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Loma Negra First Quarter 2023 Earnings Call and Webcast May 8, 2023 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

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 First Quarter 2023 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 Diego go ahead.

Slide 1

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 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 we proceed, 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 2

Sergio Faifman

Thank you, Diego. Hello everyone and thank you for joining us this morning.

As usual, I would like to 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 two. We started the year in a very good shape, and we are very pleased to share with you another quarter of solid results. Amid the increasing macroeconomic uncertainties, the industry remains resilient, maintaining the positive momentum and setting another quarter of growth. Bulk cement demand is contributing to this trend, boosted by private and public small infrastructure works.

Our top line for the quarter increased 2.9%, with Cement volumes growing above the industry and boosted by the increase activity of Concrete and Aggregates. Our Adjusted EBITDA for the first quarter stood at 63 million dollars, up 15% from first quarter 2022. When measured in pesos, it shows a decrease of 19.7% compared to the same quarter last year, adjusted by inflation.

Although margins suffered some compression due to higher energy inputs in the cement segment and the increased participation in the top line of the other segments with lower margins, we keep on delivering world class EBITDA margins.

In this sense, the US dollars EBITDA per ton stood at a sound 40 dollars for the quarter, 1.6% above 2022s first quarter.

Continuing with our focus of maximizing value to our shareholders, at the beginning of the year we distributed a dividend payment of 19.5 million dollars. Additionally, we recently announced and distribute in kind another dividend for the amount of 22.2 billion Pesos. Always maintaining a strong balance sheet with a low indebtedness ratio of 0.46 times.

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 morning, everyone.

Please turn to slide 4.

As you can see on Slide 4, even though 2022 ended posting a 5% growth, the fourth quarter started to show a deceleration. The last Market Expectations Report from the Central Bank, shows a shift in the estimations for 2023, driving the growth expectation to negative terrain, and reflecting the increase in the economic uncertainty.

While the construction activity shows mixed results for the first months of 2023, with a retraction in February, the cement national industry sales show a resilient growth of 3.1% for the quarter, despite the strong base of comparison and the challenging environment.

Although still in high figures, bagged cement shows a year on year contraction, while bulk cement continues to be the dispatch modality boosting growth. Concrete producer's demand is the principal contributor to bulk's performance, driven mainly by private infrastructure projects, both residential and industrial, coupled with small and mid-size public works that are gaining more incidence in shipments.

In this sense, when seeing the breakdown by dispatch mode, bulk shipments continue to gain terrain, showing a participation of 43% against 40% in 1Q22.

Even this positive start of the year, we remain cautiously optimistic for the upcoming months, as economic volatility will probably increase as we approach the elections, and this might affect the level of activity.

Slide 5

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

Topline was up 2.9% in the first quarter, mainly due to the increase in Concrete and Aggregates revenues, that more than compensated the decrease in the Cement segment.

Cement, masonry cement and lime segment was down 3.5%, with volumes growing 4.3% YoY with a softer pricing dynamic.

Concrete revenues increased sharply 32.8% in the quarter. Volumes were up 26.2% in line with the strong momentum of bulk cement, coupled with good pricing performance.

In the same way, Aggregates showed a significant top line expansion of 65.3% with a sales volume increase of 47%, primarily on the back of concrete demand, coupled with strong price performance.

Finally, Railroad revenues decreased 5.7% in the quarter YoY. Transported volumes were down 7.4%,

where the strong transported volumes of aggregates partially offset the decrease in cement and fracsand.

Despite the negative effect in price of the lower volume of fracsand, due to its higher transported distance, the pricing had a good performance in the quarter.

Slide 7

Moving on to slide 7, consolidated gross profit for the quarter declines 15.3% year-over-year with margin contracting by 591 basis points to 27.5%, mainly impacted by a lower price performance of our core segment, higher costs related to higher thermal energy inputs mainly due to the stimulus plans to increase natural gas production, partially compensated with a decrease in electrical energy inputs and depreciations. The significant increase in sales volumes in segments with lower margins also contributed to the compression of the consolidated figure.

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

Finally, SG&A expenses as a percentage of revenues decreased 44 basis points to 9% from 9.5% in the first quarter of 2022.

Slide 8

Please turn to slide eight.

Our Adjusted EBITDA for the first quarter stood at 63 million dollars, up 5.8% from 60 million dollars in the same quarter a year ago.

In pesos, Adjusted EBITDA was down 19.7% in the quarter reaching 10.6 billion pesos with consolidated EBITDA margin of 26.2%, contracting 738 basis points year on year, mainly affected by Cement margin contraction and the higher participation in the topline of the other segments with lower margins.

Cement segment Adjusted EBITDA margin stood at 31.2%, contracting 625 basis points, mainly affected by a softer pricing dynamic and higher thermal energy inputs.

In a per ton basis, EBITDA reached 40 dollars per ton, increasing 1.6% from first quarter of last year.

Concrete Adjusted EBITDA decreased 21 million pesos compared to 1Q22, mainly explained by higher costs of aggregates and freights, partially compensated with a positive price performance and higher volumes. Margin contraction of 33 bps, reaching a negative 1.2%.

Aggregates Adjusted EBITDA improved 272 million pesos this quarter from negative 37 million pesos in 1Q22, reaching a margin of 17.6%, reaffirming the good momentum for the segment, coupled with a better operational performance.

Finally, Railroad Adjusted EBITDA decreased 237 million pesos to negative 38 million pesos for the quarter, with a negative margin of 1.2 %, mainly explained by lower transported volumes that put pressure on costs, partially compensated with better price performance.

Slide 10

Moving on to the bottom line on slide ten, this quarter we posted a net profit Attributable to Owners of the Company of 5.3 billion pesos, compared with 6.5 billion pesos on 1Q22, where the lower operational result was coupled with higher financial cost.

Total Financial Cost stood at 19 million pesos this quarter, from a total financial gain of 452 million pesos the same quarter last year, where the positive effect of the result on the monetary position partially compensated the increase of the net financial expense, generated due to the higher debt position, and the higher negative effect of the exchange rate.

Slide 11

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

We ended the quarter with a cash position of 19.4 billion pesos and total debt at 42.3 billion pesos, consequently our Net Debt to EBITDA ratio stood at 0.46x compared to 0.37x at the end of 2022.

Our operating cash generation stood at 4.3 billion pesos, where the increase in the net profit adjusted with the non-cash effects, partially compensated the negative effect of the changes in operating assets and liabilities.

Regarding capital expenditures, we allocated 1.8 billion pesos, mostly for maintenance CAPEX.

During the quarter, we increased our debt in 19 million dollars, standing our net debt at 109 million dollars at the end of the quarter. Breaking it down by currency, the dollar denominated debt represents 30% of the total debt, while the rest is in pesos.

As we mentioned before, in the quarter we distributed dividends for 19.5 million dollars, and we recently approved a new dividend of 22.2 billion pesos that was paid in kind through Argentine Treasury Bills.

Additionally, in the quarter the company issued its Class 1 domestic bonds for the total amount of 25.6 billion pesos with maturity in august 2024. This first issuance was very well received by the market, and it is a sign of the trust placed in our company.

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

Slide 13

Sergio Faifman

Thank you, Marcos,

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

To wrap up this presentation, I would like to highlight a few final takeaways.

Even though we are pleased to see how firm the industry remained at this start of the year, positing growth figures despite the already strong base of comparison, we are following with attention the evolution of the economy as we approach the presidential elections, which could affect the volumes of the industry for the remain of the year.

In this context, we remain focused on managing the business to keep on delivering strong results.

We consider the maximization of value generation to our shareholders one of our main objectives, this is why, in addition to the dividend payment that we distributed in January, we recently approved a second dividend payment that was distributed in kind, seeking to fulfill our goal in the most efficient way.

I would like to conclude by thanking all our people and stakeholders for their commitment and support.

This is the end of our prepared remarks. We are now ready to take 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. If you have any additional questions, you may requeue for those questions and they will be addressed. Also, please note that Mr. Sergio Faifman will be responding to Spanish immediately following an English translation. Please hold momentarily while we assemble our roster.

And the first question comes from Alberto Valerio with UBS. You may now go ahead.

Alberto Valerio

Thanks for taking my question. One thing that I was a little bit surprised on the results was the increase on the energy expense. On the other hand of the global energy price, maybe Argentinian dynamics is a little bit different, so if you could give some color about the contract that we had for the remainder of the year, and what we should expect on this line? Thank you very much.

Sergio Faifman

Thank you for your question.

In thermal energy, we had an increase this year that also impacted the end of last year.

The good news there is this increment was lower than the one you could see in other regions and the outcome for the near future is also positive.

This year we should be around US\$ 3.2 the million BTU, while several contracts that we already signed for the next few years are below US\$ 3 the million BTU.

Operator

Our next question will come from Daniel Rojas with Bank of America. You may now go ahead.

Daniel Rojas

Good morning, gentlemen. Thank you for taking my call. Just a follow-up on the last question in terms of thermal costs. That contract you say you signed below \$3, is it related to the gas pipeline expansion, and can we assume that going forward, one of your competitive advantages will be your ability to tap into much lower gas costs coming from Vaca Muerta? And I know it might be too early, but can you share with us the savings in terms of EBITDA or EBITDA margins that you think you can gain from these competitive advantages?

Sergio Faifman

Good morning, Daniel. Thank you for your question.

The pipeline is moving forward as scheduled and the forecast production for Vaca Muerta for this year is very good.

And several of the contracts that we signed are linked to this improvement in production.

The comment we did before related the improvement in the price of natural gas that we are paying is going to lead to an improvement in our margins for the next few years.

Regarding gas supply, we don't see any competitive advantage against the other cement producers in Argentina.

Daniel Rojas

Thank you. A follow-up, if I may. I'm sorry for you to become political analysts, but if you could gauge a little bit of what's happening in the political scenario in Argentina. One of the candidates that's leading ground lately has talked a lot about changing the dynamics of how public bidding is done in Argentina or how public constructing is done. I know it's early but what are your thoughts on the political change that may come and the implications for public spending?

Sergio Faifman

The macro political scenario is very volatile these days due to the elections.

I would like to remark that the participation of public expanding in the total volume of cement demand is quite low.

For every government, public spending and incentives are a way to raise the level of activity of the economy aiming the infrastructure deficit in Argentina, that we can see in housing and infrastructure in general.

The different point of view between all the political parties is how this infrastructure issue should be financed. If It's the public sector, the private sector or a mix between the two.

We should all agree that if we think of Argentina to grow in the next few years, then this infrastructure deficit should be taken care of.

Operator

Again, if you have a question, please press star then one.

Our next question will come from Rodrigo Nistor with Latin Securities. You may now go ahead.

Rodrigo Nistor

Good morning. Thank you for taking my question. Given the current elevated inflation environment, could you please discuss your pricing strategies, specifically the frequency of price increases and how these adjustments are impacting demand for your cement products? Also, if you have observed any changes in demand as a result of the recent fluctuations in the blue chip swap rate?

Sergio Faifman

Could you repeat the last line? We didn't hear you well?

Rodrigo Nistor

The last part?

Sergio Faifman

Yes, the whole question please.

Rodrigo Nistor

If you're observing changes in demand as a result of the recent fluctuations in the blue chip swap rate?

Sergio Faifman

Good morning, Rodrigo. Thank you for your question.

Regarding prices, we are increasing prices on a monthly basis.

We always say that our strategy is a combination between following our cost inflation, the general inflation and keeping our margins. So far this year we are mostly in line with inflation.

Regarding the volatility of the market, the macro political situation always brings some noise. On the other hand, when the gap between the official FX and the blue chip swap FX widens, this typically is a driver for the demand.

CONCLUSION

Operator

And this concludes our question-and-answer session. I would like to turn the conference back over to Diego Jalon for closing remarks.

Diego Jalon

Thank you all for joining us today, we really appreciate your interest in Loma. As always, we will remain available for any other questions that you may have. Have a nice day. Thank you.

Operator

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