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## **Loma Negra Fourth Quarter 2020 Earnings Call and Webcast March 11, 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)

### **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.*

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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 fourth 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, 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 fourth quarter and fiscal-year-2020 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 fourth 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 saw from our released issued yesterday, in the fourth quarter we achieved an outstanding performance on the back of our cement business. The momentum is quite encouraging as Bulk cement has join the bagged cement on the volume expansion in recent months.

The recovery-pathway of cement dispatches was consolidated as cement demand in the fourth quarter experienced a strong sequential growth, and an overall volume increase of around 23%, with every region of the country undergoing a similar dynamic.

Coupled with volume increase, our diligence on cost controls and our pricing discipline, enable us to grow our EBITDA, expand our margins by 415 basis points and reach our record high EBITDA/ton. Our Adjusted EBITDA in the quarter was 58 million dollars with an expansion of 33% compared to the same quarter last year.

For the full fiscal year 2020, and bearing in mind the uncertainties we faced along the year, I would like to highlight the resilience and determination of our organization. Together we were able to deliver again excellent results, an EBITDA of USD 171 million with margins of 33%, while strengthening further our solid balance sheet and executing our strategic L'Amalí expansion project, which we expect to start producing clinker later this month and to be fully operational by mid-2021.

Although we are getting to co-exist with the virus, we need to stay alert and focus, as our country and the world continues to battle the COVID-19 pandemic. We face additional challenges as Argentinean economic environment remains delicate and with several restrictions. Yet, we trust that the right stimulus and signals could bring additional dynamism to the economy as a whole and the construction sector in particular.

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.**

As you can see on Slide 4, leaving behind the fierce drops of beginning of 2020, the year ended with an estimate GDP drop of 4.4% in the 4Q20, and an full year drop of 10%.

For the full year 2020 the Cement industry dropped by 11.5% to 9.75 million tons, need to go back almost a decade to find similar industry volumes.

During the last quarter of 2020 we have observed a sustained recovery momentum in the construction activity and the cement demand, with a volume expansion of 24.1%. Promisingly, in the first couple of months of 2021 the industry posted similar positive growth dynamic, with January and February volumes expanding by 20% and by 18%, respectively.

The main driver behind this trend is bagged cement sales, which even posted a record high level in October and which is explained by a surge in self-construction and retail demand. Positively, since November, bulk cement started to contribute with positive year-on-year growth.

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.

Unsurprisingly, the share of cement sold in bag increased by almost 680 percentage points from 61% in 4Q19 to almost 68% in 4Q20. We expect this breakdown to remain rather stable on the following months. We expect Bulk demand continues to catch up as lifted restrictions on larger private construction works and public works are making the segment to gain some momentum again.

## Slide 5

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

Consolidated revenues increased year-on-year by 20.6%, on the back of our core cement, masonry and lime business, which expanded revenues by 26.9% due to higher demand, higher market participation together with stable pricing.

As mentioned before, Bagged cement continues to be the main driver behind this energetic recovery, growing in this fourth quarter around 39% compared to the same quarter last year, and Bulk cement grew mildly around 7%, as previous Covid-19 restrictions in private works began to be lifted.

Concrete segment was also positively impacted by the execution of the Metropolitan airport expansion project in the Buenos Aires city, thus sales volumes increased by 12.8% YoY, the first positive figure since the 1Q19. Yet, Concrete revenues declined by 17.0%, as softer pricing affected the higher sales volumes.

Railroad revenues decreased 19.1% YoY versus the comparable quarter in 2019, as the higher transported volumes were more than offset by lower pricing mix.

Finally, Aggregates decreased by 4.7%, as pricing performance partially compensated the 9.5% volume decline.

For Fiscal year 2020, net revenues decreased 12.8% to Ps. 41,623 million from Ps. 47,753 in 2019, with revenues declines across all segments, with our core cement business suffering a milder annual decline of 4.7%.

## Slide 6

**Moving on to slide 6**, consolidated gross profit for the quarter was up 46.1% year-over-year with margin expanding by 632 basis points, an extraordinary result underpinned by the strength of our core cement business.

Cement gross margin expanded in the back of higher sales volumes and benefiting 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 115 basis points to 7.9% from 9.0%, mainly due to the higher sales volume.

## Slide 7

**Please turn to slide seven.**

Our Adjusted EBITDA was up 40.8% in the quarter, reaching 58 million dollars and consolidated EBITDA margin expanded by 513 basis points to 35.6%, thanks to margin expansion in our core business.

This segment expanded by 604 bps to an outstanding 40.4%, mainly due to the increase in sales volume and the improved energy inputs. In an per ton basis, EBITDA stood at 37 dollars, posting a record high level and increasing around 11% compared with the same period last year, and above 17% in a sequential basis versus third quarter.

Railroad Adjusted EBITDA margin deteriorated to -0.6%, mainly impacted by pricing mix, and partially offset by higher transported volume.

Concrete Adjusted EBITDA declined compared to 4Q19, with margin worsening to -19.2%, as softer pricing and higher costs outweighed the increase in sales volumes.

Finally, Aggregates Adjusted EBITDA margin decreased to -9.0% from -4.6%, with better pricing being outweighed by lower sales volume and higher costs.

EBITDA in 2020 was 171 million dollars compared to 172 million dollars in 2019, which included 9 million dollars of non-recurrent cost associated to administrative, commercial, and productive structure adequacy efforts.



## Slide 8

**Moving on to the bottom line on slide eight**, driven by EBITDA growth and net finance gain, net income surged by 93.9% to 46 million dollars.

Income from continuing operations was Ps. 2,971 million, comparing to a loss of Ps. 1,253 million, mostly explained by the Adjusted EBITDA expansion and lower financial expenses driven by lower total financial debt.

By contrast, foreign exchange rate gain was 191 million pesos lower due to lower debt position denominated in foreign currency and a real depreciation of the peso.

Measured in US dollars, our net income for full fiscal year 2020 was 181 million dollars compared to 50 million dollars in fiscal year 2019. When excluding the Income from discontinued operations related to the sale of our stake in Cementos Yguazú, the net profit reached 97 million dollars in 2020 or 60 million higher than in 2019.

## Slide 9

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

Our higher profitability outweighed the higher working capital needs in the quarter, resulting in a healthy operational cash flow generation of Ps. 3,974 million, a 52% Year-on-year raise.

During the quarter we made capital expenditures for 1.7 billion pesos, 45% of which were dedicated to L'Amalí expansion project. Additionally, we paid out an extraordinary dividend, of approximately US\$31 million, related to the sell in Paraguay.

On February we announced a Share repurchase program, with the purpose of efficiently applying a portion of the Company's cash position, expecting to generate a greater return of value for our shareholders given the current attractive value of the share.

During the year our financial situation was further strengthen. We ended 2020, with a Net Debt reduction of 162 million dollars, reaching 25 million dollars as of year-end, with a Net Debt to EBITDA ratio to 0.16 times comparing to a 0.83 times by the end of 2019.

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.**

Definitely, 2020 would be remember as one of the most challenging years in decades. We are proud of the actions taken to look after our people, our communities, and our customers.

Since the beginning of this crisis, our priority has been the health and safety of our people and their families, that is why we quickly formed an ad-hoc committee to manage and monitor the situation. Firstly, we decided to temporarily suspend production in our plants, as well as the execution of our expansion project. Indeed, during this situation, we never lost focus on the importance of securing working capital needs, optimizing cost, and reframing our capital spending priorities.

Under this context and supported by the resilience and sense of purpose of our organization, we were able to deliver again excellent results. Strong EBITDA generation in 2020 of USD 171 million with margins of 33%.

Our Solid balance sheet and the approaching completion of our strategic L'Amalí expansion project, make us feel confident that we are ready to face new challenges.

Forecasts for the Argentine economy reveal GDP growth of around 5.5% year-on-year for 2021, which will be a partial recovery after the sharp decline in 2020. In that line, could be expected that the construction sector will experience stronger recovery in the first semester, leaving the second semester subject to how the economic and sanitary situation of the country evolves.

One could say that up to some extent we are getting used to co-exist with the virus, yet we need to remain alert and focus, as our country and the world continues to battle the COVID-19 pandemic. In Argentina, we face additional challenges as the economic environment remains delicate and with several restrictions. Having said that, we trust that the right stimulus and signals could bring additional dynamism to the economy as a whole and the construction sector in particular. We are confident that we have positioned ourselves for a sustainable growth and cashflow generation in the future.

Finally, I would like to thank all our people, and stakeholders, without whom these set of solid results would have been very difficult, particularly during this unprecedented times.

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 (1) on your telephone keypad. A confirmation tone will indicate that the line is in the question queue. You may enter star (\*), then two (2) if you would like to remove from the line. The participations using speaker equipment, it may be necessary to pick up your handset prior to pressing the keys. Once again, star (\*), then one (1) on your telephone keypad. We also would like you to please limit your questions to one question and one followup 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 the English translation. Please hold momentarily while we assemble our roster. Our first question is from Nikolaj Lippmann from Morgan Stanley. Go ahead.

**Nikolaj Lippmann**

Thank you very much, and thanks for taking my questions. Congrats on the very solid strong numbers there. My question is really related to costs. So, two elements of that. First, the sustainability of this cost reduction at a cash cost level for U.S., as winter approaches to what degree do you think that you can rely on local gas vis-à-vis buying petcoke? And related -- and a similar question related to the L'Amalí expansion. To what degree, do you think that any cost reduction that you will have there will be basically in addition to your -- to EBITDA per ton and then you will keep that, and to what degree do you -- are you thinking of trying to invest some of that back into the market? Thank you very much and again congrats on the numbers.

**Sergio Faifman**

Hi, Nikolaj, thank you for your question.

Regarding our cost, yes, we believe they are sustainable looking forward. This year we had a considerable reduction in our variable cost in energy, electrical energy and thermal energy. We have an advantage to produce using natural gas comparing to petcoke. This advantage is going to be further increased in the future, once we have the L'Amalí second line, because in that way, we're going to be able to optimize our working capital and to run more in winter.

Regarding the benefits from the second line of L'Amalí, there is no doubt that most of those benefits were already implemented. Those related to structure and fixed costs were already implemented. Logically, since we already have improved our thermal and electrical costs, the benefits from a higher productivity in the second line are less.

Looking forward, independently from what happened in the past, we're going to have a better performance in the second line, and also the higher volumes we are going to be able to produce them with the same structure.

**Nikolaj Lippmann**

Thank you very much.

**Operator**

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

**Alberto Valerio**

[unintelligible – Spanish language] for taking my questions. I have three quick ones on my side. The first one about debt payments. I saw that the maturities for the next year, and how long would be this more -- it's mostly in foreign currency, right? And how it would be can Loma get official U.S. dollars for those payments or must go for the new dollar?

**Marcos Gradin**

Alberto, thank you for your questions. The maturity of our debt profile, it's not concentrated on one only maturity. There are several payments that we have to make, and we are relying on getting access to official FX, yes. It's -- obviously, the situation can change, but we are confident that we are going to use -- that we are going to be able to obtain those payments in U.S. dollars.

**Alberto Valerio**

Perfect Marcos. Thank you very much, and my second one would be about the next steps for Loma when L'Amali project is gone by mid of the year and the company probably reaching the net cash in the next quarter. How long will you use this firepower? Are you thinking increased dividends if you can distribute them, or there are any extension plan or M&A?

**Sergio Faifman**

Hi Alberto, thank you for your question. So, currently, we are working on our Board of Directors within the financial committee where we are analyzing all the alternatives that's going to present after the expansion project of L'Amali. The further decision that was made that we took last year at the end of the year is the repurchase plan that is undertaken now. So, the other alternatives that -- for the use of cash which has -- which have pros and cons are still under analysis.

**Alberto Valerio**

Congrats.

**Sergio Faifman**

You're welcome and thank you very much.

**Operator**

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

Wait, we have Nikolaj Lippmann back. Nikolaj Lippmann from Morgan Stanley has another question, and we have another person.

**Sergio Faifman**

Okay.

**Operator**

Go ahead Nikolaj.

**Nikolaj Lippmann**

Sorry for coming back, and thanks for taking another question here. I was just wondering if you could -- your rail concession will expire shortly. If you can provide a bit of an update on sort of what's going to be the base case as you're seeing it right now and how it potentially could affect some of your operations? Thanks.

**Sergio Faifman**

Nikolaj, [unintelligible -- Spanish language] The railway concession is due on 2023. So, the original concession had a provision for an extension for additional 10 years and the government is starting this renewal. So, the information that we have and the meetings that we are having with the government doesn't have a formal entity yet. And the idea would be to go to an open access scheme, where the current concessionaires are going to be able to operate on the trucks -- on the current trucks.

So, in that way the government or the, yes, the national government should take care of the investment to maintain the railways. And each operator should take care of the maintenance of the wagons and then pay a fee to operate on those trucks. So, we expect that this new structure should have -- should be beneficial for Loma Negra not only as the logistic costs should be reduced, but also the investments.

**Nikolaj Lippmann**

Thank you very much, guys.

**Operator**

Our next question is from Coleman Clyde from HSBC. Go ahead.

**Coleman Clyde**

Hi gentlemen. Thank you for taking my question. Just had a quick one. Could you give us a little bit of color on the outlook for volumes and pricing in 2021? Obviously, you finished the year on a very strong note on the volume side. How much of that momentum do you see carrying through the year? And then, as well in terms of the bulk versus bagged breakdown, obviously, there's a lot more bagged cement sales this year. What margin benefit did that have this year? And do you expect that reverse -- last year, and do you expect that reversing in 2021? Thanks.

**Sergio Faifman**

Hi, Coleman, thanks for your question. [SPANISH LANGUAGE] So, for this year, we are expecting GDP growth between 5.5% and 7%. So, we still do not have a provision for the industry growth, the cement industry growth, but taking a look to the history, there has been a multiplier of two times approximately. So, our expectation for the price increases is to be in line with the Loma Negra cost inflation. And as we always mention, this -- we consider a mix between inflation and the FX depreciation as we have part of our costs with that has a component of U.S. dollars.

We do see a recovery in the bulk segment, which is coming from lower volumes. And also, many announcements of different public works in the province -- in the other provinces, which are starting to be implemented. Profitability in both bulk and bagged are quite similar. So, this shouldn't have an impact in the consolidated profitability.

**Coleman Clyde**

Got it. Thank you very much.

**Sergio Faifman**

You're welcome.

**Operator**

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

## **CONCLUSION**

**Gastón Pinnel**

Thank you for joining us today. We appreciate your participation and your interest in our company. We always look forward to meeting 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.