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## **Loma Negra Third Quarter 2022 Earnings Call and Webcast November 9, 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 Third Quarter 2022 Conference Call and Webcast. All participants will be in a 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 key pad. To withdraw your question, please press star then two. Please note this event is being recorded.

I would now like to turn the conference over to Mr. Diego Jalón, Head of Investor Relations. Please, Diego, go ahead.

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## 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 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 filings 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 of 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 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 three, we are glad to present a very good third quarter, with results that shows the robustness of LOMA, on the back of positive momentum for the cement industry despite the challenging macroeconomic scenario.

Leveraged in our recent capacity expansion that gave us more productive flexibility and more efficiency, we are accompanying the growing demand with solvency, being prepared to absorb future market growth.

As you could see from our release issued yesterday, our Adjusted EBITDA for the quarter reached 68 million dollars, compared with 51 million in the third quarter of 2021, achieving a record for a quarter. When measured in pesos, it shows a decline of 12.7% compared with third quarter 2021 adjusted by inflation.

As third quarters are usually impacted by higher energy inputs, our Consolidated Adjusted EBITDA margin stood at 22.1%, while the US dollars EBITDA per ton reached 34.9, 16% above 2021's third quarter.

As we mentioned in our last call, in July we distributed a second dividend of 81 million dollars, for an accumulated total of 126 million this year. In this same sense, we recently approved a new share repurchase program for 1 billion pesos that will be in place till the end of the year.

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.

As you can see on Slide 4, the GPD forecast for 2022 was adjusted upwards in the last Market Expectations Report from the Central Bank, reaching 4.1% from the previous 3.4%, as the preliminary figures for the second quarter stood a 6.9% growth.

When looking at the construction activity figures, the level of activity measured by the ISAC shows that the tendency of the previous quarters remains strong, showing resilience amid political and macro-economic turbulences.

In particular, cement national industry sales are going through an outstanding moment, ending this quarter in a new historical level, up 10% from 3Q21, while the 9 months accumulated volumes showed an increase of 11%.

Sales of bagged cement maintain a solid evolution, supported by the robust demand of the retail sector, while bulk cement continues to be the dispatch modality that is exhibiting the greatest dynamism, driven by a higher level of activity in private infrastructure projects, residential and industrial, accompanied by a moderate level of activity in public works, mainly at the municipal and provincial levels.

When seeing the breakdown by dispatch mode, bulk shipments continue to gain terrain, showing a participation of 43% against 40% in 3Q21. The tendency of the previous quarters continues.

Even though the recent October data showed a slight decline compared to October 2021, and also a sequential decline against September, this is mainly explained by the least working days of October. When looking at the average daily volumes dispatched, October remains above September figures. We are optimistic that the industry will break the 13 million tons for the first time in history this year.

As we mentioned before, even though we are optimistic for the next quarters, the macroeconomic challenges, especially the increasing inflation and the FX distortions could overshadow future growth. On the other hand, the political scenario will probably increase its tension, as we approach the upcoming presidential election of next year.

## Slide 5

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

Topline was up 4.2% in the third quarter, mainly due to the increase in Cement revenues coupled with a positive performance of Concrete and Aggregates that compensated the decrease in Railroad.

Cement, masonry cement and lime segment was up 4.8%, with a strong expansion of volumes of 12.9% YoY with a softer pricing dynamic.

Concrete revenues increased sharply 40.7% in the quarter. Volumes were up 35.6% in line with the strong momentum of bulk cement, coupled with good pricing performance.

In the same way, Aggregates showed a robust revenues expansion of 54.7%. Volumes increased 65% primarily on the back of concrete demand, while average price performance was affected by product mix.

Finally, Railroad revenues decreased 7% in the quarter YoY. Transported volumes were up 5.5%, boosted by constructions materials while price was negatively impacted by product mix that conducted to a lower average transported distance due to the contraction of transported volumes of fracsand.

## Slide 7

Moving on to slide 7, consolidated gross profit for the quarter declines 13.9% year-over-year with margin contracting by 448 basis points to 21.3%, mainly impacted by a lower price performance of our core segment, higher depreciations due to the completion of L'Amalí second line and higher energy inputs related to the winter period, partially offset by proper cost management due to our operational improvements and more natural gas availability.

Cement and Railroad gross margin contraction was slightly offset by a better performance of Concrete and good results in Aggregates, both reverting negative margins in 3Q21.

SG&A expenses as a percentage of revenues remained flattish, slightly increasing 11 basis points to 7.8% from 7.6%.

## Slide 8

Please turn to slide eight.

Our Adjusted EBITDA for the third quarter stood at 68 million dollars, setting a new record for a quarter, up 33.9% from 51 million dollars in the same quarter a year ago, boosted by our top line and adequate cost management.

In pesos, Adjusted EBITDA was down 12.7% in the quarter reaching 7,5 billion pesos with consolidated EBITDA margin of 22.1%, contracting by 426 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 reached 24,3%, contracting 516 bps mainly due to a softer pricing dynamic and higher energy inputs, partially offset by an increase in sales volumes.

In a per ton basis, EBITDA reached 34.9 dollars per ton, increasing 16.3% from 3Q21.

Concrete Adjusted EBITDA increased 155 million pesos compared to 3Q21, mainly explained by a positive price performance and higher volumes, with margin expansion of 637 bps, reaching 2.4% and reverting negative figures.

Aggregates Adjusted EBITDA improved from 1 million pesos in 3Q21 to 101 million pesos this quarter, reaching a margin of 12.2% and showing a great recovery for the segment, where higher sales volume was supported by strong productive performance couple with logistics efficiencies.

Finally, Railroad Adjusted EBITDA decreased 204 million pesos to negative 3 million pesos for the quarter, with a negative margin of 0.12%, mainly due to the impact of price performance, affected by product mix and a lower average transported distance despite the volume expansion.



## Slide 10

Moving on to the bottom line on slide ten, this quarter we posted a net loss of 12.2 billion pesos, compared with 2.7 billion pesos profit on 3Q21, primarily affected by the financial result.

Total Finance Cost stood at 15.3 billion pesos this quarter, from a total financial cost of 0.6 billion pesos the same quarter last year, primarily explained by the effect produced by the cancellation of dollar denominated debt with local funding coupled with the increase of the total debt position. This increase in the Net Financial Expense was partially compensated by the gain on the net monetary position.

## Slide 11

Moving on to the balance sheet, as you can see on slide eleven, we ended the quarter with a cash position of 3.5 billion pesos and total debt at 23.2 billion pesos, consequently our Net Debt to EBITDA ratio stood at 0.54x compared to -0.12x at the end of 2021.

Our robust operating cash generation stood at 11.4 billion pesos, reflecting a positive effect on taxes paid in the comparison YoY that compensated higher working capital needs.

Regarding capital expenditures, we spend 1.6 billion pesos, mostly for maintenance CAPEX, after the termination of the L'Amalfi expansion and the corresponding reduction on capital requirements.

During the quarter, we increased our debt in 48 million dollars, standing our net debt at 134 million dollars at the end of the quarter. Breaking it down by currency, we reduced our exposure to dollar denominated debt, that now represents 40% of the total debt, while the rest is in pesos. This rebalancing also seeks to take advantage of the current negative real rates in short-term pesos.

Additionally, in July we distributed a dividend of 81 million dollars, that considering the dividend paid in April represents a dividend yield of approximately 17%, and 1 dollar per ADR outstanding.

Although the slight increase in indebtedness, the balance sheet of LOMA remains very strong with low leverage ratios.

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.

As you could see, the cement market is maintaining its good momentum and we are confident that this tendency is going to continue, as the main drivers remains in place. Probably, this year the industry is going to set a new record, reaching for the first time the 13 million tons mark.

In this context, we are profiting from our recent investments in capacity, that not only allows us to efficiently attend the high level of activity shown by the industry but also give us the platform to absorb future growth.

On the other hand, the current political and macroeconomic situation remains very delicate. The FX restrictions and the increasing inflation are difficult challenges for the economy in the short term. In addition, the political scenario could turn more complex as we get closer to the presidential election. Regardless of this difficult context, we are confident in the resilience of the industry, and we are cautiously optimistic for the upcoming quarters.

Finally, this November LOMA commemorates its 5-year listing anniversary, both in the New York Stock Exchange and the Buenos Aires Stock Market. Without a doubt, it has been an incredible journey, where we have grown and evolved as a company, and for that I want to thank all our people and stakeholders for making this possible.

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'll 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, that's star one on your telephone keypad.

We also would like to ask that you please limit yourself 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.

The first question today comes from Daniel Rojas with Bank of America. Please go ahead.

### Daniel Rojas

Good morning. Thank you for taking my call. And your cash flow generation has been benefiting from your lower capex requirements after finishing L'Amalí. My question is regarding what level of capex should we expect going forward? Basically, is it just going to be maintenance, the absolute level. Any color that you can give us. Thank you.

### Marcos Gradin

Hi Daniel, this is Marcos. How are you? I would say that maintenance capex should be on the order of \$40 million to \$45 million for a year. And additionally, in the upcoming years, in 2023 and 2024, we will be investing in adequating our facilities to 25 kilos bags, and that's going to be a total sum of nearly \$50 million for the next two to three years.

### Daniel Rojas

Okay. And in terms of pricing, it's been soft throughout the year in real terms. Going forward, do you see any possibility to recuperate pricing in real terms? Or how do you think the challenging environment will make that more difficult?

### Marcos Gradin

Daniel, prices are moving by inflation or slight above inflation. And we are not seeing this year any delay in that movement.

## CONCLUSION

### Operator

This concludes 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 for joining us today. As always, we really appreciate your interest in Loma, and we look forward to meeting you again in our next call. In the meantime, the team remains 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.