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## **Loma Negra Fourth Quarter 2019 Earnings Call and Webcast March 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](http://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 Fourth 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. Gastón 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; together with 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 filing 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, Gastón. Hello everyone and thank you for joining us today. I am pleased to welcome you again to Loma Negra's fourth quarter 2019 Earnings Conference Call.

We will begin our presentation with a discussion of the highlights of the quarter, and then Marcos will take you through our market review and financial results. Afterwards, I will make some closing remarks. Finally, we will open the call to your questions.

Once again, the company has shown the capacity to adapt to a challenging context of currency depreciation, high inflation, activity contraction, by optimizing the costs of production, improving margins and enabling us to sustain a profitability measured in US dollars.

### **As shown in Slide 3**

The fourth quarter was characterized by a long political transition amid great financial instability. Both factors ended up postponing the economic recovery and negatively impacting the construction sector.

As shown on this slide, Net revenues declined by 15%, mostly impacted by Cement and Concrete segments in Argentina, particularly as major public and private infrastructure projects were put on hold.

Adjusted EBITDA also declined by 13%, but thanks to a positive pricing and the commitment in cost-control, we were able to expand margins by 69 basis points.

On the back of our competitive leadership, and our determination to undertake structural changes, we reached, in 2019, an Adjusted EBITDA of 199 million dollars, and when excluding the non-recurring cost of structure adequacy, Adjusted EBITDA would have reached 209 million dollars, representing a margin expansion of 378 basis points.

We continue executing our expansion project at L'Amalí plant, as is part of our strategy and will allow us to continue increasing production efficiencies and profitability.

I will now hand off 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 outline of the macro environment and industry trends in Argentina.

After the presidential elections in October last year, the outgoing government had to take some measures to recover the stability of the financial system - exchange and capital control and renegotiation of public debt, among others. These measures ended up deepening the ongoing economic and financial crisis, negatively impacting the construction activity, both from the public and the private sector.

During the fourth quarter, the cement industry declined by 9.4% YoY. Taking a closer look at the cement demand by segment, we observe that the trend of the third quarter is maintained where the bagged segment continues to recover percentage of sales at the expense of bulk cement. Bag segment declined by 3.1% and Bulk decreased by 17.2%. Consequently, the share of cement sold in bag increased by almost 4 percentage points from 57% in 4Q18 to almost 61% in 4Q19.

By the end of the year, the incoming government took steps to achieve an economic recovery, reschedule sovereign debt maturities and regain confidence. We are still under this process; therefore, we do not foresee an economic recovery before the second semester of the year.

Last year ended with an annual volume 6.8% below that of 2018 and 9% lower than 2017 historic record.

Economist's expectations for 2020 GDP stands at -1.5%, therefore we expect a mid-single digit decline by year end, with a recovery only by the second half of the year.

**Now, please turn to slide 5 for a review of our revenue performance by segment.**

Topline was down 15.0% in the fourth quarter, as the persistent economic contraction impacted the construction activity.

Cement revenues dropped by 9.1%, impacted by sales volumes dropped of 11.1%, which was partially compensated by real terms price increases.

As a consequence of the suspension or postponement of large public and private projects, Concrete and Aggregates segment presented a sharp decline in sales volumes couple with softer prices, resulting in revenues drops of 55.5% and 35.1% YoY, respectively.

By contrast, in Paraguay the demand remained strong, although revenues were down 4.3%, with volumes declining 3.8%, as the operation was affected by adverse weather conditions.

For the Railroad segment, Frac-sand volume transported volume contributed positively to revenues, however it was not enough to compensate the dropped in building materials and chemicals volumes, resulting in a total decline of 15.5%.

**Moving on to slide 6**, consolidated gross profit for the quarter was down 13.0% year-on-year, with a margin expansion of 68 basis points reaching 30% in the quarter, reflecting production costs under-control and also the benefits from the footprint adequacy efforts achieved in the previous quarters last year.

SG&A expenses as a percentage of revenues, increased by 146 basis points to 8.3%, impacted by drop in revenues. Effective sales tax rate kept improving from 1.68% in 4Q18 to 1.5% in 4Q19.

During the year Gross Profit expanded by 3% and margin improved 230 basis points.

**Please turn to slide seven.** Impacted by the plunge in demand, our Adjusted EBITDA declined by 13.1% in the fourth quarter in a Year over Year basis. However, due to a tight cost control and positive pricing, margin expanded by 69 basis points. Main cost benefits revolved around energy inputs and previous structure adequacy efforts.

We reached Consolidated Adjusted EBITDA of around 2.9 billion pesos or 49 million dollars.

For the full year 2019, we reached 199 million dollars of Adjusted EBITDA, and when excluding the non-recurring cost of structure adequacy, Adjusted EBITDA would have reached 209 million dollars or 5% below 2018's EBITDA

When excluding the application of inflation accounting, Adjusted EBITDA for the Cement segment in Argentina, posted a margin expansion of 135 basis points to 36%. Likewise, Paraguay EBITDA margin improved 228 basis points compared to 4Q18 reaching 42.6%

Our concrete segment reported a decline in Adjusted EBITDA reaching negative Ps.27.3 million, as this segment was more directly impacted by the halt in public and private infrastructure projects. Equally, Aggregates segment Adjusted EBITDA declined Year-over-Year to 5.2 million pesos.

In compass with the building material sector, our Railroad segment EBITDA contracted by almost 8%, partially compensated by other transported goods, with a margin of 12.3%.

In terms of EBITDA per ton measured in US dollars, our cement business in Argentina remained strong, around 32 dollars per ton, 1% over the year ago quarter.

**Moving on to the bottom line on slide eight,** net majority income for the quarter reached 1 billion pesos.

Total finance results represented a loss of Ps.205 million compared to a gain of Ps.351 million in the fourth quarter in the previous year

The FX appreciated in real terms during the quarter resulting in a Foreign exchange gain of Ps.353 million, still 135 million lower than that of 4Q18.

The higher interest rate environment and the higher gross debt resulted in a higher Net Financial expense of Ps. 445 million higher than the year ago figure.

The net passive monetary position resulted in a Gain of Ps.89 million.

**Moving on to the balance sheet, as you can see on slide 9,**

We continued to make progress in our capital expenditure plan, with investments for the quarter reaching 2.4 billion pesos, or approximately US\$ 40 million.

We finished the fiscal year 2019 with a Net Debt to Adjusted EBITDA ratio of 0.86 times compared to 0.43 times at the beginning of the year.

Our net debt at the end of the quarter was 161 million US dollars with a gross debt breakdown by currency of 49% in hard currency, 25% in Guaranies, and 26% in Argentine pesos.

We recommended the board to fully re-invest Loma Negra's 2019 earnings, as we continue to execute the expansion of our L'Amalí plant, a key element of our long-term strategy.

I will now handle the call back to Sergio.

**Sergio Faifman**

**Thank you, Marcos, now please turn to slide 10.**

I would like to conclude by conveying our satisfaction with the results achieved in 2019. In a context of economic contraction and high financial volatility, the company showed its flexibility

for adaptation. Our competitive leadership, and our determination, were critical factors to carry out structural changes necessary to face this challenging situation.

On the back of this factors, we reached, in 2019, an Adjusted EBITDA of 199 million dollars, and when excluding the non-recurring cost of structure adequacy, Adjusted EBITDA would have reached 209 million dollars, with a margin of 31.6%

In these days of extreme global uncertainty and volatility around the effects of the Corona Virus and the Oil price plummet, it is hard to provide an outlook for 2020. However, our previous estimations consider a consensus showing another year of mid-single digit contraction, though with an expectation for a recovery by the second semester.

Our long-term perspective has not been conditioned by these short-term challenges, and we maintain our course, betting and trusting in the progress and development of Argentina, contributing to narrow the housing and infrastructure deficit.

This is the reason why we continue executing our expansion project at the current L'Amalí plant, as is part of our strategy and will allow us to continue increasing production efficiencies and profitability, to let us thrive in the future.

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

## **CONCLUSION**

### **Operator**

Thank you. We will now close our conference. Gastón Pinnel, go ahead.

### **Gastón Pinnel**

Thank you for joining us today. We appreciate your interest in our company, and we will look forward to meeting more of you over the coming months and providing financial and business updates for the next quarters. In the meantime, the team remains available to answer any questions that you may have. Thank you very much, and enjoy the rest of your day.

### **Operator**

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