching ARS47.8 million with the margin expansion of 73 basis points from 4.1% to 4.8% as we adapted the productivity structure to the new demand level. We continue to post margin expansion in our Railroad segment, with adjusted EBITDA margin up more than 357 basis points year-on-year to 14.5% as a result of structure adequacy efforts. Aggregate segment adjusted EBITDA margin reached 4.1%. Our Cement business in Argentina remained in a relatively stable situation in terms of recurrent EBITDA per ton measured in US dollars, around \$28 per ton, 7% over the year-ago quarter.

Please turn to slide 8. Net majority income for the quarter reached 50 million pesos. Total final results presented a loss of ARS1.6 billion pesos compared to a loss of ARS1.4 billion in the third quarter last year. The FX depreciation resulted in a foreign exchange loss of ARS1.5 billion

or ARS200 million higher than year ago. The higher interest rate environment resulted in a higher net financial expense of ARS34 million. The net positive monetary position resulted in a gain of ARS276 million.

Moving on to the balance sheet. As you can see on slide 9, our balance sheet enables us to move ahead with our meaningful investment plan. We continue to make progress in our capital expenditure plan with investments for the quarter reaching ARS3.1 million or approximately 59 million US dollars. We finished this quarter with a net debt to adjusted EBITDA ratio of 0.87 times compared to 0.43 times at the beginning of this year. Our net debt at the end of the quarter was 157 million US dollars with a gross debt breakdown by currency of 47% in hard currency, 28% in Guaraníes and 26% in Argentine pesos.

I will now hand over the call back to Sergio.

Sergio Faifman

Thank you, Marcos. Now please turn to slide 10. To wrap up this presentation, I would like to leave you a few key messages. Looking forward, the political transition seems to be evolving in an orderly way. And now, the key factor will be the policies that the new administration is going to adopt in order to restore the financial stability and economic growth. Under this context, we are pleased to continue delivering strong results on the work of our history leadership and determination in the search to a greater productivity.

We keep executing on our immediate priorities. In this line of this third quarter, we put our effort in further streamlining our production footprint in the Cuyo region by reconverting our San Juan plant into grinding and distribution center. L'Amali plant expansion is part of this strategy and will allow us to continue increasing production efficiency and profitability that will let us thrive in the future.

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

QUESTIONS AND ANSWERS

Operator

Thank you. We will now conduct a question-and-answer session. If you would like to ask a question, please press star then one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press star then two if you would like to remove your line. For participants using speaker equipment, it may be necessary to pick up your handset prior to pressing the keys. Once again, star one on your telephone keypad. We also would like to ask that you please limit your questions to one question and one follow-up, please. If you have additional questions, you may re-queue for those questions and they will be addressed.

Also, please note that Mr. Sergio Faifman will be responding in Spanish, immediately following an English translation. Please hold momentarily while we assemble our roster.

Our first question comes from Eric Neguelouart with Bank of America. Please go ahead, sir.

Eric Neguelouart

Hi, good morning. Thank you for the call. I'd like to know if there is more visibility in terms of actual infrastructure spending during Fernandez administration. Has he been vocal about his plans and how do you see 2020 coming on after this?

Sergio Faifman

[Speaking foreign language] Good morning, Eric. Thank you for your question. [Speaking foreign language] So far, what we have heard from Alberto Fernandez due to this measures are to incentivize the consumption and regarding the construction a housing plan that they are to put in place. [Speaking foreign language] So regarding other measures concerning infrastructure, we do not have additional information.

Eric Neguelouart

Gracias.

Operator

Our next question comes from Alejandra Obregon with Morgan Stanley. Please go ahead.

Alejandra Obregon

Hi. Good morning. Thank you for the call and for taking my question. I just have one on the cost side. So just wondering if you could help us understand how should we think of the footprint adequacy program going forward, and in that same line, whether there are some non-recurring costs that we should consider for the next quarters. Thank you.

Sergio Faifman

[Speaking foreign language] Good morning, Alejandra. Thank you for your question. [Speaking foreign language] For the next quarter, we are not expecting any non-recurrent cost. [Speaking foreign language] And for the rest of the year we do not foresee any further footprint adequacy, so the costs should be similar than the previous quarters.

Alejandra Obregon

Thank you. Very helpful. And just a follow-up if I may on, I think you mentioned earlier how bulk and bag were performing. Could you please repeat that for me? I wasn't sure I got that right. And if you could elaborate how is that performing going into the fourth quarter that will be very helpful. Thank you.

Sergio Faifman

[Speaking foreign language] In the third quarter, what we observed is that the bulk decreased slightly higher than the bag. [Speaking foreign language] This has to do with some of the infrastructure plan got to completion phase, and on the other hand, a slight ramp up in the consumption. [Speaking foreign language] So, until we don't have new measures from the new administration, we expect this trend to continue.

Alejandra Obregon

Thank you very much. This was very helpful.

Sergio Faifman

You're welcome.

CONCLUSION

Operator

This concludes our question-and-answer session. I would like to turn the conference back to Gaston

Pinnel for closing remarks.

Gaston Pinnel

Thank you for joining us today. We appreciate 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. And again, thank you very much and enjoy the rest of your day.

Operator

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