



a member of InterCement

## **Loma Negra First Quarter 2022 Earnings Call and Webcast May 9, 2022 at 4:00 PM 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 afternoon and welcome to the Loma Negra First Quarter 2022 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 call over to Mr. Diego Jalón, Head of IR. Please go ahead, Diego.

---

## Slide 2

### Diego Jalón

Thank you. Good afternoon 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 last Friday after market close.

Joining me on the call this afternoon, 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 glad to witness a robust start of the year in this first quarter. Cement volumes are growing strongly, and we are enthusiastic about our business performance.

As you could see from our release issued on Friday, our Adjusted EBITDA for the quarter reached 60 million, compared with 52 million in 1Q21. When measured in pesos, it shows a decline of 11% year on year.

Sustained by our operational standards and production efficiencies, we manage to continue delivering world-class profitability results, with Consolidated Adjusted EBITDA margin of 33.6% and a remarkable US dollars EBITDA per ton of 39.5, 3% above 2021s first quarter. During this quarter our kilns worked at a good pace to strengthen our clinker stock, that will allow us to attend demand in winter months and minimize the impact of switching to more expensive energy inputs.

Finally, leveraged on the solid balance sheet of LOMA, in April we paid a dividend of approximately 45 million dollars.

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 afternoon, everyone.

As you can see on Slide 4, after the GDP growth of 2021 that stood at 10.3%, recovering the drop of 2020, 2022 shows a more moderate growth for the economy, with estimates reaching 3.2%.

In this context, construction activity measured by the ISAC still shows a strong momentum for the sector, with figures above general economy level.

Particularly, regarding Cement national industry sales, we are off to a good start for the year. After a January that was heavily affected by the weather, February and March showed a solid demand that pushed the industry growth near 7% for the quarter. April figures show the same tendency, increasing 9.8%, what makes us believe that if this trend continues, 2022 is going to set an industry's record.

Bagged cement volumes remain solid on the back of residential demand, but this quarter, growth came specially from the Bulk dispatches. Medium and small size infrastructure works, both public and private added dynamism to the industry, and made Bulk cement recover 3 points against bagged cement when we saw the breakdown by dispatch mode.

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 level of activity.

## Slide 5

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

Topline was down 5.5% in the first quarter, mainly due to a decrease in Cement and Concrete revenues partially offset by Aggregates and Railroad.

Cement, masonry cement and lime segment was down 6.5%, with volumes expanding 6.6% YoY with a softer pricing dynamic.

Concrete revenues decreased 17.5% in the quarter. Volumes drop due to an extraordinary infrastructure work in 1Q21, partially compensated by a good price performance. Concrete segment is still affected due to the lack of relevant infrastructure works in the markets where we operate.

Aggregates showed sharp revenues recovery of 89%. Volumes expanded 35.6% on the back of roadworks demand in the province of Buenos Aires, coupled with a recovery in pricing.

Finally, Railroad revenues increased 10.8% in the quarter versus the same quarter in 2021. Transported volumes were up 6.2%, boosted by construction materials, coupled with a good price performance.

## Slide 7

Moving on to slide 7, consolidated gross profit for the quarter declined 13% year-over-year with margin contracting by 288 basis points to 33.4%, mainly impacted by a lower top line performance of our core segment and higher depreciations due to the completion of L'Amalí second line.

Cement gross margin contraction was slightly offset by a better performance of Concrete and Aggregates.

SG&A expenses as a percentage of revenues increased by 127 basis points to 9.5% from 8.2%, mainly due to higher marketing, insurances and IT expenses.

## Slide 8

Please turn to slide eight.

Our Adjusted EBITDA for the fourth quarter stood at 60 million dollars, up 13.9% from 52 million in the same quarter a year ago, boosted by our top line.

In pesos, EBITDA was down 11.2% in the quarter reaching 6,5 billion pesos with consolidated EBITDA margin of 33.6%, contracting by 214 basis points year on year.

Cement segment Adjusted EBITDA reached 37,4%, margin contracted by 332 bps mainly due to a softer pricing dynamic, partially offset by lower production costs due to lower maintenance costs and an increase in sales volumes.

In a per ton basis, EBITDA reached at a top-notch level of 39.5 dollars, increasing 3.3% from 1Q21.

Concrete Adjusted EBITDA increased 166 million pesos compared to 1Q21, mainly explained by a positive price performance, with margin expansion of 924 bps, almost reaching positive grounds from last year's negative figure.

Aggregates Adjusted EBITDA improved from negative 23 million pesos in 1Q21 to negative 18 million in 1Q22, showing still a negative margin of 4.6%, favored by a better pricing mix and higher sales volume.

Finally, Railroad Adjusted EBITDA increased 61 million pesos to 97 million pesos for the quarter, with a margin of 5.9%, mainly due to the impact of its top line performance.



## Slide 10

Moving on to the bottom line on slide ten, our profit from continuing operations stood at 3.1 billion pesos, decreasing 21% YoY mainly due to a lower operational result.

Total finance gain stood at 0.2 billion pesos in 1Q22 with no significant changes when compared to the same quarter last year, where the decrease of the Net Financial Expense compensated the loss in exchange rate differences.

As mentioned, our Net Financial expense, decreased by Ps. 0,2 billion to 0.5 billion pesos compared to same quarter last year driven by lower average debt and a lower FX depreciation effect compared with the evolution of the inflation rate.

Measured in US dollars, our net income for this first quarter was 41 million dollars compared to 37 million dollars in first quarter 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 5.1 billion pesos and total debt at 1.0 billion pesos, consequently our Net Debt to EBITDA ratio stood at -0.15x compared to -0.12x at the end of 2021.

During the quarter, we continue reducing our debt in 15 million dollars, standing at just 9 million dollars, most of which is denominated in US dollars.

Additionally, we continued with our share repurchase programs, we acquired shares for a total amount of 0,6 billion pesos in the quarter.

Our operating cash generation stood at 2.3 billion pesos reflecting a lower profitability coupled with higher working capital needs.

Regarding capital expenditures, we spend 0.6 billion pesos, significantly reducing the capital requirements after the completion of the L'Amalí expansion project.

Leverage on our strong balance sheet and continuing with actions tending to return value to our shareholders, in Abril we decided to pay a 45-million-dollar dividend.

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.

As we mention before, 2022 is off to a good start. After the strong volumes of 2021, the first four months of the year showed a significant growth with a tendency that we believe is going to continue and could, amid macroeconomic uncertainties, show us a new record for the industry at the end of the year.

The geopolitical disruptions that affected in particular the energy market and put pressure in our industry is yet to be resolved, but we, leveraged in our recent increase in capacity and operational efficiencies, to continue delivering strong results.

On the local side, political and macro-economic challenges could overshadow economic growth, recent high inflation figures and tensions in the FX side could threaten the level of activity.

As always, LOMA will continue focus on delivering consistent results.

Last but not least, I would like to thank all our people and stakeholders, without whom these set of solid results would have been very difficult 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 for the first question.

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

### Alejandra Obregon

Hi, Loma Negra, thank you for the call and thank you for taking my question. So you mentioned, I think, in your release and in your earlier remarks about softer pricing dynamics. So I was just hoping if you could elaborate a little bit more on what you're seeing in terms of pricing strategies. What you're expecting in terms of pricing for the following quarters and more specifically around competitive dynamics and what's driving these softer trends? And then I have a follow-up, but I might ask that after this question. Thank you.

### Sergio Faifman

Hi, Alejandra, thank you for your question. [Speaking Spanish].

### Translator

As always, we say that our policy about pricing is based in three concepts. Inflation in general, inflation of internal cost of Loma Negra and EBITDA margin.

### Sergio Faifman

[Speaking Spanish].

### Translator

Regarding pricing, it's in line with these three concepts that I mentioned before. And some of these concepts are going to probably impact more ahead in the year.

### Alejandra Obregon

Understood. That was clear. And maybe a second question, if I may, that has to do with the strong performance, your balance sheet that is very solid and your cash generation. I was just trying to understand if there could be more buybacks or perhaps more dividends or maybe you could be thinking about growth on bolt-on acquisitions or particular or specific investments,

anything that can help us understand what you're thinking in terms of cash allocation and your future opportunities, that will be very helpful? Thank you.

**Sergio Faifman**

[Speaking Spanish].

**Translator**

All the options that you mentioned are in our radar. We continue with the program of buyback shares. We are analyzing future dividend payments and also M&A acquisitions, in Argentina or abroad. And maybe, as we mentioned before, some investment in energy, electric energy.

**Alejandra Obregon**

Understood, when you say electric energy, does that mean shifting into renewables or any other type of project?

**Sergio Faifman**

[Speaking Spanish].

**Translator**

Yes, renewable energy, eolic energy.

**Alejandra Obregon**

Thank you. That was very helpful, thank you again and congratulations on the numbers.

**Sergio Faifman**

You're welcome. Thanks.

**Operator**

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

**Diego Jalón**

Thank you. Well, I would like to thank you all for joining us today. We really appreciate your interest in our company. And we are looking forward to meeting you again in our next conference call. Till then, the team remains available for any questions that you may have. Thank you. Bye.

**Operator**

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines at this time.