



a member of InterCement

## **Loma Negra Fourth Quarter 2021 Earnings Call and Webcast March 8, 2022 at 10:00 AM Eastern**

### **CORPORATE PARTICIPANTS**

**Diego Jalón – 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.*

*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 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 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. Diego Jalón, Head of IR. Please go ahead, Diego.

---

## Slide 2

### Diego Jalón

Thank you. Good morning and welcome to Loma Negra's 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 before market opens.

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, Diego. Hello everyone and thank you for joining us today.

I will begin my presentation with a discussion of the highlights of the quarter, and then Marcos will take 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.

Starting with slide three, we are satisfied to share another solid quarter, closing a year where we saw not only a bounce in demand from last year drop, but a year of robust activity in the construction sector reaching figures just slightly below cement industries all-time high amid challenging macroeconomic environment.

In this context, our Adjusted EBITDA for the quarter reached 63 million, compared with 58 million in 4Q20. When measured in pesos, it shows a decline of 10% year on year. When looking to our annual figures, we reached 215 million dollars for the fiscal year 2021 from 179 million in 2020, achieving a new record for our operation in Argentina.

We are committed to continue delivering strong results and maintain a world class EBITDA margin on the back of our competitive leadership and highly efficient production standards. In this sense, the US dollars EBITDA per ton reached 38 dollars in the fourth quarter, 3% above 2020s fourth quarter.

Finally, we are proud to share that this past quarter we inaugurated the second line of L'Amalí. Its completion represents a significant milestone for our Company that will support our strategy and will allow us to continue increasing production efficiencies and profitability.

I will now handoff 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, after the deep drop of the GDP in 2020 due to pandemic restrictions, we saw a sharp recovery starting in the second quarter, that lead the growth estimates for 2021 to approximately 9.7%.

On the back of this economic rebound, construction activity measured by the ISAC increased sharply to 30.8% for FY2021, also showing a solid performance in recent months but starting to present a more moderate growth rate.

Regarding Cement national industry sales, particularly the second part of the year showed a solid demand pushing 2021 accumulated figures almost at record highs.

Even though the initial boost of the recovery came from residential demand, and it made bagged cement take a prominent stake of the total dispatches, bulk has gradually recovered. Breaking down the consumption by dispatch mode, we observe figures in line with the historical average.

The first two months of this year are showing that cement demand continues in its upward trend. For the year we remain cautiously optimistic as economic growth in Argentina, is overshadowed by short term macroeconomic challenges, and its outcome will surely impact future scenarios.

## Slide 5

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

Topline was down 3.8% in the fourth quarter, mainly due to a decrease in Cement revenues partially offset by Railroad and Aggregates.

Cement, masonry cement and lime segment was down 4.8%, with volumes expanding 3.5% YoY with a softer pricing dynamic.

Concrete revenues remained almost flat for the quarter. Volumes drop due to an extraordinary infrastructure work in 4Q20, compensated by a good price performance.

Aggregates showed sharp revenues recovery of 51.9%. Volumes expanded 14% on the back of roadworks demand coupled with a recovery in pricing.

Finally, Railroad revenues increased 8.1% in 4Q21 versus the same quarter in 2020. Although volumes were down 3%, prices and better product mix more than compensated that effect.

For the FY 2021, consolidated revenues were up 17.3% to 73,7 billion pesos from 62,8 billion in 2020. Volumes expanded sharply across all segments.

## Slide 7

Moving on to slide 7, consolidated gross profit for the quarter declined 7.9% year-over-year with margin contracting by 152 basis points to 34.6%, mainly impacted by a lower top line performance of our core segment.

Cement gross margin contraction was slightly offset by a better performance of Concrete and Aggregates, that showed an improvement from last year's heavily impacted results,

SG&A expenses as a percentage of revenues increased by 202 basis points to 9.9% from 7.9%, mainly due to a recognition of an allowance for doubtful receivables in the Railroad segment and higher marketing expenses. Without considering the extraordinary effect in the Railroad segment, SG&A as a percentage of revenues would have been 8.9%.

During the year Gross Profit improved sharply by 22.5% and margin expanded 134 basis points.

## Slide 8

Please turn to slide eight.

Our Adjusted EBITDA for the fourth quarter stood at 63 million dollars, up 9.1% from 58 million in the same quarter a year ago, boosted by our top line.

In pesos, EBITDA was down 10.0% in the quarter reaching 6,4 billion pesos with consolidated EBITDA margin of 33.3%, contracting by 231 basis points year on year.

Cement segment Adjusted EBITDA reached 37,4%, margin contracted by 306 bps mainly due to a softer pricing dynamic, partially offset by lower production costs and an increase in sales volumes. When compared to previous quarter, margins expanded 793 basis points.

In a per ton basis, EBITDA reached at a top-notch level of 38 dollars, increasing 3.3% from 4Q20.

Concrete Adjusted EBITDA increased 345 million pesos compared to 4Q20, mainly explained by a positive price performance, with margin in positive grounds at 6% from last year's negative figure.

Aggregates Adjusted EBITDA improved from negative 22 million pesos in 4Q20 to negative 4 million in 4Q21, showing a negative margin of 1.2%, favored by a better pricing mix and higher sales volume.

Finally, Railroad Adjusted EBITDA decreased 193 million pesos to negative 201 million pesos for the quarter, with a negative margin of 12.9%, mainly due to the impact produced by a recognition of an allowance for doubtful receivables of 187 million pesos.

For the full year 2021, Adjusted EBITDA showed an increase of 15.4% from 2020, with margin reaching 31.4%. When measured in US dollars, our EBITDA reached the outstanding figure of 215 million, setting a record high for the operation in Argentina.

## Slide 10

Moving on to the bottom line on slide ten, our profit from continuing operations stood at 2.8 billion pesos, decreasing 37% YoY mainly due to a lower operational result and the impact of higher total financial costs.

Total finance cost stood at 0.1 billion pesos in 4Q21 compared to a net gain of 0.9 billion pesos last year, as a result of a lower gain exchange rate differences due to lower debt in US dollars and a lower gain on the net monetary position.

Additionally, our Net Financial expense, increased by Ps. 0,2 billion to 0.4 billion pesos compared to same quarter last year driven by lower FX depreciation effect compared with the evolution of the inflation rate.

Net Profit Attributable to Owners of the Company reached 2,9 billion, contributing to net profit of 6.6 billion pesos for full year 2021.

Please note that the full year comparison is affected by the extraordinary result of divestment in Paraguay in FY2020 and for an increase in the income tax rate that impacted in 2021

## Slide 11

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

We ended the quarter with a cash position of 5.3 billion pesos and total debt at 2.5 billion pesos, consequently our Net Debt to EBITDA ratio stood at -0.12x compared to 0.16x at the end of 2020.

During the quarter, we continue reducing our debt in 16 million dollars, standing at 24 million, most of which is denominated in US dollars.

Additionally, we continued with our share repurchase programs, we acquired shares for a total amount of 0,7 billion pesos in the quarter, and 2.4 billion for FY2021.

Our operating cash generation stood at 5.2 billion pesos reflecting a lower profitability partially compensated by a positive working capital effect.

Regarding capital expenditures, we spend 2.2 billion pesos, 27% of which were dedicated to L'Amalí expansion project, almost completing the capital requirements of the expansion.

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

## Slide 13

### Sergio Faifman

Thank you Marcos,

Now to finalize the presentation I please ask you to turn to slide thirteen.

During the second half of 2021, cement demand increased its pace almost reaching record highs. Looking ahead, we expect growth to continue, with a pace following the trend of recent months. Always, subject to the outcome of recent geopolitical turbulence and local political and macroeconomic challenging scenario. In this context, we remain focused on delivering strong results.

As I mentioned before, past December we had the satisfaction of inaugurating the second line of L'Amalí plant, transforming it in one of the biggest cement plants in South America.

The incorporation of the new line also implies an update of the plant from the technological point of view and a strong increase in its productivity, supported by sustainability policies that comply with the strictest international standards in terms of environmental care.

This is the most important strategic investment that Loma Negra has made in the last 20 years, and we are proud to have successfully completed the project despite the complex moments we have gone through in recent times.

Additionally, we are gratified to release our first Sustainability Report that will allow us to share with our stakeholders all the hard work that LOMA has been doing in the environmental, social, and corporate governance areas. We are convinced that this are the fundamental pillars on which the growth of the Company must be sustained

I would like to conclude by conveying our satisfaction with the results achieved in 2021 and thank all our people and stakeholders for their commitment to Loma's operational excellence, without whom these results would have been impossible to achieve.

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

## Q&A SESSION

### 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 Alberto Valerio with UBS. Please go ahead.

### Alberto Valerio

Hi. Congrats, Sergio, Marcos and Diego for the results in 2021. My question is looking ahead a little bit about energy costs. We have seen the few energies spiking due to the dispute between Russia and Ukraine and we know that in Argentina you had a contract with the government for the supply of natural gas. And my question is looking ahead, two things. The first one is about the gas contract, if you see any potential change between you and the government. And the second one is about the FX with the IMF new agreement, if you may see depreciation of Argentina peso going close to the [indiscernible] Argentina in the foreseeable future. Thank you.

### Sergio Faifman

Hi, Alberto. Thank you for your question. [Speaking Spanish].

### Translator

Hi, Alberto, we'll start with the first question.

### Sergio Faifman

[Speaking Spanish].

### Translator

Our contracts today of natural gas are with companies and not with the national government.

### Sergio Faifman

[Speaking Spanish].

### Translator

In general, these contracts are for one year.

### Sergio Faifman

[Speaking Spanish].

### Translator

We have already had an increase in the cost of natural gas after the pandemia.

**Sergio Faifman**  
[Speaking Spanish].

**Translator**

The current prices are slightly above what you have seen on this quarter.

**Sergio Faifman**  
[Speaking Spanish].

**Translator**

Right now we are negotiating several contracts which start from next October and they are in very similar terms of our prices from what we are seeing today.

**Sergio Faifman**  
[Speaking Spanish].

**Translator**

In conclusion, we are not seeing an increase in what we are paying today in the energy side.

**Sergio Faifman**  
[Speaking Spanish].

**Translator**

In respect of the peso and the FX—

**Sergio Faifman**  
[Speaking Spanish].

**Translator**

—we expect the FX movement following what happened with inflation for the year.

**Sergio Faifman**  
[Speaking Spanish].

**Translator**

We are not expecting a sudden hike in the FX pesos.

**Alberto Valerio**  
Muchas gracias, [indiscernible].

**Sergio Faifman**  
[Speaking Spanish].

**Operator**

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

**Diego Jalón**

Thank you for joining us today. We really appreciate your interest in our company. We remind you that our new sustainability report is at your disposal in our website, and we look forward to meeting you again in our next call. In the meantime, we'll remain available for any questions that you may have. Thank you and have a good day.

**Operator**

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