# Loma Negra
# Fourth Quarter 2023 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.*

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*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 2023 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, this event is being recorded.

I would now like to turn the conference over to Mr. Diego Jalon, head of IR. Please go ahead, Diego.

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## 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.

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. I am delighted to share with you our performance for the final quarter of the year. Despite encountering challenges resulting from the political transition and the evolving economic environment, which impacted second semester activity levels, the industry concluded the year with dispatch volumes that rank only behind the record year of 2022.

In this context, LOMA has once again demonstrated its resilience, delivering another solid set of results despite the decrease in our top line, which reached 99 billion pesos, marking a decrease of 13.2%. This decline was primarily due to the volume contraction in our core segment, Cement. Adjusted EBITDA stood at 61 million dollars for the quarter, or 22.7 billion pesos. The year-on-year comparison is affected by the sale of a non-core asset for 19 million dollars in the fourth quarter of 2022. Excluding this effect, EBITDA decreased by 25.8%.

Consolidated Adjusted EBITDA margin for the quarter reached 22.8%, contracting by 389 basis points once we eliminated the extraordinary result from the base of comparison. On the other hand, the US dollar EBITDA per ton stood at 39 dollars for the quarter, almost flat year-on-year once we subtracted the asset sale, and improving by 7% in a sequential basis.

When looking to our annual figures, in 2023 we reached a solid EBITDA of 252 million dollars, with an EBITDA margin of 23.8%.

On the financial side, we issued our Class 4 domestic bonds. Throughout the year, we have successfully carried out four local bond issuances, taking advantage of the favorable moment for solid corporate credits. During the quarter we cancel all the remaining cross border, short term debt, reaching a Net Debt of 174 million dollars.

## Slide 4

**Please turn to slide four for a review of our ESG highlights for the year.**
We take great satisfaction in releasing a new edition of the Loma Negra Sustainability Report, aiming to share our journey and dedication to sustainable development with all stakeholders.

Regarding the environmental aspect, our Total Greenhouse Gas Emissions intensity (Scope 1 and 2) stood at 527.36 kilograms of $CO_2$ per ton of cementitious material, increasing 0.35% year on year due to the variation of the Clinker stock compared to 2022. However, without considering the clicker stock variation, the performance was positive with a reduction of 1.4% in kilograms of $CO_2$ per ton of cement equivalent. In line with our 2030 sustainability commitments, we reduced the water extraction by 15.5% and decreased 10% our Solid waste generation.

One of our main commitments in terms of environmental sustainability is the reduction of our carbon footprint and the goal of achieving carbon neutrality in concrete by 2050. We have a long way to go in pursuit of these objectives that was consolidated in 2023 with the Climate Roadmap to 2030. This commitment includes an action and investment plan based mainly on four dimensions: clinker factor, thermal efficiency, electrical efficiency, and fuel mix.

In pursuit of this goal, we formed interarea and interdisciplinary teams with the purpose of continuing to work on a portfolio of ideas, solutions and investments required to achieve the reduction goal set for 2030.

On the Social side, we are convinced that through strategic partnerships we can transform realities to ensure a more inclusive future. We maintained the implementation of our programs in different territories of the country benefiting more than 80 thousand people.

Guided by our principle "We are all Loma" we held the First Diversity and Inclusion week and we reached more than 50 thousand hours of training for our employees, specifically in trainings of Diversity. Equity and inclusion topics reached 648 hours of training.

Regarding the Governance aspect, we continue training our people on the Company's Integrity Program, where we cover 100% of our employees, reinforcing the commitment to ethics and transparency.
We held the Compliance Week for the second time, which was an opportunity to reinforce messages and share content related to ethics and integrity issues, anti-trust, ethical line, ethical behavior, and Cybersecurity. With different tools and mechanisms, we reached more than 800 employees.

We continue to evolve and travel the path committed to the challenges that the context imposes on us. It is a path that we walk through in an ethical, responsible, and sustainable manner. This report reflects such path. I invite you to read it to know the most outstanding results of our 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 the upper left chart, the most recent estimates indicate a negative performance of the economy for 2023 of around 1.6%. In the same sense, the Market Expectations Report from the Central Bank signals a negative performance for 2024, showing a decrease of 3%, and then a recovery in 2025.

When we dive into the numbers for our industry, we can see that after a positive October, the Construction Activity Indicator shows a significant drop in the last two months of the quarter, deepening the drop in January. Following this trend, cement dispatches showed double digit decrease in November and December, and a sharp drop in the first month of 2024.

After several months of election process volatility, sales in the national cement industry are being affected by the political transition and the consequent effects of tighter economic policies.

The industry's bulk cement dispatches took a hit due to the lower level of activity in the fourth quarter, decreasing by 12% year-on-year, while bagged cement posted a more moderate contraction of 5%.

When looking at the breakdown by dispatch mode for the quarter, bulk shipments represented 44% of the total dispatches, in line with the figure reached for the whole year, and 2 percentage points above the fourth quarter of 2022.

After the conclusion of the electoral year, it will be necessary to dispel the uncertainty about the economic direction and find a certain political balance to enable a reactivation of the industry and lay the foundations for a stage of genuine growth.

## Slide 7

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

The fourth-quarter topline showed a decrease of 13.2%, mainly attributed to the decline in the Cement Segment, also followed by the other businesses.

The cement, masonry cement, and lime segment was down 16.0%, with volumes contracting by 10.1% YoY, mainly due to the impact of the economic environment on bulk mode dispatches. Bagged cement sales also decreased, following the trend of previous quarters. Lower volumes were coupled with softer price dynamics, which, despite adjusting for inflation, experienced a decline due to elevated monthly inflation figures and the timing of price adjustments.

Concrete revenues decreased by 20.3% in the quarter, mainly due to the 17.5% decrease in dispatches. Major projects, which are the market target for our concrete operation, experienced a slowdown due to macroeconomic uncertainty, while public works entered a standby mode after the elections, awaiting future definitions.

Aggregates segment showed a decrease of 9.5% with sales volume down 12.3%, partially offset by a good price performance.

In the same vein, railroad revenues decreased by 10.5% in the quarter. Transported volumes were down by 9%, primarily affected by the lower level of activity in the construction sector, which impacted our main cargo shippers, especially in Aggregates. Additionally, a storm that hit Bahía Blanca in December temporarily knocked out of service the two plants from which we transport chemicals to Buenos Aires.

For the FY 2023, consolidated revenues were down 6.6% to 422 billion pesos from 452 billion pesos in 2022, with cement volumes contracting by 4.5% from the record year of 2022.

## Slide 9

Moving on to slide 9, consolidated gross profit for the quarter declined 14.3%, with a margin contraction of only 36 basis points to 26.2%, mainly due to cost improvements in the Cement segments and lower depreciations. Regarding the Cement segment, the reduction of energy inputs was primarily driven by lower consumption of thermal energy per ton, coupled with a decrease in natural gas prices. In the same sense, the cost of electrical energy improved as the proportion of hydraulic energy, which has a lower cost, increased in the country's electrical generation matrix.

Finally, while SG&A expenses remained almost flat, with a variation of only -0.1% YoY, as a percentage of sales, it showed a year-on-year increase of 132 basis points, reaching 10.0% due to the decrease in the top line.

For the FY2023, Gross Profit was down 13.2% with a margin contraction of 192 basis points.

## Slide 10

**Please turn to slide ten.**

Our Adjusted EBITDA for the fourth quarter stood at 61 million dollars, reaching a very robust figure amidst a challenging environment.

In pesos, Adjusted EBITDA was down 44.7% in the quarter, reaching 22.7 billion pesos with a consolidated EBITDA margin of 22.8%. As mentioned earlier, the year-on-year comparison is affected by a non-core asset sale in 4Q2022. Eliminating that effect, the Adjusted EBITDA in pesos was down 25.8%, with the margin contracting by 389 basis points, in line with previous quarterly results.

Cement segment Adjusted EBITDA margin stood at 26,6%, contracting 217 basis points, excluding the sale of assets. The costs improvements that I mentioned before, mainly in energy inputs, partially offset the lower top line performance.

In a per ton basis, EBITDA reached 39 dollars per ton, with almost no variation year-on-year once we subtract the asset sale and improving by 7% from the previous quarter.

Concrete Adjusted EBITDA decreased 161 million pesos compared to 4Q of a year ago, with a margin contraction of 129 basis points, reaching 1.5%. Despite the cost and expenses controls, it couldn't fully offset the lower top line performance.

The Adjusted EBITDA margin of Aggregates contracted to 14.2%, from 25.9% in 4Q2022, mainly due to higher sales costs and the effect of lower volumes, partially compensated by a positive price performance.

Finally, the Adjusted EBITDA margin of the Railroad segment contracted 922 bps to -4.2% in the fourth quarter, from 5.1% in 4Q22, principally due to higher costs, coupled with lower transported volumes.

For the full year 2023, Adjusted EBITDA reached the figure of 252 million dollars.

## Slide 12

**Moving on to the bottom line on slide twelve**. This quarter, we posted a net loss attributable to owners of the company of 19.8 billion pesos, compared to a net profit of 22.7 billion pesos in the fourth quarter of 2022. The higher total financial cost due to December's sharp devaluation of the Argentine peso, along with the sale of the non-core asset in 4Q22, are the principal reasons for the variation.

Total Net Financial Cost stood at 37.3 billion pesos this quarter, from a total financial gain of 1.2 billion pesos the same quarter last year, mainly due to the impact in of the devaluation of the peso in exchange rate differences, partially offset by a gain in the net monetary position. In the same sense, we had an increase in the financial expense due to the higher debt position.
For the full year, Net Income Attributable to Owners of the Company increased 70.7% YoY, to 10.3 billion pesos, from 6 billion pesos in fiscal year 2022, mainly as a result of a lower total net financial cost coupled with a lower tax position that compensated a lower operational result.

## Slide 13

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

We ended the quarter with a cash position of 6.7 billion pesos and total debt at 147.4 billion pesos, consequently our Net Debt to EBITDA ratio stood at 1.4x compared to 0.37x at the end of 2022.

Our operating cash generation stood at 26.2 billion pesos, where the decrease in the net profit adjusted to reconcile to net cash provided by operating activities was partially compensated by a positive effect of the working capital, mainly due to lower income tax advances.
Regarding capital expenditures, we allocated 18.2 billion pesos, mostly for maintenance CAPEX and the ongoing project of adapting our dispatch facilities to use 25 kilograms bags.
During the quarter, the Company used cash in financing activities for 31,5 billion pesos, mainly for the repayment of borrowings and interests. We also issued the Class 4 bond that, along with short term borrowings, partially offset these effects.

In dollar terms our total debt reached 182 million dollars, standing our net debt at 174 million dollars at the end of this quarter, with a significant decrease of 41 million dollars in the quarter. During this period we cancel all the remaining short term, cross border debt, extending the average duration and reducing the financial cost. Now, in 2024 we only have maturities of the debt in pesos. Breaking it down by currency, the dollar denominated debt represents 76% of the total debt, while the rest is in pesos.

Additionally, as mentioned before, during the quarter the company issued its Class 4 domestic bonds denominated in US dollars for a total amount of 10 million dollars, with maturity in the second quarter of 2026 and accruing an interest at a rate of 6% per year.

In 2023, we paid approximately 120 million dollars in dividends, which represents 1 dollar per ADR, similar to what we paid in 2022.

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.**

We are very proud of the results achieved by LOMA in 2023. Despite the lower volumes of the fourth quarter that were more affected by the end of the period due to the political transition, we mustn't lose sight that 2023 was the second-best year for the industry in terms of volume, only behind the record achieved in 2022.

Clearly, the electoral process and the subsequent change in administration have induced uncertainty, impacting the level of activity. Industry stakeholders are cautious and awaiting the government's initial actions and the stabilization of key economic indicators.

Despite the significant drop in activity levels evident in the first months of the year, we remain optimistic but aware that the path to recovery will be winding and full of challenges.

Argentina has great growth potential, which will be unlocked if the country manages to start moving along the right path. In that scenario, LOMA has the capacity to support and bolster the country's development, fulfilling our role as industry leaders.

Finally, I would like to thank all our employees for the commitment they have shown throughout the year. I also want to express gratitude to the rest of our stakeholders for being close to us for another year. Undoubtedly, together we can face any challenge that this new year may bring.

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 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.

Our first question is from Daniel Rojas of Bank of America. Please go ahead.

**Daniel Rojas**
Good morning, gentlemen. Can you hear me? Hello?

**Operator**
Yes, sir. We can hear you. Please go ahead.

**Daniel Rojas**
Hello. Looking at the contraction in margin, the 289 basis points you mentioned that excludes the asset sale, could you please give us a little bit more details on what's behind this/ What factors lie behind the lower margin and what we should expect going forward? Thank you.

**Marcos Gradin**
Daniel, thank you for your question. I will respond to that that margins are not descending. Obviously, when compared year-on-year, they are contracting because of the lower volumes and the heating on the top line. But if you saw it on a sequential basis, quarter-over-quarter, margins are stable. But the principal factor, obviously, is the lower volume.

**Daniel Rojas**
Okay, and if I may follow up. Now that the new President has been in office for a few months, can you give us some color on how you're seeing activity going forward? Is his new team already on board? Do you see a faster or lower transition that you might have expected? We just want to get an idea of how we should expect the year to roll out.

**Marcos Gradin**
Daniel, obviously the year and the first months are being hit, yet the volume is in a level of minus 20%, 25%. We expect the upcoming month to continue more or less on this pace, but then for the second half of the year the economy began to pick up, and that's where we're going to see a pick-up on cement volumes. But obviously the number is going to be negative for the year.

**Daniel Rojas**
Thank you.

**Marcos Gradin**
You're welcome.

**Operator**
As a reminder, if you would like to ask a question, you may press star then one on your telephone. Our next question is from Jorge Vinas of Latin Securities. Please go ahead.

**Jorge Vinas**
Thank you. Good evening and thank you for the presentation. The question is about the pricing environment in the current recessionary scenario. Given the deepening of the contraction in dispatches, how is the pricing evolving and what should we expect for the next couple of quarters?

**Sergio Faifman**
[Spanish] Hi Jorge, thank you for your question. [Spanish] Regarding prices, since December to date, we are above inflation in the pricing dynamic. [Spanish] Our actual price is similar to the one we had in previous to the devaluation in December. [Spanish] And we expect this trend to continue, even though if we see some discrete movement of the FX, we will act accordingly.

**Jorge Vinas**
Thank you very much.

**Sergio Faifman**
You're welcome.

**CONCLUSION**

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

**Diego Jalon**
Thank you for joining us today. We truly appreciate your interest in our company. Allow me to remind you that we issued our third edition of our Sustainability Report, and it's available on our website and we invite you to have a look at it. As always, we look forward to meeting you again in our next call. In the meantime, we are available for any questions that you may have. Thank you and have a nice day.

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