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Loma Negra Third Quarter 2021 Earnings Call and Webcast November 12, 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

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 third 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 Diego go ahead.

Slide 2

Diego Jalón

Thank you. Good morning and welcome to Loma Negra's third quarter 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, Diego. Hello everyone and thank you for joining us today.

As usual, I am going to mention a few highlights of the third 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 could see from our release issued yesterday, we are pleased to share our third quarter results where we observed solid demand in high historic figures, as we keep our core business margin at world class levels.

We are encouraged that the strong momentum experienced in cement sales since the start of the recovery in mid-2020, has reach levels almost equivalent of those seen in record industry years.

Our highly efficient production standards enable us to deliver another robust quarter despite the impact of the normalization of operations and the subsequent effect of regular seasonality maintenance cost and higher energy inputs in our Adjusted EBITDA margins.

Despite these effects, when measured in US dollars, our Adjusted EBITDA increased to 51 million, from 48 million in 3Q20 even improving the result from last quarter, keeping the US dollars per ton above 30 dollars.

Finally, regarding the expansion project of L'Amalí, we are delivering cement to the market and already seeing promising results from the firsts production batches. We expect to show its benefits in the coming quarters.

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 deep drops of GDP in 2020, we saw a sharp recovery in the second quarter and a improvement in 2021 GDP estimated growth reaching 8.3%. Construction activity measured by the ISAC, also had had a strong performance in recent months starting to present a more moderate growth as 3Q20 showed the start of the pos pandemic recovery.

Regarding Cement national industry sales, they had kept on growing strongly, even above our previous expectation, consolidating in high figures with ten-months accumulated volumes almost reaching Industry's year record, less than 1% down from the same period of 2017.

Although we do not see larger private or public infrastructure projects, bulk has recovered mostly on the back of smaller projects. So, when breaking down the consumption by dispatch mode, we observe figures in line with the historical pre pandemic average.

Certainly, the economy as a whole still faces different challenges, particularly on the macroeconomic outlook, that may impact on future growth expectations.

Slide 5

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

Consolidated revenues increased year-on-year by 8.5%, mainly reflecting the continuous recovery of the other segments, more affected by the pandemic restrictions, and the growth of our core cement business.

Cement, masonry cement and lime segment was up 2.4%, with volumes expanding 8.4% with a softer pricing dynamic.

Concrete and Aggregates showed sharp revenues recovery of 117% and 47% YoY, respectively. As we mention before, these segments suffered more deeply the effects of the pandemic restrictions. In the case of concrete volume expansion of 111% was underpinned by a positive pricing performance. Regarding Aggregates, the segment volume was up 7,2% boosted by a recovery in pricing and a positive pricing mix.

Finally, Railroad revenues increased by 25.4% in 3Q21 versus the same quarter in 2020, as the higher transported volumes were coupled with a good pricing performance and a positive product mix.

Slide 7

Moving on to slide 7, consolidated gross profit for the quarter slightly declined 0.1% year-over-year with margin contracting by 222 basis points, mainly impacted by the normalization of seasonality costs, and higher energy inputs.

Cement gross margin contracted by 577 basis points from 35.5% to 29.8%, with the comparison affected by regular annual maintenance costs this quarter against a third quarter of 2020 with a maintenance schedule affected by the pandemic restrictions. We also experienced some pressure from seasonal energy charges, as winter production in 2020 was abnormally low due to the sharp drop in demand of last year.

For next year, the brand-new line built in L'Amalí plant will give us the flexibility to maximize production out of the winter months, avoiding higher energy charges.

SG&A expenses as a percentage of revenues, remained almost flat decreasing by 5 basis points to 7.6% from 7.7%, mainly due to cost dilutions from higher sales volume.

Slide 8

Please turn to slide eight.

Our Adjusted EBITDA was down 9.1% in the quarter, reaching Ps. 4,696 million with consolidated EBITDA margin contracting by 512 basis points to 26.4% mainly explained by a lower Cement segment Adjusted EBITDA, and the impact of the recovery of the other segments, which, as they have lower margins, contribute negatively to the consolidated margin. In a nine-month bases, the Adjusted EBITDA margin expanded 55 basis points to 30.7%. When measured in USD, our third quarter EBITDA reached 51 million, up 6.5% from 48 million in the same quarter a year ago.

Cement segment Adjusted EBITDA margin contracted by 484 bps to 29.5%, mainly due to the impact of regular seasonality maintenance and winter energy costs, coupled by a softer pricing dynamic, partially offset by the increase in sales volumes. In a per ton basis, EBITDA remains at a top-notch level of 30 dollars.

Concrete Adjusted EBITDA increased 42 million pesos compared to 3Q20, explained by a recovery in sales volumes and a positive price performance, yet margin remains at negative 4.0%.

Aggregates Adjusted EBITDA improved sharply from negative 64 million pesos in 3Q20 to 1 million in 3Q21, with margin of 0.3% as better pricing mix and volume outweighed costs increase. Finally, Railroad Adjusted EBITDA improved 34 million pesos to 110 million pesos for the quarter, with margin expansion from 6.3% to 7.3%, mainly explained by higher transported volume, positive product mix and good pricing performance.

Slide 10

Moving on to the bottom line on slide ten, our profit before tax stood at 2.6 billion pesos, with the comparison to 3Q20 affected by an extraordinary result in such quarter.

Total finance cost stood at 0.3 billion pesos in 3Q21 compared to a net gain of 3.1 billion pesos in 3Q20, mainly due to an extraordinary result in Foreign exchange gain of 3.1 billion in 3Q20.

Gain on net monetary position was 0.3 billion in 3Q21 compared to 0.2 billion on 3Q20.

As a result, our Net Financial expense, increased by Ps. 79 million to 0.3 billion pesos compared to same quarter last year driven by lower FX depreciation effect compared with the evolution of the inflation rate.

Finally, during the quarter we recognized a non-cash impairment of Sierras Bayas facilities of 141 million pesos, due to its obsolescence and the future higher-efficiency production scheme of Loma.

Slide 11

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

We ended the quarter with a cash position of 4.3 billion pesos and total debt at 4.0 billion pesos, consequently our Net Debt to EBITDA ratio stood at -0.02x compared to 0.16x at the end of 2020.

In 3Q21, we reduced our debt in 16 million dollars, standing at 40 million, 83% of which is denominated in US dollars. Additionally, as we continue with our third share repurchase program, we acquired shares for a total amount of 630 million pesos in the quarter. Our operating cash generation stood at 5.4 billion pesos with a positive seasonal working capital effect.

Regarding capital expenditures, we spend 1.5 billion pesos, 36% of which were dedicated to L'Amalfi expansion project. As the second line is already delivering cement, the capital requirements are almost completed.

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.

To wrap up I would like to highlight the strong evolution of the cement demand, with accumulated volumes until October almost reaching industry's record.

Even though we expect this trend to continue in the fore coming quarter, we remain cautious for the medium term, as Argentina faces macroeconomic and political challenges that could affect the evolution of the economic activity.

Regarding our new line at L'Amalí, we are glad about the advances in the project as we are already delivering cement to the market. We are enthusiastic with the preliminary results and expect to start seeing the operational efficiencies and the economic benefits in future quarters. Furthermore, this additional capacity will allow us to minimize production in winter, avoiding the seasonality higher energy inputs and also reducing the need of solid fuel that leads to a more environmentally friendly energy matrix.

Natural gas will remain our main source on thermal energy giving us flexibility and avoiding the hike in pet coke international prices.

We continue to work analyzing alternatives for the near future to support a sustainable growth path for Loma Negra, underpinned by our highly efficient operation standard and solid capital structure.

Last but not least, I would like to thank all our people, and stakeholders for their commitment to Loma's operational excellence, without whom this set of solid results would have been much harder to achieve.

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

Q&A SESSION

Operator

Thank you, and we will now conduct a question-and-answer session. If you would like to ask a question, please press “*” then “1” on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press “*” then “2” 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, “*” “1” on your telephone keypad.

We would also 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 their questions, and they will be addressed. Also, please note that Mr. Sergio Faifman will be responding in Spanish immediately following an English translation.

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

Alejandra Obregon

Hi, good morning, Loma Negra team. Thank you for taking my question. Congratulations on the results. I have two questions. I'll ask the first. I was just wondering if you can comment please on the different trends that you're seeing across the different verticals, residential, infrastructure, formal and informal housing. If you can help us understand how that's developing, as we go into 2022. Thank you.

Operator

Speakers, you may have yourself on mute.

Sergio Damian Faifman

Hi, Alejandra, thank you for the question. (Foreign Language Spoken).

Translator

So, regarding the trends for next year, we're seeing similar levels with a moderate growth. In the last few months, we observed some announcements regarding infrastructure projects, which did not start yet. Therefore, for the next months, we are optimistic regarding the housing demand, residential demand and to see the start of some infrastructure projects, which has been approved to start the ramping up in the near future.

Alejandra Obregon

Thank you. That was very clear. I have another question if I may, and this one is regarding the Olavarría Quarry. I was just wondering if you can comment on whether the quarry is supplying limestone normally to Loma Negra, and if you have seen any stop of supply over materials in the area or whether this is just operating at normal capacity. Thank you.

Sergio Damian Faifman

(Foreign Language Spoken.)

Translator

So, the conflict in Olavarria with Loma was through one of our suppliers. It was regarding a small difference of criteria, which has been solved already. So it's not illogical to foresee similar

conflicts in the future, but the company is prepared to deal with them. In this particular one, we decided to stop our production for around three days. We did not have any other impact in the Olavarria plant.

Alejandra Obregon

Thank you very much. This was very clear.

Sergio Damian Faifman

You are welcome

Operator

Ladies and gentlemen, at this time, there are no further questions. So, this will conclude 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 appreciate your participation and interest in our company. We look forward to meeting you again on our next call, the coming quarter. In the meantime, the team remains available to any questions that you may have. Thank you.

Operator

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

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