Loma Negra
Fourth Quarter 2022 Earnings Call and Webcast
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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 Fourth 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 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 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.

As always, 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 are satisfied to share another solid quarter that lead to closing a year that, amid challenging macroeconomic environment, found the industry setting a new record in volume term on the back of the dynamism showed by the construction sector.

In this context, our results shows that LOMA was up to the challenge, not only with volumes growing more than the industry setting a record in shipments, but also reaching an all-time high figure in terms of EBITDA generation. These results would have not been possible without the strong commitment to invest in greater capacity and efficiency that the Company has carried out in recent years.

As you could see from our release issued yesterday, our Adjusted EBITDA for the quarter reached 91 million dollars, compared with 63 million in the fourth quarter of 2021. When measured in pesos, it shows an increase of 5.4% compared with fourth quarter of 2021 adjusted by inflation. Please note that, the result of the quarter was boosted by the sale of a non-strategic property for 19 million dollars.

When looking to our annual figures, we reached 289 million dollars for the fiscal year 2022 from 215 million in 2021, achieving a new record for our Company.

We are focused to continue delivering strong results and maintain a world class EBITDA margin, despite the turbulence that we faced this year in terms of energy inputs and high inflation scenario. In this sense, the US dollars EBITDA per ton reached 39 dollars in the fourth quarter (excluding the property sale), 2.4% above 2021s fourth quarter.

In this fiscal year, with a mayor expansion in capacity concluded, we focus our capital allocation on maximizing value to our shareholders. Based on this, in 2022 we distributed dividends for 126 million dollars and completed share buybacks for 10 million dollars. Always maintaining a strong balance sheet with low indebtedness ratios.

Slide 4

Sergio Faifman

Please turn to slide four for a review of our ESG highlights for the year.

We have a clear purpose that sets our course: We transform life by fostering sustainable growth. That is why, we are very pleased to present the second edition of Loma Negra's Sustainability Report, maintaining our commitment to inform and share with our stakeholders the impacts of the Company along with our goals and expectations.

Regarding the environmental aspect, our Direct greenhouse gas emissions intensity stood at 503 kilograms of CO2 per ton of cement, improving 2.3% year on year.
The incidence of the second line of L'Amalí in our operational efficiencies lead to better Electrical and Thermal Intensity, both improving 3% year on year. Thermal energy intensity was also favor due to an increase participation of natural gas in our energy matrix.

Clinker factor stood at 69%, slightly above 2021.

Our emissions and the methodology used to calculate them were revised by third parties, and we are convinced to be in the right track to achieve the goal of 470kg of CO2 per ton by 2030.

On the Social side, I would like to highlight three of the more relevant projects that we carry on in 2022. Understanding thar the construction industry needs to improve in terms of gender equality, for the first time we incorporated women as Mixer trucks operators. In this same sense, 40% of our new employees were women, increasing 50% the participation of women in the payroll compared to December 2021.

Regarding the Governance aspect, we move forward on training our people on the Company's Integrity Program, where we cover 100% of our employees, reinforcing the commitment to ethics and transparency. Additionally, we held the first edition of the Compliance Week, where we discussed about the importance of following the good practices and an ethical approach on decision-making. We also held the Program "Impulsar LOMA", where we invited 43 companies within customers and suppliers to an awareness day on ESG matters.

We know that in addition to knowing and managing, we must communicate in a transparent and clear way the impacts of our operation. For that, I invite you all to read Loma's Sustainability Report and join us in the challenge of improving every day on being a more sustainable Company.

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 6

Marcos Gradin

Thank you, Sergio. Good morning, everyone.

Please turn to slide 6.

As you can see on Slide 6, the GPD forecast for 2022 in expected to be above 5%, adjusted upwards from the last Market Expectations Report from the Central Bank, as the preliminary figures for the third quarter stood a 5.9% growth.

Construction activity measured by the ISAC increased 3.5% for FY2022, with a retraction in December where the level of activity of the industry was mainly affected by less working days.

Regarding Cement national industry sales, despite the retraction showed in the last quarter, the solid demand pushed 2022 accumulated figures to record highs, growing 7% and almost reaching the 13 million tons mark, while the first month of 2023 shows again a strong figure.

While bagged cement remains strong, bulk cement is the dispatch modality showing greater dynamism and growth, on the back of concrete producer's demand, and private infrastructure projects, both residential and industrial, coupled with moderate level of activity in public works, mainly at the municipal and provincial levels.

When seeing the breakdown by dispatch mode, bulk shipments continue its positive trend, showing a participation of 44% against 40% in 4Q21, closing the year with a participation of 42% growing 3 percentage points from 2021.

The first two months of this year are showing a moderate growth. For the year we remain cautiously optimistic as economic growth in Argentina face many challenges in short term, while the election year may add more volatility to an already turbulent scenario.

Slide 7

Turning to slide 7 for a review of our topline performance by segment.

Topline was down 2.0% in the fourth quarter, mainly due to the decrease in Cement and Railroad revenues, partially compensated by the positive performance of Concrete and Aggregates.

Cement, masonry cement and lime segment was down 4.8%, with volumes almost flat, growing 0.9% YoY with a softer pricing dynamic.

Concrete revenues increased sharply 29.4% in the quarter. Volumes were up 17.5% in line with the strong momentum of bulk cement, coupled with good pricing performance.

In the same way, Aggregates showed a great revenues expansion of 44.5%. Volumes increased 30% primarily on the back of concrete demand, coupled with strong price performance.

Finally, Railroad revenues decreased 5.5% in the quarter YoY. Transported volumes were down 3.2%,
where the strong transported volumes of aggregates partially offset the decrease in cement and fracsand.
The decrease in fracsand also impacted the price performance, due to its negative impact on the average transported distance.

For the FY 2022, consolidated revenues were up 1.1% to 145,1 billion pesos from 143,5 billion in 2021 where volumes expanded significantly across all segments.

Slide 9

Moving on to slide 9, consolidated gross profit for the quarter declines 24.9% year-over-year with margin contracting by 810 basis points to 26.5%, 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, an increase in maintenance costs and a higher inflation scenario, that was partially compensated with a decrease in electrical energy inputs.

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

SG&A expenses as a percentage of revenues decreased 119 basis points to 8.7% from 9.9%.

For the FY2022, Gross Profit was down 13.6% with a margin contraction of 460 basis points.

Slide 10

Please turn to slide ten.

Our Adjusted EBITDA for the fourth quarter stood at 91 million dollars, up 42.7% from 63 million dollars in the same quarter a year ago, where the operational performance was boosted by the sale of non-strategic property.

In pesos, Adjusted EBITDA was up 5.4% in the quarter reaching 13.2 billion pesos with consolidated EBITDA margin of 35.8%, expanding 252 basis points year on year. Without the property sale, Adjusted EBITDA would have stood at 9.8 billion with an EBITDA margin of 26.7%, 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 39,1%, expanding 170 basis points. Without the property sale, margin would have stood at 28.7% mainly affected by a softer pricing dynamic and higher thermal energy inputs.

In a per ton basis, EBITDA reached 39.1 dollars per ton, net of the extraordinary property sale, increasing 2.4% from 4Q21.

Concrete Adjusted EBITDA decreased 67 million pesos compared to 4Q21, mainly explained by a extraordinary result in other gains that affected the quarterly comparison, while a positive price performance and higher volumes, compensated the costs increase. Margin contraction of 334 bps, reaching 2.7%.

Aggregates Adjusted EBITDA improved 278 million pesos this quarter from negative 9 million pesos in 4Q21, reaching a margin of 25.9% and showing a great recovery for the segment, where the good moment of the sector is being accompanied by great operational performance.

Finally, Railroad Adjusted EBITDA improved 537 million pesos to 146 million pesos for the quarter, with a margin of 5.1 %, mainly explained by a recognition of an allowance for doubtful receivables that impacted the result in 4Q21

For the full year 2022, Adjusted EBITDA reached the outstanding figure of 289 million dollars, setting a new record for the company and widely surpassing the previous record accomplished in 2021.

Slide 12

Moving on to the bottom line on slide twelve, this quarter we posted a net profit Attributable to Owners of the Company of 7.5 billion pesos, compared with 5.7 billion pesos on 4Q21, where the operational result was boosted by the sale of a non-strategic property coupled with positive financial results and less income tax effect.

Total Financial Gain stood at 0.3 billion pesos this quarter, from a total financial cost of 0.3 billion pesos the same quarter last year, primarily explained by the gain on the net monetary position that more than compensated the higher financial expense and the exchange rate differences effect.

For the full year, Net Profit Attributable to Owners of the Company reached 2,1 billion pesos**,** decreasing from 12.8 billion pesos in 2021, mainly due to the impact in the financial result generated with the cancelation of US$ denominated debt with local funds in 3Q22.

Slide 13

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

We ended the quarter with a cash position of 4.9 billion pesos and total debt at 20.8 billion pesos, consequently our Net Debt to EBITDA ratio stood at 0.37x compared to -0.12x at the end of 2021, and also showing a sequential decline from 0.54x as of the end of the 3Q22.

Our robust operating cash generation stood at 11.3 billion pesos, where the performance of operational results was boosted by a positive effect of working capital.

Regarding capital expenditures, we spend 5.7 billion pesos, mostly for maintenance CAPEX.

During the quarter, we reduced our debt in 40 million dollars, standing our net debt at 90 million dollars at the end of the quarter. Breaking it down by currency, the dollar denominated debt represents 52% of the total debt, while the rest is in pesos.

As we mentioned before, during 2022 we distributed dividends for 126 million dollars, that represents 1 dollar per ADR outstanding.

Additionally, with the share repurchase program ended in December, we acquired shares for a total amount of 0,8 billion pesos in the quarter, and 1.9 billion for FY2022.

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

Slide 15

Sergio Faifman

Thank you, Marcos,

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

2022 was a year of many challenges and opportunities. At the Company level, we achieved historic economic and operational results and, with the effort and commitment of all our collaborators, we continued to consolidate our position as leaders in the Argentine cement market.

Looking ahead, we expect growth to continue in 2023, with a more moderate pace considering the high level of activity of the sector that we saw in 2022. Always, subject to the outcome of local political and macroeconomic challenges, that are usually accentuated in an election year. In this context, we remain focused on delivering strong results and with our increased capacity we are in an excellent position to capture future growth.

Also, we are very pleased to present the second edition of our Sustainability Report, maintaining our commitment to inform and share the impacts of our organization's management on people, the environment, and the economy.

We know that we must transparently and clearly communicate our operation and its impacts, so again I would like to invite you all to read this report and join us in the journey of building a sustainable future.

I would like to conclude by shearing our satisfaction with the results obtained in 2022 and thank 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, please. If you have additional questions, you may requeue 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 is from Alejandra Obregon with Morgan Stanley. Please go ahead.

Alejandra Obregon
Hi, good morning, Sergio, Marcos, Diego. Thank you for the call today. I have a question on the specific asset that was sold at Olavarría, whether you could elaborate on what was the asset. And if there could be any more non-core sale asset sales of this kind in the future that could be worth considering? So that's my first question.

Sergio Faifman
Hi, Alejandra. Good morning. Thank you for your question.
The property that we sold; it was linked to our former facility in Sierras Bayas.
It's a property with lime resources that we are not planning to use in further exploitations for our other facilities. The company has some other properties along the country.
Some of those have potential resources to be used in the future. And we are always analyzing if this context changes if those properties could add value in some other ways for the company.

Alexandra Obregon
Thank you. That was clear. And maybe a follow-up here. What does the sale and proceeds mean from a cash management perspective? Should we perhaps rethink the dividends and buybacks for the year or even your M&A strategy ahead as cash position grows for 2023?

Sergio Faifman
As always, as we mentioned before, we keep looking for alternatives for maximizing value for our shareholders. And we are always analyzing share buyback programs and further dividend payments. If we don't have any other project that demands our cash flow generation, probably we are going to keep on focusing on maximizing value to shareholders.
We think that that's the way we add more value to our shareholders.

Alexandra Obregon
Understood. That was very clear. And I have a second question if I still may. So, I'm very curious about the outperformance of the concrete and the aggregates division. So, I was wondering if you could provide some color on what are you seeing on the ground with regards to permitting

of infrastructure and non-resi construction ahead, and whether these could be something that could continue to contribute more than you were expecting for 2023? Thank you.

Sergio Faifman
By the end of last year, concrete and aggregates were already improving its performance, as we have been seeing an increase in bulk cement demand. And that, along with an increase in infrastructure projects gives those businesses a boost.
With the last crisis that we came through, many small aggregates producers were closed, or they decreased their production, and we kept on investing in those businesses. So, we are taking advantage of that. In both businesses, we expect a 2023 also better than what we saw in 2022.

Alexandra Obregon
Understood. That was very clear. So, thank you again and congratulations on the numbers.

Sergio Faifman
Thank you. You're welcome.

Operator
The next question is from Rodrigo Nistor with Latina Securities. Please go ahead.

Rodrigo Nistor
Hi, good morning. Congratulations on the results. I have a question regarding the dynamic between price and volumes for the year. I mean, given the high volatility of the selection here, do you believe that Loma can replicate or exceed last year's volumes? And then if you've seen a pickup in demand from the public sector already? And with regards to pricing, how are you adjusting your strategy to address the current high inflation environment? Thank you.

Sergio Faifman
Hi, Rodrigo. Good morning. Thank you for your question.
Regarding volumes, we are expecting a level similar to what we saw in 2022 with some slight or moderate growth.
Considering what happens in election years, we could expect some demand from the public sector, principally at municipal or provincial level.
We have many works in the pipeline, basically in the bulk dispatch mode.
Regarding our price strategy, we are following the same trend what we have been following in the past quarters. Which is to maintain our price dynamics following the different variables that we have in our P&L, like inflation and devaluation.
In the last months, the price was in line with the dynamics of inflation.

Rodrigo Nistor
That was really helpful. Thank you.

Sergio Faifman
You're welcome.

CONCLUSION

Operator
Again, if you have a question, please press star then one. Please stand by as we poll for questions.

Showing no further questions, 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 all for joining us today. We really appreciate your interest in our company, and we hope to meet you again in our next earnings call. In the meantime, we remain available for any questions that you may have. Have a nice day. Bye.

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