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Loma Negra Compañía Industrial
 Exchange: NYSE
 Ticker: LOMA
 Valuation as of November 02, 2018

Industry: Cement production
 Recommendation: BUY
 Current Price: \$10.66
 Target Price: \$14.09 – Upside: 32.7%

Loma Negra Compañía Industrial Argentina S.A. (LOMA) is the leading company in the cement industry in Argentina with a sustained market share of 45.3%. It produces and distributes cement, masonry cement, aggregates, concrete and lime, products primarily used in construction.



Market Profile	
Closing Price Nov 02, 2018	US\$ 10.62
Outstanding Shares	119.2 MM
52-Week High/Low (US\$)	26.89/6.36
Average Daily Volume (US\$)	683,400
Market Cap (US\$)	1,203,249,889
EV/EBITDA	10.9X
Beta	1.02/1.05
Enterprise Value (US\$)	1,399,239,842

Valuation		
Methodology	Weight	Price
FCFF	70%	US\$ 13.58
EV/EBITDA	30%	US\$ 15.27
Target Price (US\$)		14.09
Upside		32.7%

INVESTMENT SUMMARY

We issue a **BUY** recommendation on LOMA with a 12-month target price of **US\$ 14.09** per ADS; representing a **32.6% upside** from its November 02, 2018 closing price of **US\$ 10.66**. Our valuation is based on a 70%/30% combination of a Discounted Free Cash Flow to the Firm Model (intrinsic valuation) and an EV/EBITDA Multiple Analysis (relative valuation). Our recommendation is founded on the solid base set forth by the following key pillars: (1) LOMA's strong competitive position, (2) expectations of a sustainable growth rate of the construction industry in Argentina in the medium-term and (3) LOMA's ADS trading at a discount when compared to its peer group.

- **Loma's rock-solid competitive position.** The Company's robust position is founded on its sustained national **market share of 45.3%**, which keeps it leading the pack while maintaining other competitors at more than an arm's length. This allows LOMA to maintain an **average of 30% EBITDA Margin** via pass-through and mitigate volatility of the macroeconomic scenario. Moreover, LOMA is able to exploit efficiencies and grasp any surplus in cement demand due to its production and distribution capabilities across the entire country.
- **The light at the end of the tunnel: expectations of a sustainable growth of the construction industry in Argentina.** As Argentine history has proven time and time again, one of the main drivers and allies of economic recovery is the construction industry. This is evidenced not only in terms of activity and pure GDP, but also as a tackling factor of unemployment. Expectations further arise when considering the country's housing and infrastructure deficit compared to its regional comps. All of this will aid in **the industry bounce back and regain momentum**.
- **Time to BUY.** LOMA's c57% YTD debacle due to a bear rough-up caused by the weakened macro environment left it trading at a **discount when compared to its peers**. All things considered, the Company still retains its position as one of Argentina's top-tier firms, which should be a helping hand in the stock's price inevitable recovery. LOMA has endured many unsolicited attacks and we have reasons -outlined below- to believe that a company's comeback is to be expected.

Cement Industry: Market Share

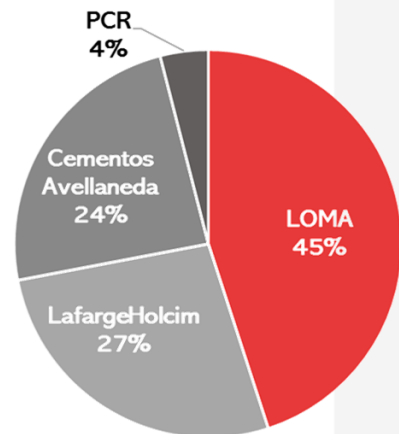


Figure N° 1

Source: LOMA's Form 20-F

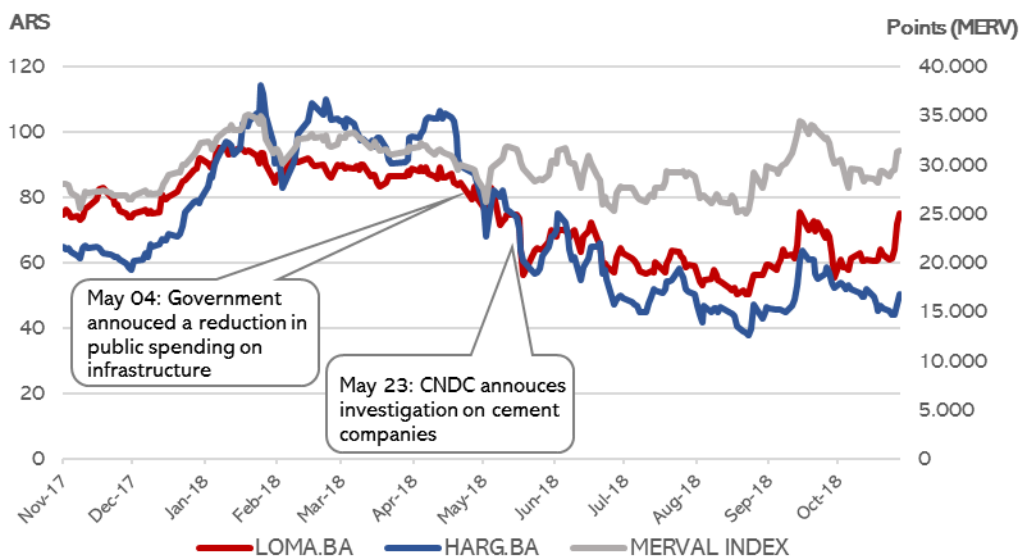
CURRENT HIGHLIGHTS

Rising high. LOMA functioned as a privately-owned company until its **IPO on November 01, 2017**. It raised more than **US\$1 Bn**: the highest amount for an Argentine company since YPF's IPO in 1993.

Stock performance. Since the IPO and until May 2018, LOMA's stock performance was aligned with the Merval Index. Prices surged until January, when the global selloff begun impacting Argentine assets. Both the index and LOMA were hit and started to slide in parallel until May 04, 2018, when they decoupled: The Central Bank announcement of the decrease of the primary fiscal deficit target was the driver for this break-up. As shown in Figure N° 2, both LOMA's and HOLCIM's stocks plummeted at the sight of a new cut to public spending on infrastructure.

We evaluated the possibility of the hit being caused by the information about the demand against LOMA in New York (June 2018) but this hypothesis was dismissed as HOLCIM's stock followed the same path with no legal procedure on its plate. Since the first week of October, LOMA has performed better than HOLCIM, which we assume is a consequence of the elections in Brazil. Bolsonaro's victory has been read as a promising signal for the market impacting perspectives for the Company's holding.

As of now, no driver has been strong enough to change the market's view on the companies within the construction industry and put them back on a sustained bullish trend. We expect to see a shift in expectations during the 12-months to come.



For comparative purposes we chose to analyze LOMA.BA and HARG.BA, as Holcim Argentina S.A. is only listed in the Argentine stock exchange Bolsa de Comercio de Buenos Aires (BCBA) and LOMA is listed in both markets (BCBA and NYSE). Therefore, the stock prices in the chart are in ARS. This does not affect the variable we are examining: correlation between companies in the cement industries and the Merval Index.

Figure N° 2
Source: Thomson Reuters

BUSINESS DESCRIPTION

Founded in 1926, LOMA is an Argentine-based company engaged in the cement and concrete industries, currently controlled by InterCement Brasil S.A. LOMA is by far the country's leader in the sector, sustained by **national reach, vertically-integrated operations, vast limestone reserves, strategically located plants, top-of-mind brand and solid commercialization channels.** It produces and distributes cement, masonry cement, aggregates, concrete and lime, which are marketed in two ways: bag (62% of sales in 2017) and bulk (38% of sales in 2017). It also produces clinker, which is the main raw material for the production of cement.

In Argentina, the Company has sustained a market share of 45% over the last decade. It has a cement **production capacity of 9.1 MM tons, which is expected to grow in 2.7 MM tons by 2020** due to the opening of a state-of-the-art plant (L' Amalí II) in Olavarría, Buenos Aires. LOMA also provides railroad cargo transport services through Ferrosur Roca S.A. and recycles industrial waste to use as fuel or raw material through Recycomb S.A.

LOMA's operations in Paraguay. In 2012 LOMA acquired 35% of Yguazú Cementos from Votorantim Cimentos and in December 2016 it acquired an additional 16% from InterCement Brazil. As of then, the Company owns **51% of Yguazú Cementos S.A.** The remaining 49% is owned by Concret-Mix S.A., a Paraguayan group. There is a shareholder's agreement in place between the two that grants LOMA the control of the company. Yguazú has a cement production capacity of 0.81 MM tons and captures almost half of the market share (44% in 2017).

Consolidated national reach. LOMA benefits from its strategically located quarries, production facilities and distribution centers, which are situated near the major consumption centers, a key driver in the Company's success and competitive positioning. Freight and packaging account for a considerable percentage of COGS in the cement industry; LOMA's vital locations assure efficient transportation costs and an optimal time to market. Among its facilities, **LomaSer plays a key role in ensuring cost-effective logistics and optimal distribution network dynamics.** This blending and distribution facility is the cornerstone of LOMA's neural network in the central region: it has the capacity to deliver bulk cement across the Buenos Aires area to its clients within a 24-hour timeframe since the placement of the order. This is particularly relevant as over 40% of LOMA's sales occur in Buenos Aires (refer to Figure N° 3).

LOMA's Sales per Region

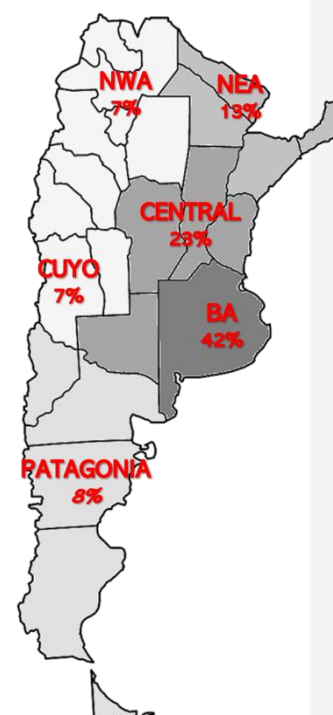


Figure N° 3
Source: LOMA's Form 20-F

Business strategies: increasing customers' degree of satisfaction. The Company identifies loyal client relationships as one of its main drivers of success. According to their own 2016 Customer's Satisfaction Survey, LOMA got the best scores in all categories consulted: overall satisfaction, cement quality, technical assistance support and timely delivery. All of these contribute to consolidate the Company's position in the market, which is explicitly manifested by **long-term contracts with over 70% of its customer base** -which represent about 77% of total cement dispatches.

LOMA secures client satisfaction by implementing a series of business strategies that leaves no room for competitor threats. The strategically located and well-distributed plants, together with the highly-efficient customer delivery system, guarantee the best product coverage in Argentina. Furthermore, the Company continuously develops training programs for top-level managers and technical assistance support employees who are responsible for client interactions. Far from settling, LOMA's business strategies also comprise expansion plans such as the investment in L' Amalí II, which will allow the Company to further increase profitability and efficiency while simultaneously enhancing time to market.

LOMA has a decades' long tradition as the number one cement brand in the country and it works to keep this unchanged. **Several strategies are implemented to maintain its top-notch category: the production of reliable and high-quality products, marketing initiatives** -such as new image campaigns- to enhance brand awareness and the launch of sports' sponsorship events, among others.

INDUSTRY OVERVIEW AND COMPETITIVE POSITIONING

MACROECONOMIC AND POLITICAL CONTEXT

No valuation of an Argentine company would be complete without an overview of the current political and macroeconomic situation.

Heading Buenos Aires: fasten your seatbelts. After a promising 2017 in which the economy grew 2.9%, unemployment fell to 7.2% and housing credits soared by 33% YoY, president Macri proclaimed that "the worst was over". It wasn't long until he was proven to be wrong. 2018 has been a parade of the number of monetary policies that can be implemented in (less than) 12 months and **how fast economic perspectives can fluctuate.**

On December 28, 2017 a press conference was held by the president's chief of staff, the (now former) Central Bank (CB) president, the treasury and (also former) finance ministers. They announced that the inflation target for 2018 would be loosened -from 10% to 15%- in order to decrease interest rates. The press conference was read by the market as a blow to the CB's independence and its uneasiness was expressed by a jump of more than 4% in the FX rate.

After a volatile month, the FX stabilized between the ranges of 19.7-20.4 ARS per US\$ until the last week of April, when the first **assault on the Argentine peso** begun. On April 24, the 10-year US Treasury bond yield topped 3% for the first time in over three years; this led to a sell-off of Emerging Markets' risk that had Argentina in the spotlight due to its defenseless position to external conditions. The assault on Argentine assets was further fueled by its own government, which established a tax on financial income for foreign investors. The CB responded by almost duplicating the interest rate in a week, to 40%. This was accompanied by the announcement of a series of austerity measures such as the **decrease of the primary fiscal deficit target for 2018 from 3.2% to 2.7% of the GDP**, which included a **reduction in public spending for infrastructure.**

The following months were anything but stable. Starting with a severe drought that costed up to US\$ 7.5 Bn and heavily affected Argentina's exports, the Peso entered what seemed like a never-ending slide. The CB tried to put an end to this devaluation process by setting a daily offer of US\$ 5 Bn at 25 ARS per US\$, but, once removed, the peso's downfall resumed. **The government fled to the IMF requesting assistance**, and a US\$ 50 Bn stand-by credit agreement was announced at the beginning of June. Monetary policy changed once again as random daily auctions were put in place and, exactly as before, once this measure was weakened in August, the US\$ took another massive leap. Devaluation had a considerable impact on inflation, which became unruly and has been at a ~6% peak for the past two months.

While the economic front suffered a major crisis, **a political scandal** -involving not only former president Fernandez de Kirchner's administration's officers but also several **top-tier construction companies**- was revealed in what became known as the Notebooks Scandal. This procedure has raised serious doubts about the health condition of the companies involved in the affaire, impacting heavily on Public-Private Participation (PPP) projects.

Less than two months after the announcement of the first stand-by agreement with the IMF, it became evident that Argentina would not be able to fulfill it and negotiations were re-opened. On October 26, the IMF board approved a new version of the agreement, that ended up totaling **US\$ 56.3 Bn** to be disbursed periodically until 2021.

Net Revenues Composition

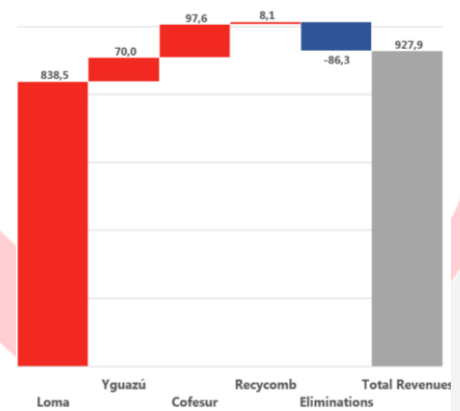


Figure N° 4

Source: LOMA's Form 20-F

National Cement Consumption per Region/Companies Plants Distribution

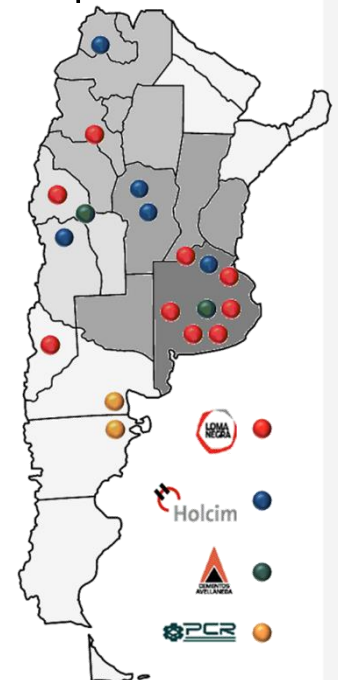


Figure N° 5

Source: LOMA's F1 and AFCP

CPI Inflation and GDP Projections

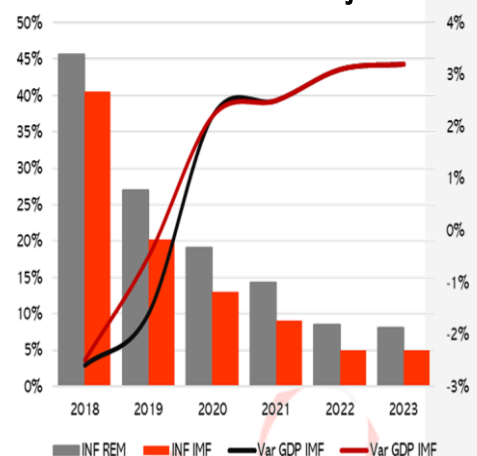


Figure N° 6

Source: IMF and REM

What's next? 2019: a crucial year. Presidential elections will steal the spotlight. Argentina will choose between granting the current administration a second chance or giving power back to a Peronist candidate. The outcome of the current macroeconomic crisis is subject to this decision: continuity means maintaining pro-market policies, which would be subject to limitations to a greater or lesser extent by any Peronist-force. We weighted this in our valuation though the definition of base, bull and bear scenarios.

Global construction level -and therefore cement demand- **is almost determined in full by the growth of GDP** -refer to Figure N° 10. Within the Argentine market the number of public-backed mortgage credits granted is also a significantly relevant factor in the equation.

The Argentine House of Representatives has recently passed the administration's budget bill for 2019 and approval by the Senate is expected to occur in the following weeks. This bill provides insight on what public spending will look like in the following years. Regarding the budget for infrastructure, it will represent a 4.4% of GDP in 2019, mainly due to private spending channeled through PPPs.

However, this estimate is highly bloated in face of the recent **setbacks in PPP developments**. Due to the soaring of interest rates by the CB in order to mitigate inflation and discourage dollarization, national sources of funding in both the banking and capital markets are scarce. Also, the ramifications of the Notebooks Scandal, prevented construction companies involved and any other that might fall under the scope of the judiciary investigation, form accessing international sources of funding. These are subject to high compliance and ethics standards which will probably keep them from providing financial assistance in the scale needed to finance PPP.

On a brighter side, considering the 2019 presidential elections, the government will try out a rerun of one of its most popular measures: **public-backed mortgage credits**. The Secretary of Housing has announced the re-launch of the **credit program ProCreAr**, whose first tranche of disbursements will reach US\$ 700 MM. We expect the private sector to follow this lead, subject to the shrinkage in interest rates. This should boost cement demand, with a positive impact on LOMA's revenues.

Keeping up with the neighbors. The Paraguayan economy has been on a stable annual GDP growth trend of 4% since 2014 and there is no sign of weakness in the horizon.

INDUSTRY OVERVIEW

Cement production in Argentina has been recovering from a major setback in 2015, when it fell from 12.1 MM tons to nearly 10.4 MM tons in 2016 and later recovered to 11.9 MM tons in 2017 -according to the Association of Portland Cement Manufacturers (AFCP). Given that Argentina's macroeconomic indicators paint a rather gray scenario, we estimate that cement production will stomp the breaks and hit a short-term deceleration, reaching a total of 11.5 MM tons in 2018 and 11.4 MM tons in 2019. Nonetheless, history is a great guide when it comes to the alignment of expectations and considering the years that followed the 2001 major Argentine crisis, it is safe to assume that production will continue to expand as of 2020. We consider that the development of PPPs, public spending on infrastructure and subsidies oriented towards future home owners will retake their growing streak, impacting positively on cement demand. All in all, **increases in cement demand will be mainly fueled by (1) its end market: construction, (2) GDP growth and (3) fiscal incentives and policies towards public and private construction projects via public-backed mortgages credits.**

Cement production and consumption are both a national and a regional phenomenon. Given the high cost of transportation and the narrow lifespan of the product, the location of the plant is a key factor in the success of the company and its investments. Six principal consumption areas can be identified in Argentina: LOMA leads the pack in terms of capacity and market share in five of them, which makes it virtually the only cement company that can place its products across the entire country.

It's all about construction. According to AFCP's report on cement demand by the construction industry -reflected through the association Construya Index- production and consumption levels are practically the same. Other metrics reported by the AFCP can also be indicative of the general health of the industry, such as construction permits issued by local governments, where the expected covered surface for an aggregate of permits has showed a major increase in 2017 with a small decline by the end of the year.

COMPETITIVE POSITIONING

Stable at the top. In Argentina, **cement and LOMA are synonymous**. There are four companies that operate in the sector: LafargeHolcim, Cementos Avellaneda, Petroquímica Comodoro Rivadavia (PCR) and LOMA, who leads the market with a share of 45.3%, maintaining a gap of almost 20% with the second one.

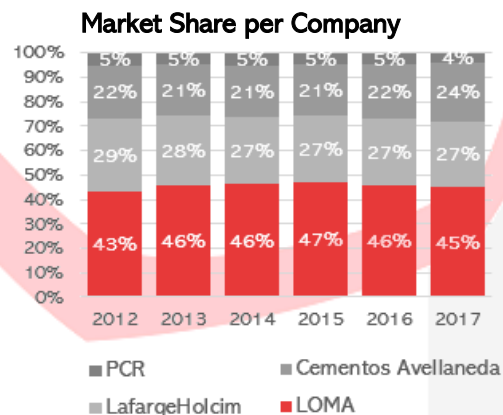


Figure N° 7
Source: LOMA's F1

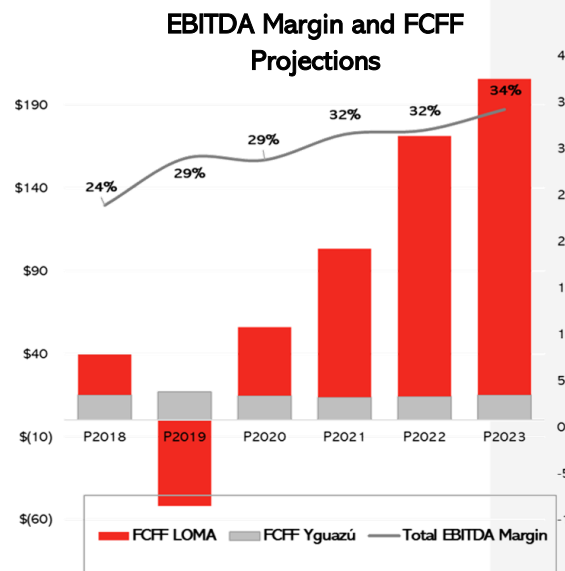


Figure N° 8
Source: Team Assessment

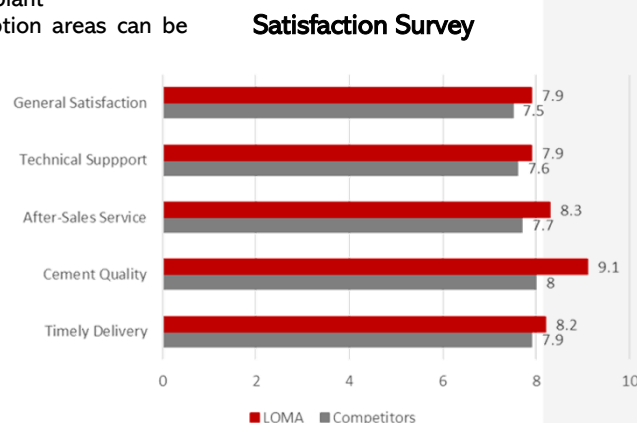


Figure N° 9
Source: LOMA's F1

Competitors and newcomers. The market has remained practically unchanged since the '90s decade and we expect that this trend will withstand. LOMA's advantage against its competitors is based on its scale and operational efficiencies, which are out of reach for the other companies in the pack. LOMA holds long-term exclusivity contracts with about 70% of its customer base and none of them represent more than 4% of its total net sales revenue. Barriers for new entrants are huge and rookies would find it difficult to source raw materials in the main markets where the Company operates.

Expansion plans: lead and conquer. During the 2017 demand peak, the four firms announced investments to increase their production capacity. PCR is the only one whose growth CapEx is intended for concrete, while the other three are focused on cement. If all plans are completed, by Q1 2020 the overall cement production capacity will have increased by 4.43 MM tons, an almost 30% extra compared to the current market. What makes LOMA's strategy stand out is its focus: **the investment in L' Amalí II will escalate operational efficiency by greatly reducing costs, therefore allowing it to make prices more competitive if needed.**

Yguazú. The cement market in Paraguay is basically a duopoly between Industria Nacional de Cementos (INC) and Yguazú. The first one is a state-owned company, which is the historical market leader with a share of 48%. **Yguazú is a close second with a market share of approximately 44%.** The parity will end shortly as INC has announced a plan to reduce its prices and to capture an 80% of the demand in the next 5 years. We believe that Yguazú will be forced to reduce its prices to remain competitive and, even though it may be able to maintain its current sales level, INC will capture most of the new demand.

FINANCIAL ANALYSIS

Sales: when pricing matters. Cement price has a high correlation with inflation. LOMA's competitive positioning allows it to effectively adjust prices in order to maintain the average levels of **EBITDA Margin**. This was evidenced in Q1 of 2016, when the Argentine government removed FX controls that resulted in a 30% devaluation: LOMA was able to restore the EBITDA Margin level they of 2015 within one quarter.

This time is different. Due to currency devaluation and inflation, a decrease in cement prices is to be expected; **we estimate that Q4 2018 price per ton will be around US\$ 80, a 22% decrease compared to 2017's closing price.** The recession and reduction of public spending for infrastructure projects represent a challenge for the Company when trying to increase the price. On top of this, the Argentine Antitrust Commission (CNDC) is investigating the cement companies due to their pricing policies. **We estimate that this scenario will extend the recovery period of the EBITDA Margin until 2021.**

Loma unitary price per ton behave very volatile in recent years. The average of the last 12 years was USD 102 per ton of cement. LOMA's sales of FY2017 can be divided into the following business segments: Cement, masonry and lime in Argentina (76%), cement in Paraguay (8%), Concrete (12%), Aggregates (2%), Railworks (11%), revenues from Recycomb activities (1%) and Eliminations (-9%).

Yguazú: the story changes. In Paraguay, INC is undertaking an aggressive competitive strategy that consists of optimizing costs to reduce prices and promote a rapid development of construction industry. We consider that Yguazú will be forced to reduce its prices per INC's policy in order to stay competitive.

Estimating the demand. Where will the market go? Considering that cement sales represent over 75% of LOMA's revenues, it is necessary to look at it individually. We estimated the demand until 2023 based on the correlation between cement demand in Argentina, GDP variation and the amount of credit mortgages granted per year. We also contemplated that the construction industry grows much more rapidly in election years. This multiple regression proved a correlation of 0.96. Our estimate for the cement market for the coming years is as follows: (refer to figure N° 10).

Given that economic projections for Paraguay are not comparable to Argentina's, (IMF projects an average GDP growth of 4% until 2023), we have deemed prudent to separate them in terms of cement demand for the following years. Moreover, we estimate a progressive reduction of Yguazú's market share, due to the aggressive expansion strategy INC is deploying.

COGS. Achieving cost efficiency. LOMA's cost of goods sold shows consistency throughout the years (an average of 72% for the last three fiscal years), as it is expected for a mature industry. However, there is still room for improvement: a feature that LOMA plans to leverage on in the next few years through the investment in L' Amalí II.

Energy and Supplies: thermal energy and electrical power. This is consistent with a capital-intensive industry. Energy costs are directly impacted by both a change in the international oil price and currency depreciation as -like any commodity- the price is set in US\$. Since 2017, the Argentine government has put in place a plan to remove energy subsidies and this has heavily impacted the tariffs. Nonetheless, **L' Amalí II will mitigate this effect, as due to the new plant's operational efficiencies its thermal energy cost will be a 18% less than the current average per ton.**

Production of Cement vs GDP Growth

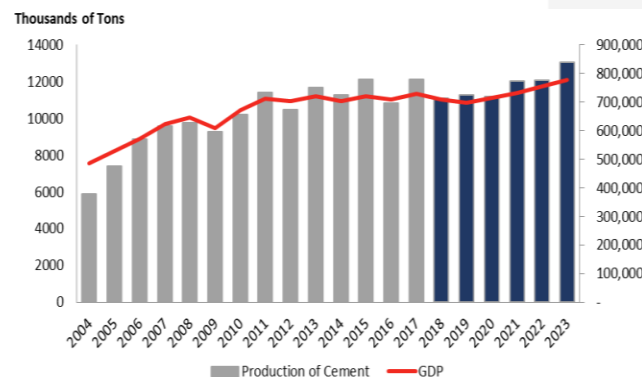


Figure N° 10

Source: INDEC – AFCP – Team Assessment

COGS Structure

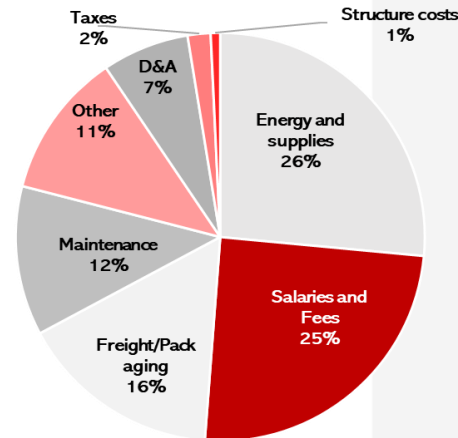


Figure N° 11

Source: LOMA's 20F

Salaries and fees. This segment tends to follow annual inflation in CPI due to the pressure of labor unions. However, in recessive years, real salaries tend to move below the CPI index. We expect this to be the case in 2018 and 2019: **we estimated that they follow a 0.9x factor.**

Freight and packaging. Comprise a relevant portion of the costs in companies within this industry and LOMA is not an exception. The Company optimized costs in this sub-segment through its distribution network composed by strategically located facilities across the country, that are near the main consumption centers.

In addition, when Ferrosur's operations are factored into the equation, efficiency is enhanced: its railroads connect all of LOMA's facilities and operations within the province of Buenos Aires, which amount 42% of the total sales.

Maintenance costs. Due to the capital-intensive nature of LOMA and its mature state, maintenance costs are not only necessary but also essential to preserve the productivity and durability of the firm. Based on historic data, we estimate that these will variate at an % rate in average per year.

Raw materials. The principal raw materials used in the production of clinker: limestone, clay and gypsum. And clinker additions (blast furnace slag, pozzolan, fly ash) to produce cement.

"Other costs" are composed by contractors, security, and represent about 11% of the total costs.

Finally, the Company estimates the **taxes** to be 1.5% of the total costs.

Due to Paraguay's stability we estimate a constant cost over sales percentage for Yguazú:

Administrative and commercial Expenses. Represent an 8% of revenues in FY 2017, they are mainly composed by Salaries and social charges (around 32% of expenses and 2.5% of sales) and taxes (around 30% of expenses and 2.4% of sales). Both concepts represent around 5% of sales.

A tight grip on EBITDA margins. LOMA has historically shown cyclical growth rates that tangoed with the Argentine GDP and its macroeconomic commotions. This impacts heavily on EBITDA Margins, which before the current unsettling situation, stood proud at 30%. However, signs of future recovery are perceived within the mist of not-so-optimistic economic forecasts, and we expect that LOMA will recover a similar margin in 2020. By the end of 2023, **the EBITDA Margin is estimated to reach 32,7%.**

CapEx. During the recent years, LOMA's **maintenance CapEx** has been focused on conservation and upgrade of production facilities with the objective of improving efficiency standards. To project this variable, **we based our analysis on the historical ratio of maintenance CapEx/installed capacity in tons: 4.15x.**

Currently, the main **growth CapEx** project is the expansion of L' Amali plant in Buenos Aires, that will increase the annual installed capacity by 2.7 MM tons by the first quarter of 2020. According to Company's public statements, this investment will be financed with part of the funds raised in the IPO, leverage (refer to Capital Structure section) and the cash flow generated by the operations. Refer to figure N°12.

The execution phase of this project started in August 2017, with a total timeline of approximately 31 months and an investment of US\$ 320 MM -which decreased from the original US\$ 350 MM because of the Peso depreciation. As of June 2018, the total amount disbursed was approximately US\$ 30.6 MM; we estimate an additional expenditure of US\$ 75 MM to be made during second half of 2018. For the following years, 150 MM US\$ and 64 MM US\$ will be disbursed in 2019 and 2020 respectively. These will take up to 30% of sales income in 2019 and 15% in 2020. As of the second semester of 2020, no new growth CapEx is expected so certain gradual deleverage will probably take place.

Working Capital. Business as usual. Throughout the first semester of every year, the Company accumulates inventories which are sold during Q3 and Q4. This is regarded as an efficient strategy, as power outages in Argentina during summer season are not unheard of. This situation, given LOMA's capital-intensive nature, may slow down production a notch. This is also reasonable considering that during summer most employees make use of their annual leave and that, due to climate conditions, constructions are also slowed down.

Inventories. Even though during recessive years (such as 2016) LOMA sells a minor amount of cement, production does not slow down in the same proportion to avoid inefficiencies: It is less cost-effective to reduce the size of production due to the inevitable rise of proportional costs.

An accumulation of inventories during 2019 is to be expected, mainly due to a stagnation of the demand. This will extend the number of days of inventory –in terms of sales- beyond 30 days. We expect to see a sustained recovery by 2020 when higher levels of demand are restored.

Expansionary and Maintenance CaPex

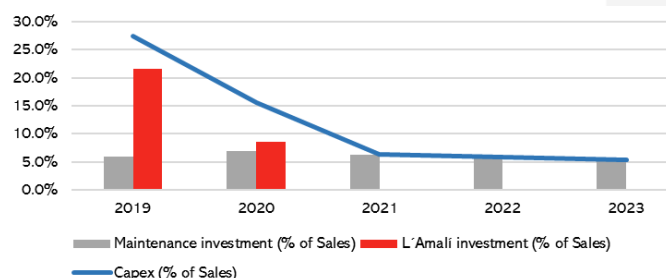


Figure N° 12
Source: Team Assessment

Working Capital

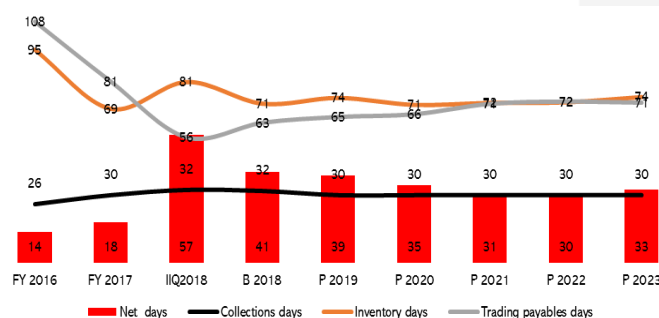


Figure N° 13
Source: Team Assessment

Receivables (DSO) & Payables (DPO). Recession will hit both LOMA and its customer base. Due to the Company's size and capacity we expect it to extend DSO and provide financial leverage to its clients to retain them even though it may not be able to completely compensate for this with an extension of its DPO. After all, LOMA's strong buying position allows it to pay its commercial debt within an historical range of 108 to 56 days.

Leverage. Stronger investment capabilities through increased leverage. We expect 2019 FCF to turn negative in US\$ 39 MM due to expansionary CapEx investment. Based in our estimation, LOMA will need to incur new debt to finance expansion CapEx, what in turn will represent an increase in the target Financial Debt/EBITDA to 1.5x in 2019.

As per consolidated financial statements as of June 2018, there were US\$ 188 MM of financial debt associated to LOMA, Ferrosur Roca S.A. and Yguazú altogether. Approximately 78% of this debt was denominated in foreign currency: part in US\$ and part in Paraguayan Guaraní. We identify some risks related to LOMA's exposure to debt: together with the burden that a change in the FX rate carries, the tightening of the FED rates could affect the Company as currently 53% of the consolidated debt balance is set on the basis of floating rates.

We expect LOMA to incur new debt, as funds will be needed for growth CapEx to expand L' Amalí II. We estimate the company will be able to incur debt at a rate of 8% p.a.. Its current US\$ denominated debt is fixed at LIBOR (2,95%) + 3,75%, which we aggravate due to the current macroeconomic and political context.

VALUATION

We issue a **BUY recommendation** on LOMA's ADS with a target price of US\$ 14.09, representing a 32.7% upside from the closing price of US\$ 10.62 per ADS as of November 02, 2018. Our target price calculation is based on a mix of the Discounted Free Cash Flow to the Firm model with a target price of US\$ 13.58 and EV/EBITDA multiple with a target price of US\$ 15.28, which was weighted 70%/30%, respectively. A relative valuation method allows us to include the actual competitive landscape in the construction industry, while the intrinsic valuation methodology allows us to capture the individual fair market value of both LOMA and Yguazú by applying a "sum of the parts" methodology.

We use DCF based analysis with a free cash flow to firm approach. FCF method allowed us to include the actual competitive landscape in the construction industry and also capture the fair market value of Loma and Yguazú. This method is suitable for LOMA because the Company is engaged in long-term capital expenditure investments and would require increasing its capital structure leverage during the forecast period.

Sometimes the essential is invisible to the eyes: LOMA's Intrinsic Valuation. We identify two separate stages in our valuation of LOMA for the duration of the period under analysis. The first one comprises 2019-2020: a period of economic rearrangements. The second one starts at the end of 2020, when the economy finally stabilizes. During the latter, the deficit in existing infrastructure will drive demand up the hill and LOMA's numbers will begin a new virtuous cycle fueled by the opening of L' Amalí II.

Weighted Average Cost of Capital. Multi-WACC approach. To reflect these two stages in our analysis, we use a multi-WACC approach, due to its higher flexibility vis a vis the typical single-WACC approach. Two variables are captured within this method: a) the need of leverage for the construction of L' Amalí II, which translates into a new capital structure, b) the decrease of the corporate income tax in Argentina from 35% to 30% in 2018 and 2019, and 25% for 2020 onwards.

Building the WACC. Cost of equity. To project the cost of equity we chose Capital Asset Pricing Model adjusted by the Argentine country risk premium. We considered: a) US risk free rate: 10-year UST; b) beta based on an average of peers' unlevered beta and re-levered per LOMA's capital structure of 1.02; c) US market risk premium of 5.4%; d) country risk premium (calculated as the average of the Argentine EMBI+ Index of the last four years to avoid an overweight of the current volatility) of 5.88%; e) subjective premium of 1.14% to reflect political and economic risks associated to the first stage of our valuation.

Cost of debt. Given the lack of corporate bonds issued by LOMA that are currently trading, we decided to estimate the cost of debt based on an average of two factors. First, LOMA's outstanding debt's yield (6.07%) and secondly, public data from Argentine corporate bonds of seven utility companies and five oil and gas firms (10.0%). Average cost of debt for LOMA: 8.04%. The after-tax cost of debt was calculated with a 25.4% effective tax in 2018. The after-tax cost of debt is of 6.07%.

Debt to equity ratio. To calculate the optimal Debt/Equity ratio, we considered a list of peers composed by 12 Latin American companies. The average D/E ratio is 62.7%. For further information on companies selected, refer to "Relative Valuation" section below.

Terminal growth. To calculate the Perpetual Growth rate, we weighted IMF long-term growth GDP Argentinian projection (3.5%) since it has direct impact into result consistent with the historical GDP average growth rate (1990 – 2017).

WACC Analysis	2019	2020 - Perpetuity
Risk Free	3,14%	3,14%
Country Risk	6,42%	6,42%
Beta * Equity Risk Premium	5,74%	5,49%
Context Premium	1,14%	1,14%
Cost of Equity	16,44%	16,19%
Debt Cost	5,99%	6,07%
Company's capital	58,00%	61,47%
Endeudamiento	42,00%	38,53%
WACC	12,05%	12,29%

Figure N° 14
Source: Team Assessment

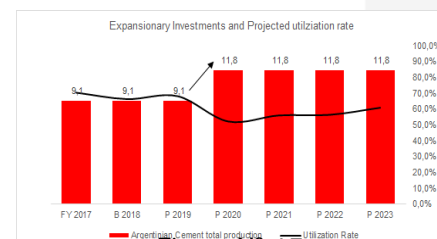


Figure N° 15
Source: Team Assessment

(in US\$ Millions)	
EBITDA Loma Negra	\$ 256.00
EV to EBITDA Mean	8.7x
Mean EV Loma from Multiple	\$ 2,226.73
-Debt	\$ 188.05
-Minority Interest	\$ 123.14
+Cash and Equivalents	\$ 56.46
Equity Value	\$ 1,971.99
Shares Outstanding	119.20
Share Price	\$ 16.54
Current Price	\$10.62
Upside	56%

For Yguazú, we use a single-WACC approach. The Paraguayan economy has been growing at a steady 4% per year and this trend is expected to continue. In addition, no additional leverage nor major expansionary CapEx are expected for the period analyzed.

Relative Valuation. For the relative valuation analysis, we selected a list of Latin-American companies within the cement production industry. We limited the selection to companies that are within the region as we consider that this provides better comparison grounds due to a series of aspects and risks -such as macroeconomic development and growth expectations- that are inherent to South American countries. We decided to base the analysis on the EV/EBITDA multiple for the following reasons: i) it is a ratio commonly used to value companies within the infrastructure and capital-intensive industries, and ii) it is convenient to analyze the capability of companies to generate operating cashflows, iii) it excludes interests, income tax, depreciations and amortizations effects, whose calculations vary among the peers since every company may have their own valuation method for these categories.

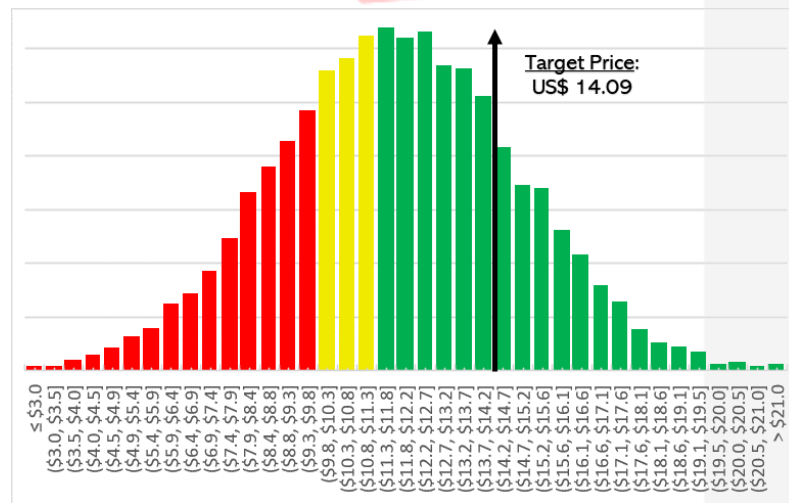
This analysis leads us to 12-month target price of US\$ 14.09, which represents a 33% upside, and validates our growth expectation underlying the DCF analysis.

Risk to target price. Our estimates might be challenged if the recovery of the Argentine economy does not come by the second stage of our projection in mid-2020. In this case LOMA will experience difficulties in adjusting prices via pass-through. Due to this we have developed a sensitivity analysis on the bases of estimated terminal GDP growth rates and WACC discount rates in order to better assess the implications of such scenario based on the variation of the FED's monetary policy and the one of Argentina's risk premium.

Also, variations to our assumptions or risk premiums could potentially affect our target price. To better assess these scenarios, we have also developed a Montecarlo simulation:

As explained above, both national and international events can affect LOMA's operations and therefore its stock price. We decided to conduct a sensitivity analysis considering the most significant inputs in our valuation. We studied the following variables: a) changes in perpetual growth and WACC's discount rate; b) GPD recovery timeline: economic activity's recovery could take longer than projected by the IMF and local authorities and c) changes in the FED's monetary policy together with the increase or decrease of local country risk.

Figure N° 16
Source: Team Assessment



WACC & Perpetual Growth Sensitivity		Perpetual Growth (G)				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC	14.05%	9.99	10.43	10.91	11.44	12.03
	13.05%	11.12	11.65	12.24	12.89	13.62
	12.05%	12.49	13.14	13.58	14.69	15.62
	11.05%	14.17	14.99	15.93	16.99	18.21
	10.05%	16.28	17.36	18.59	20.02	21.70

The most conservative scenario indicates a value of US\$ 9.99 per share, calculated with a 14.05% WACC and a 2% perpetual Growth. On the contrary, an optimistic scenario that computes a 4% perpetual growth with a 10.05% WACC results in a price of US\$ 21.70 per share.

Price & Wacc. Sensitivity		USD Price Variation in Terminal Value				
		100	102	105	107,6	110
WACC	14.05%	9.66	10.26	10.87	11.47	12.05
	13.05%	10.73	11.41	12.09	12.77	13.42
	12.05%	12.03	12.81	13.58	14.35	15.08
	11.05%	13.66	14.54	15.42	16.31	17.16
	10.05%	15.72	16.75	17.79	18.82	19.80

The most conservative scenario indicates a value of US\$ 9.66 per share, calculated with a 14.05% WACC and a price of US\$ 100 cement ton in 2023. On the contrary, an optimistic scenario that computes a 10.05% WACC with a price of US\$ 110 in 2023 per cement ton results in a price of US\$ 19.80 per share.

Price & Perpetual Growth Sensitivity		Perpetual Growth (G)				
		2.0%	2.5%	3.0%	3.5%	4.0%
Price (2023)	100	10.93	11.46	12.03	12.68	13.41
	102	11.63	12.19	12.81	14.15	14.27
	105	12.33	12.92	13.58	14.31	15.13
	108	13.02	13.65	14.35	15.12	16.00
	110	13.69	14.35	15.08	15.90	16.82

The most conservative scenario indicates a value of US\$ 10.93 per share, calculated with a 14.05% WACC and a price of US\$ 100 cement per ton in 2023. On the contrary, an optimistic scenario that computes a 10.05% WACC with a price of US\$ 110 per cement ton in 2023 results in a price of US\$ 16.82 per share.

Risk Free and Country Risk Premium Sensitivity		Risk Free rate				
		2.1%	2.6%	3.1%	3.6%	4.1%
Country Risk Premium	9.58%	11.18	10.77	10.37	10.01	9.66
	7.58%	12.91	12.39	11.91	11.45	11.02
	5.58%	15.16	14.49	13.87	13.29	12.75
	3.58%	18.23	17.32	16.49	15.72	15.01
	1.58%	22.62	21.31	20.12	19.05	18.07

The most conservative scenario indicates a value of US\$ 9.66 per share, calculated with a 4.1% risk free rate and an Argentine country risk premium of 9.58%. On the contrary, an optimistic scenario that computes a 2.1% risk free rate with a 1.58% country risk premium results in a price of US\$ 22.62 per share.

INVESTMENT RISKS

OPERATIONAL RISKS

Excess production capacity. L' Amalí II will increase LOMA's installed capacity by 27% (2.7 MM tons). As explained in *Competitive Positioning*, if LafargeHolcim and Cementos Avellaneda also complete their expansion plans, the global production capacity will increase almost 30% by 1Q 2020. Per our estimations, cement demand will only come near this figures by 2023, which means that there will be a period of a considerable idle capacity in the market. For aforementioned reasons, we expect LOMA to be able to grasp most of the surge in the demand, but we consider it is worth noting it as a risk.

Railroad blues. LOMA's subsidiary, Cofesur S.A., is a holding company which has the sole purpose of controlling Ferrosur Roca S.A., which, in turn, holds the concession of a portion of the national railroad system integrated by General Roca's line for transporting cargo. Of the total distance of 3,100 kilometers that are part of this railway concession, approximately 2,500 kilometers are currently operational, and are connected directly to six of LOMA's facilities. Ferrosur's concession was granted by Decree N° 2681/92 during Argentina's privatization boom in the early 90's with a duration of 30 years and will expire in 2023. The Argentine government can extend the initial concession for another 10 years upon Ferrosur's request, an option that should be exercised 5 years before the expiration. This request was timely filed with the Ministry of Transport on March 8, 2018 and is currently under review.

We strongly believe that if the concession is terminated in 2023 this event will not have a significant impact on LOMA's financials. Current prices for cargo transportation are in line with market value and we expect these to be maintained regardless of the company that operates General Roca's railroad. In addition, it is highly unlikely that LOMA's transport operations will be threatened if a new company ends up operating General Roca's railroad since existing regulations prevent any sort of anti-competitive behavior that could potentially negatively affect LOMA's operations. In addition, since the Ferrosur concession hasn't been denounced by any competitor and due to the high political impact of not renewing the concession resulting from the repercussions it could have on the company's 1,239 employees (which are highly unionized), a scenario where the concession is not renewed seems even further from happening.

It's worth noting that, due to article 3 of Law N° 27.132, passed by the former administration, the government has the right to renegotiate and, if necessary, terminate concessions currently in force, without cause, a process that hasn't been initiated in any way by the current administration.

Finally, it is important to note that due to existing regulations imposed over the Ferrosur concession, the company is obliged to invest the equivalent to 10.7% of its gross revenues every year, which obligation the company has complied with.

Nonetheless, if such event does happen and the Ferrosur concession is not renewed or is early terminated by the government, the burden would consist in the inability of LOMA to continue collecting dividends from Ferrosur but the operation would not be impaired.

(See map in appendix O3).

ECONOMIC AND POLITICAL RISKS

A delay in Argentina's recovery. As explained above, cement demand is highly correlated to GDP growth and it is also reliant on public spending in infrastructure and the amount of mortgage credits granted. If Argentina's macroeconomic crisis is not controlled or spiralizes, the construction industry will have a hard time recovering and this will impact LOMA's operations. With presidential elections in the horizon it is very likely that volatility will continue during the following months. However, other variables will be key: a deceleration of inflation, ARS stabilization and decrease of interest rates.

LEGAL RISKS

Struggles on two fronts. LOMA is currently facing two important legal procedures, which are both in their very early stage. First, there is a class action that was recently filed before US courts claiming that Loma Negra had not fully disclosed relevant information in the documents submitted as part of the IPO. The claim was filed on June 21, 2018 and as of now the court hasn't manifested one way or the other towards the continuation of the process. The claims are mainly related to misleading forecasts of Argentina's macroeconomic situation, which did not address the risk of massive devaluation and macroeconomic crisis the country is currently facing. Given that it was improbable that any source of information used to elaborate the offering documents could have anticipated this risk by the time of the IPO and that there are several related risks listed in the F1, Loma believes that the continuation of the process is highly unlikely. Also, they consider that if the procedure were to move forward, it would take years for it to reach an instance in which a fine is imposed. Nera's report on Recent Trends in Securities Class Action Litigation (2017) indicates certain trends that should be considered when estimating the possibility of the class action against LOMA moving towards a fine or settlement.

The report indicates that since 2012 there has been a steadily increase in securities class action claims, which in 2017 was 44% higher than the previous year and amounting 432 claims which included 8,2% of all publicly traded companies in US securities exchanges. Also, in 2017, 196 non-merger related cases were resolved, of which 116 (59%) were dismissed. It also indicates that 2017 saw the second consecutive annual drop in the average settlement value (no case settled for more than \$250 MM), making the average settlement amount fall to less than \$25 MM, a 66% drop compared to 2016.

Levi & Korsinsky's law firm, who submitted the original class action claim against LOMA, filed 266 similar securities lawsuits from 2017 to Q2 2018. Given all of this, if the claim against LOMA does move forward, despite a 59% probability of it getting dismissed, its aim is to restate investors the lost value of LOMA's shares up to the original IPO ADS' price of US\$ 19. In other words, the Company could potentially lose up to 567.41 million US\$ in aggregate damages due to 53.53 million ADSs issued in the company's IPO, considering a low price of 8.4 US\$ per ADS, subject to change until the date when the court firmly delimitates and defines the class. The whole procedure may take up to 3 years' time, which the report estimates as average for this kind of claims to be resolved. However, as noted by a Cornerstone Research report (2017) there are major differences between aggravated damages, calculated based on the total amount of shares available to be traded (float) during the class period, and total approved claims resulting from any judgment in favor of plaintiffs. In said report it is indicated that actual approved claims often represent much less than the aggravated damages estimate. According to the cases presented, the rate of approved claims goes from 20% up to 38% of the total aggravated damages estimate. In LOMA's case, this translates into an eventual total US\$ amount of approved claims between US\$113.48 and 215.61 MM. **We have included this potential impact in our valuation, in the year 2021.**

Second, as noted by numerous press sources and in the class action claim, the Argentine Antitrust Commission (CNDC) is currently conducting an investigation on the behavior of the key players of the cement market. This procedure is also in its early stage and, given the fact that they take a few years to reach a final stage -the last one lasted for more than 5 years- and that most of them do not conclude imposing fines but rather recommendations towards other regulators, is it highly unlikely that it will affect Loma Negra in the short run. However, given Argentina's new antitrust law, which has highly increased penalties for companies engaging in anticompetitive behavior, Loma could potentially face a fine of up to 2 Bn ARS given the current value of the mobile unit established by law, which currently amounts to 20 ARS.

ENVIRONMENTAL REGULATIONS

Go green, go clean. According to a report published by McKinsey¹, "cement production generates high process-related CO₂ emissions. The largest share originates from the raw material limestone (process CO₂); the remainder comes from the fuels used in the process (fuel CO₂). Consequently, the cement industry expects to incur on high additional costs when the CO₂ reduction targets are tightened in the future. Additionally, CO₂ allowances must be bought at auction." In that report it is estimated that clinker is responsible for most of the CO₂ emissions generated in the cement industry, adding up to 0.78 metric tons of CO₂ per metric ton of clinker.

Argentina's National Inventory of Greenhouse Gases (GHG) estimates that CO₂ emissions in the cement and lime industry have almost doubled in the 2000-2014 period and that these emissions represent almost 45% of total emissions caused by industrial processes in Argentina. If, according to Argentina's multiple public commitments towards reduction of CO₂ emissions, the country is forced to implement directives and standards towards the purchase of CO₂ allowances as the ones existing in the EU, Loma and other industries may face incremental costs up to EUR 25 to EUR 50 per metric ton of clinker which will heavily impact their costs structure.

CORPORATE GOVERNANCE

Group Structure. After being a family-held company for nearly 80 years, Loma Negra was acquired by the Brazilian cement group Camargo Correa through one of its subsidiaries, Intercement Brasil S.A. in 2005. Intercement is a strong regional player which has had ongoing operations for over 60 years and became the lead player in the Argentine cement market through this acquisition. Loma Negra's headquarters are located in Buenos Aires and the company's subsidiaries comprise the following:

- Recycomb S.A.: dedicated to the treatment of industrial residues and their use as alternative fuel in cement ovens.
- Cofesur S.A.: through which Loma Negra indirectly controls Ferrosur Roca S.A. The latter is a company that holds a concession granted by the Argentine government to operate the Ferrosur Roca freight railway network.
- Yguazu Cementos S.A.: one of two leading cement producers in Paraguay, with a market share over 46%.

Previously LOMA had participation in other companies such as La Preferida de Olavarría S.A., Holdtotal S.A., Betel S.A. and Cia. Argentina de Cemento Portland S.A., all of which merged with LOMA in two instances in 2015.

Main shareholders. The company has 119.2 MM shares outstanding. It has a single class shares with the same voting rights. There are not preferred shares. Currently, the largest shareholder is Loma Holding GmbH (controlled by InterCement Participações S.A) which holds an ownership of 51.04% and the rest is free float. According to the Company, there has been no significant changes in the percentages held by the major shareholders during the last fiscal year.

ADR?

Board of Directors. LOMA's board of directors is currently composed by seven members, which were elected in last year's general shareholders' meeting for one fiscal year. They all have considerable experience in management, business administration and finance, and most of them had previously held relevant positions at the company or in the group. Three members out of seven are independent (above the minimum required by Argentina's law), which accounts for more than 40%. This complies with the SEC's and NYSE's regulations on foreign private issuers, which are regulated by their own home country rules, which, as noted for Argentina, do not require a majority of the board to be independent directors. This qualification feature allows the company to follow more friendly standards regarding corporate governance assessment (which translates in fewer legal and accounting spending).

Corporate Governance Assessment. As stated before, LOMA qualifies as a "foreign private issuer", subject (for the most part) to their home country laws. As opposed to NYSE's standard regulation that requires domestic listed companies to follow and disclose a series of corporate governance guidelines, Argentina's laws do not require companies to adopt or expose any guidelines related to corporate governance yet. Nevertheless, in order to assess corporate governance quality, we conducted a comprehensive scrutiny of Loma Negra considering the Principles of Corporate Governance published by the OECD.

Sustainability and Social Responsibility. According to LOMA, the company carries out the necessary measures to reduce environmental and social impact in the places where it operates. To reach that goal, it is engaged in a series of programs intended to improve life quality and minimize environmental impact. They participate of the Global Compact of the United Nations and are members of the Cement Sustainability Initiative. Together with the Loma Negra Foundation, these initiatives intend to enhance youth development in the communities where activities take place.

¹ Amendment to the European Directive on Emission Trading: Impact on the German Cement Industry (2008)

1) Supplier Power

LOMA owns the rights to exploit the limestone quarries needed in the production process; and there is no exposure to risk on the supply of this main raw material. The company uses several materials, such as iron ore, clay and pozzolana that are obtained from third party suppliers. The costs of these materials could be affected by changes to their production process or supplier companies. However, this is unlikely given that concessions for the exploit of mines are granted for decades and are renewable. Also, for the case of iron ore this can be replaced by other materials that contain hematite or magnetite. Moreover, as stated by a representative of AFCP before the Argentine Antitrust Commission cement company can use iron residues from their quarries in clinker production. Regarding gas and energy, Loma Negra is part of annual contracts with its suppliers - YPF S.A., Total S.A., Energy Traders S.A., Genneia S.A.- and distributors -Ecogas –Distribuidora de Gas del Centro S.A. y Cammuzzi- in order to guarantee the continuation of its operations. Also, the gas and energy production and distribution are considered a public service by the government and due to this is subjected to numerous regulations that do not allow the price to freely float and distance itself from the international price.

2) Buyer power

LOMA has been in the market for over 90 years and has established long-standing relationships with its customers. Approximately 70% of its customer base (representing about 77% of total cement shipments) operates under long-term exclusivity contracts. None of the customers represents more than 4% of total net sales revenue. The atomization of buyers diminishes the exposure to buyer's shifting decisions, since a buyer alone does not have a significant impact on the total sales. Also, the company has entered into long-term exclusivity contracts with groups of national concrete mixers. According to LOMA's 2016 client survey, client overall satisfaction with the company is the highest in the market: 7.9 and the quality of cement has a score of 9.1 compared to the competitors' average of 8.

3) Market Rivalry

LOMA is the only cement company with production and distribution facilities that could eventually supply cement throughout in the entire territory of Argentina and has a market share of 46% across the country. Given the high cost of transporting cement, the producers are limited to compete in the regions where their plants are located. Loma's large-scale operations offers significant competitive advantages as cost efficiencies and integrated logistics, which includes the concession and operation of General Roca Railway, which expands throughout Argentina's main consumption center, the province of Buenos Aires. In recent years, the Company has introduced innovations in some of its main production facilities which, (i) improved performance, (ii) reduced operating costs and (iii) expanded product lines. According to LOMA, these have allowed the company to generate operating results that are above the average of the industry. Loma's advantage against its competitors is based on its large scale and operational efficiencies, which are currently out of reach for the other three companies. Competitors would find it quite challenging to take a portion of its market share due to the lack of access to other limestone quarries and the difficulty to compete with Loma's prices due to its efficiencies. However as stated in our report, LOMA's concession in General Roca's railway ends on 2023 and, although it can be renewed, there is a slim possibility that this will not happen, and that could affect LOMA's distribution logistics.

4) Threat of new entrants.

(i) The favorable market position, (ii) the scale of the Company in Argentina, and (iii) the very nature of the cement industry as a whole in Argentina, as recognized by the Argentine Antitrust Commission, constitutes an important barrier for the access of new entrants to the cement market. Limestone reserves that are currently exploited are strategically located near important market centers and potential new market participants will find it most difficult to adequately source raw materials. On top of this, Argentine cement companies are relatively protected against imports, since significant increases in the cost of imported raw materials apply due to existent tariffs and trade restrictions.



5) Substitute products.

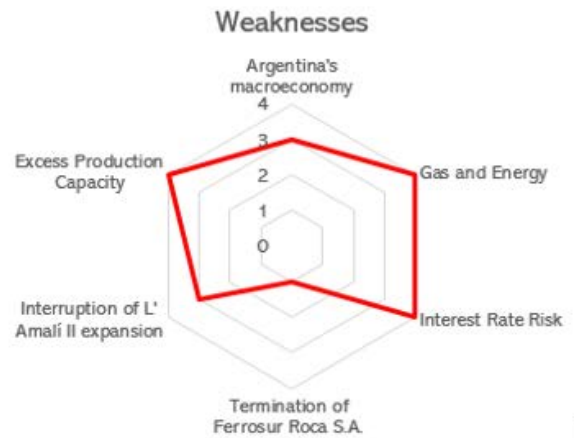
The Argentine Antitrust Commission has recognized that there is an absence of substitute products to portland cement. Even though materials such as plaster, plastic and aluminum, amongst others, can be used in constructions currently there are no replacements for cement. A loss of market share due to the introduction of new construction techniques and materials is possible, however there are no clear signs that this will happen in the short term. That is why we do not consider this as a material threat.

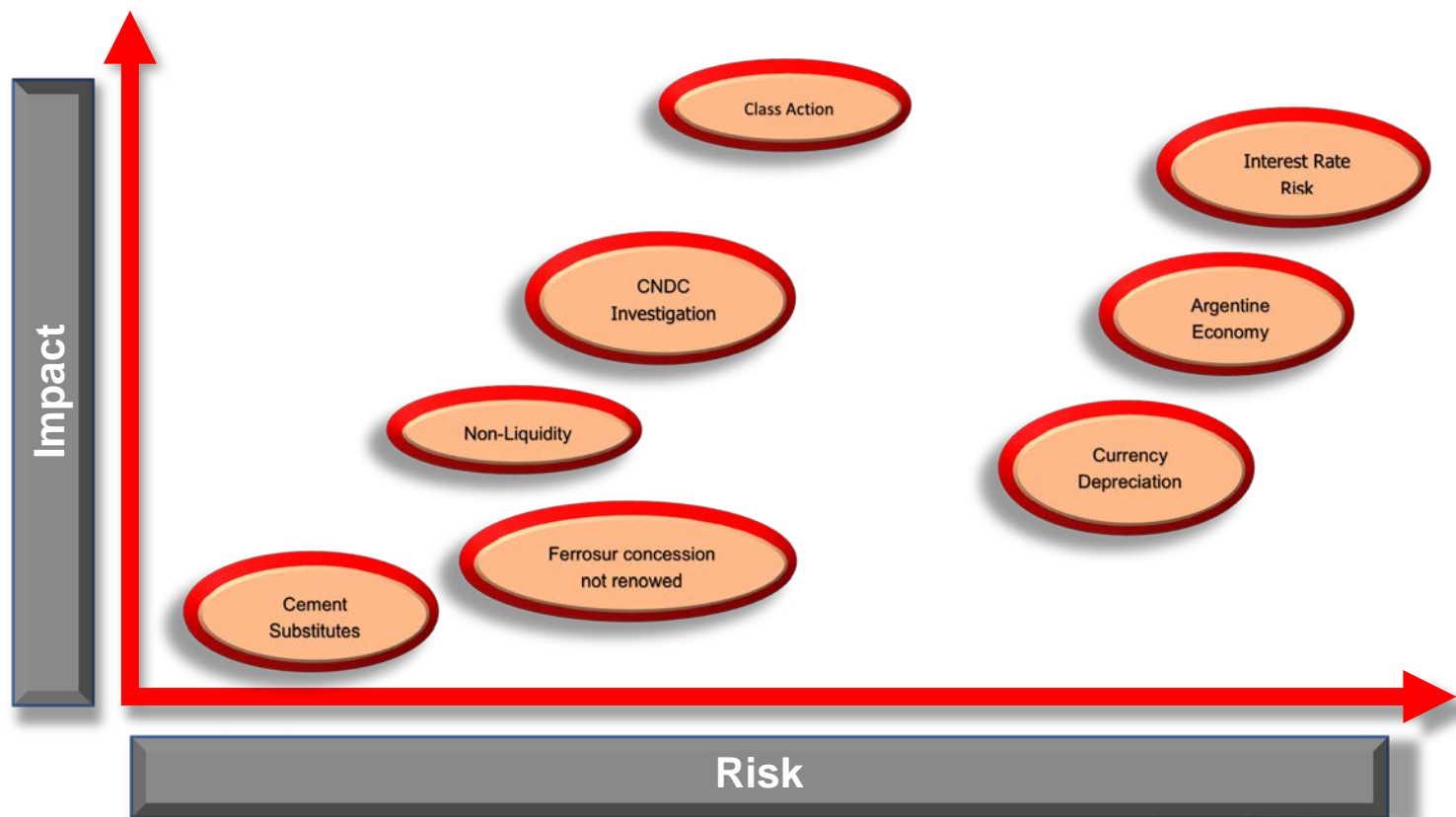
Appendix 2:

SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> <u>Legacy</u>: Industry leadership sustained throughout decades. 	<ul style="list-style-type: none"> <u>Argentina's cycles</u>: As any Argentine company, LOMA is exposed to the country's macro-trends, risks, indicators, currency depreciation and political shifts.
<ul style="list-style-type: none"> <u>Leader of the pack</u>: stable 45% market share in Argentina. 	<ul style="list-style-type: none"> <u>Maturity</u>: LOMA's facilities are mature and may be subject to deficiencies due to this situation.
<ul style="list-style-type: none"> <u>Geographical wide network</u>: Only company with production and distribution capabilities in the entire territory of Argentina. 	<ul style="list-style-type: none"> <u>Gas and energy</u>: costs tied with international prices in US\$. In case of another major currency depreciation these costs will rise.
<ul style="list-style-type: none"> <u>Railroad Baron</u>: concession on General Roca's Railway through Ferrosur. 	<ul style="list-style-type: none"> <u>Interest rate risk</u>: a significant portion of LOMA's debt bear interest at floating rates.
<ul style="list-style-type: none"> <u>Retain power</u>: Exclusivity contracts with 70% of clients 	<ul style="list-style-type: none"> <u>Liquidity Risk</u>: LOMA had a negative working capital in 2016 and this may repeat if the management does not secure enough funds.
<ul style="list-style-type: none"> <u>Green Energy</u>: Recycomb operations reduce costs and generate energy. 	<ul style="list-style-type: none"> <u>Train derailment</u>: Ferrosur's concession over the General Roca's railroad will end in 2023 and, although it can be renewed, there is a possibility that the government will not grant this.
<ul style="list-style-type: none"> <u>Financial craftsmanship</u>: LOMA is one of the least leveraged companies in the market. 	
Opportunities	Threats

<ul style="list-style-type: none"> <u>Expansionist</u>: Operational efficiency gains due to L'Amalí II investment in the future. 	<ul style="list-style-type: none"> <u>Legal struggles</u>: The company faces civil and administrative procedures in Argentina and the US.
<ul style="list-style-type: none"> <u>PPP projects</u>: cement demand will increase due to the development of such projects. 	<ul style="list-style-type: none"> <u>Argentine economic recession and stagnation</u>: this may be longer than expected and impact LOMA operations on stage two.
<ul style="list-style-type: none"> <u>Public housing mortgages credits</u>: The government plans to expand such credits, starting in 2019. 	<ul style="list-style-type: none"> <u>Heavier environmental regulations</u>: the eventual implementation of measures such as CO2 allowances will impact LOMA's cost structure.
	<ul style="list-style-type: none"> <u>Product substitution</u>: introduction of new products such as fluid cement.





Name	Position	Description
Franklin Feder	President	-President of the board of directors of InterCement Participações S.A -MBA IMD Business School
Sergio Damián Faifman	Vice-president and CEO of LOMA. President of the Board of: <ul style="list-style-type: none"> • Yguazú Cementos S.A., • Ferrosur Roca S.A., <ul style="list-style-type: none"> • Cofesur S.A. • Recycomb S.A.U 	-Vice-president of the National Association of Portland Cement Producers and the Argentine Institute of Portland Cement - MBA UCEMA
Paulo Nigro	Board Member and CEO of InterCement (Parent Company)	- Has occupied several important management positions in top-tier companies in Brazil, Italy and Canada.

Carlos Boero Hughes	Board Member	-Management experience -MBA Universidad Católica Argentina (UCA) - Independent
Sergio Daniel Alonso	Board Member	- Management and finance experience - Independent
Paulo Diniz	Board Member and CFO of InterCement	- Experience in finance and general management. - MBA IMD Business School
Diana Mondino	Board Member	- Dean of Institutional Relations at Universidad del CEMA (Argentina) - Finance and management background - MBA IESE Business School - Independent

Appendix 5:

LOMA's Executive Officers

Name	Position	Description
Sergio Damián Faifman	Vice-president and CEO of LOMA	- President of the Board of: Yguazú Cementos S.A., Ferrosur Roca S.A., Cofesur S.A. y Recycomb S.A.U. -Vice-president of the National Association of Portland Cement Producers and the Argentine Institute of Portland Cement - MBA UCEMA
Marcos Isabelino Gradin	CFO	-Board Member of: Yguazú Cementos S.A., Ferrosur Roca S.A., Cofesur S.A. and Recycomb S.A.U. - Master in Corporate Finance UCEMA
Eduardo Blake	Director of Logistics Processes, Procurement and Supply Chain	-Board Member of: Yguazú Cementos S.A., Ferrosur Roca S.A., Cofesur S.A. and Recycomb S.A.U. - 40 years of experience within the Group
Dardo Ariel Damiano	Industrial Director	- Board Member of: Ferrosur Roca S.A., Cofesur S.A. and Recycomb S.A.U. - MBA IAE Business School



Gerardo Oscar Diez	Commercial and Concrete Director	- Board Member of: Yguazú Cementos S.A., Ferrosur Roca S.A., Cofesur S.A. and Recycomb S.A.U. - 25 years of experience within the Group - MBA Universidad Austral
Damian Ariel Caniglia	Head of Human Resources and Superintendent of Health, Security and Environment	- Board Member of: Ferrosur Roca S.A. and Cofesur S.A. - Currently pursuing a master's degree in Human and Organizational Factors in Risk Management at Universidad de San Andrés
Gustavo Daniel Romera	General Director of Ferrosur Roca	- Board Member of: Ferrosur Roca S.A. and Cofesur S.A. - Holds a bachelor's degree in Mechanical Engineering from Universidad Tecnológica Nacional
Matías Cardarelli	Managing Director of Yguazú Cementos	- Held several legal, compliance and corporate positions at Zurich Financial Services and Ford Motor Company. - MBA UCEMA
Lucrecia Loureiro	Legal Affairs Manager	- Conducts LOMA's in-house Program on Antitrust and Compliance in Argentina and Paraguay. - Responsible for the legal matters of Yguazú Cementos and Ferrosur Roca.

Appendix 6: Income Statement

INCOME STATEMENT

Base Case - Consolidated Financial Statements	2017	2018	2019	2020	2021	2022	2023
Financial Model - Base Case							
Consolidated Statement [US\$ MM]							
Net Revenues	927,9	756,2	698,5	751,5	821,9	868,5	962,0
Cost of Sales	(658,6)	(553,6)	(474,6)	(511,7)	(545,8)	(574,5)	(616,2)
Gross Profit	269,3	202,5	223,9	239,8	276,1	294,0	345,9
Administrative and Commercial Expenses	(72,8)	(54,0)	(44,7)	(47,2)	(50,1)	(52,3)	(55,9)
Debits & Credits	(11,4)	(9,3)	(8,6)	(9,2)	(10,1)	(10,6)	(11,8)
Other Income & Expenses	4,8	3,9	3,6	3,9	4,2	4,5	4,9
EBIT	189,9	143,1	174,2	187,3	220,1	235,6	283,2
Financial Expenses	(51,1)	(74,7)	(68,3)	(70,3)	(50,5)	(41,7)	(28,2)
Exchange differences when translating local operations (*)	-	-	(44,9)	(44,9)	(48,7)	(41,7)	(42,9)
EBT	138,8	68,4	61,0	72,1	120,9	152,1	212,1
Income Tax	(35,5)	(18,9)	(27,0)	(27,1)	(39,7)	(45,5)	(59,9)
Net Income	103,2	49,5	34,0	45,0	81,3	106,6	152,2
Other Integral Results	12,0	22,1	9,1	9,8	10,7	10,4	10,1
Integral Profit	115,3	71,7	43,1	54,8	91,9	117,0	162,4
EBIT	189,9	143,1	174,2	187,3	220,1	235,6	283,2
Debits & Credits							
Depreciation & Amortization	38,0	28,2	19,3	19,7	29,0	31,5	34,2
EBITDA	228	171	194	207	249	267	317

(*) Exchange differences when translating local operations (exchange rate differences): This item arises as a consequence of converting both the income statement and balance sheet results into foreign currency (not taxable)

INCOME STATEMENT

Consolidated Statements of Profit or Loss	2017	2018	2019	2020	2021	2022	2023
Financial Model - Base Case							
Consolidated Statement [US\$ MM]							
Net Revenues	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Cost of Sales	-71,0%	-73,2%	-67,9%	-68,1%	-66,4%	-66,1%	-64,0%
Gross Profit	29,0%	26,8%	32,1%	31,9%	33,6%	33,9%	36,0%
Administrative and Commercial Expenses	-7,8%	-7,1%	-6,4%	-6,3%	-6,1%	-6,0%	-5,8%
Debits & Credits	-1,2%	-1,2%	-1,2%	-1,2%	-1,2%	-1,2%	-1,2%
Other Income & Expenses	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%
EBIT	20,5%	18,9%	24,9%	24,9%	26,8%	27,1%	29,4%
Financial Expenses	-5,5%	-9,9%	-9,8%	-9,4%	-6,1%	-4,8%	-2,9%
Exchange differences when translating local operations	0,0%	0,0%	-6,4%	-6,0%	-5,9%	-4,8%	-4,5%
EBT	15,0%	9,0%	8,7%	9,6%	14,7%	17,5%	22,0%
Income Tax	-3,8%	-2,5%	-3,9%	-3,6%	-4,8%	-5,2%	-6,2%
Net Income	11,1%	6,5%	4,9%	6,0%	9,9%	12,3%	15,8%
Other Integral Results	1,3%	2,9%	1,3%	1,3%	1,3%	1,2%	1,1%
Integral Profit	12,4%	9,5%	6,2%	7,3%	11,2%	13,5%	16,9%
EBIT	20,5%	18,9%	24,9%	24,9%	26,8%	27,1%	29,4%
Debits & Credits							
Depreciation & Amortization	4,1%	3,7%	2,8%	2,6%	3,5%	3,6%	3,6%
EBITDA	24,6%	22,7%	27,7%	27,5%	30,3%	30,8%	33,0%

Appendix 7: Balance Sheet

BALANCE SHEET

Balance Sheet	2017	2018	2019	2020	2021	2022	2023
Financial Model - Base Case							
Consolidated Statement [US\$ MM]							
Inventories	98,6	69,5	86,1	88,5	95,7	101,1	112,0
Other receivables	13,0	8,5	11,0	11,9	13,0	13,7	15,2
Trade accounts receivable	67,9	47,3	57,7	62,1	67,9	71,8	79,5
Operative Cash	171,0	50,3	52,2	52,9	53,8	54,3	55,5
Non Operative Cash	-	33,5	42,6	96,6	142,9	198,5	250,8
Total current assets	350,5	175,5	207,1	215,4	230,4	241,0	262,2
Property, plants and equipment	321,4	274,4	404,8	457,5	450,8	457,7	465,0
Intangible assets	4,1	1,8	1,5	1,4	1,3	1,2	1,2
Investments	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Goodwill	2,1	1,0	0,8	0,7	0,7	0,7	0,7
Inventories	11,5	7,6	9,8	10,6	11,3	11,9	13,2
Other receivables	7,8	17,1	16,8	16,2	16,3	16,5	17,2
Total non-current assets	347,0	301,8	433,7	486,4	480,3	488,0	497,3
Total assets	697,4	477,4	640,9	701,8	710,7	729,0	759,5
Accounts payables	127,0	69,5	88,0	92,7	105,8	111,8	119,9
Advances from customers	11,1	7,3	9,4	10,1	11,1	11,7	13,0
Salaries and social security payables	29,1	17,9	19,5	20,8	21,8	22,8	23,8
Tax liabilities	30,8	20,2	26,2	28,2	30,8	32,6	36,1
Other liabilities	1,7	1,1	1,5	1,6	1,7	1,8	2,0
Borrowings	140,0	101,5	140,6	155,4	152,3	154,6	132,4
Total current liabilities	339,7	217,5	285,2	308,7	323,6	335,3	327,2
Accounts payables	3,8	2,7	2,1	2,8	3,1	3,3	3,6
Provisions	8,7	5,7	6,1	6,4	6,5	6,7	6,9
Other Debts	0,8	0,6	0,7	0,8	0,8	0,9	1,0
Borrowings	94,6	105,1	145,5	160,9	157,7	160,0	137,0
Deferred tax liabilities	12,3	8,1	10,5	11,3	12,3	13,0	14,4
Total non-current liabilities	120,3	122,1	165,0	182,2	180,5	183,9	163,0
Total liabilities	460,0	339,6	450,1	490,9	504,1	519,2	490,1
Total shareholders' equity	237,4	137,8	190,7	210,9	206,7	209,7	269,4

BALANCE SHEET

Balance Sheet	2017	2018	2019	2020	2021	2022	2023
Financial Model - Base Case							
Consolidated Statement [US\$ MM]							
Inventories	14,14%	14,55%	13,44%	12,62%	13,47%	13,87%	14,75%
Other receivables	1,86%	1,79%	1,72%	1,69%	1,83%	1,88%	2,00%
Trade accounts receivable	9,74%	9,91%	9,01%	8,85%	9,56%	9,85%	10,47%
Operative Cash	24,51%	10,53%	8,15%	7,54%	7,57%	7,46%	7,31%
Non Operative Cash	0,00%	7,02%	6,64%	13,77%	20,10%	27,24%	33,01%
Total current assets	50,25%	36,77%	32,32%	30,70%	32,42%	33,06%	34,53%
Property, plants and equipment	46,09%	57,47%	63,16%	65,19%	63,43%	62,79%	61,23%
Intangible assets	0,58%	0,38%	0,24%	0,19%	0,18%	0,17%	0,16%
Investments	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Goodwill	0,30%	0,21%	0,13%	0,11%	0,10%	0,09%	0,09%
Inventories	1,66%	1,59%	1,53%	1,50%	1,58%	1,63%	1,74%
Other receivables	1,12%	3,58%	2,62%	2,31%	2,29%	2,26%	2,26%
Total non-current assets	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Total assets	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
Accounts payables							
Advances from customers	18,20%	14,55%	13,74%	13,20%	14,89%	15,34%	15,79%
Salaries and social security payables	1,59%	1,53%	1,47%	1,45%	1,56%	1,61%	1,71%
Tax liabilities	4,18%	3,75%	3,04%	2,96%	3,07%	3,13%	3,14%
Other liabilities	4,42%	4,24%	4,09%	4,01%	4,34%	4,47%	4,75%
Borrowings	0,25%	0,24%	0,23%	0,22%	0,24%	0,25%	0,26%
Total current liabilities	20,08%	21,27%	21,93%	22,15%	21,43%	21,20%	17,43%
Total current liabilities	48,71%	45,56%	44,49%	43,99%	45,53%	46,00%	43,07%
Accounts payables							
Provisions	0,55%	0,56%	0,33%	0,40%	0,43%	0,45%	0,48%
Other Debts	1,24%	1,19%	0,96%	0,91%	0,92%	0,92%	0,91%
Borrowings	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Deferred tax liabilities	0,12%	0,12%	0,11%	0,11%	0,12%	0,12%	0,13%
Total non-current liabilities	13,56%	22,02%	22,71%	22,93%	22,19%	21,95%	18,04%
Total liabilities	17,25%	25,58%	25,74%	25,96%	25,40%	25,23%	21,46%
Total shareholders' equity	65,96%	71,14%	70,24%	69,95%	70,92%	71,23%	64,53%

Appendix 8: Cashflow Statement

CASH FLOW STATEMENT

Cash Flow Statement	2019	2020	2021	2022	2023
Financial Model - Base Case					
Consolidated Free Cash Flow Statement [US\$ MM]					
Cash at Beginning of the Period	33,5	42,6	96,6	142,9	198,5
Cash Flow	9,0	54,1	46,3	55,7	52,2
Cash at the End of the Period	42,6	96,6	142,9	198,5	250,8
Operative Profit	174,2	187,3	220,1	235,6	283,2
Working Capital Investment	(2,44)	2,08	3,77	(0,82)	(7,16)
Working Capital Devalorization	(10,20)	(7,60)	(4,37)	(1,87)	(1,38)
Depreciation and Amortization	19,3	19,7	29,0	31,5	34,2
Income Tax	(27,0)	(27,1)	(39,7)	(45,5)	(59,9)
Operating Cash Flow	153,9	174,4	208,9	218,9	249,0
Investment	(130,4)	(52,7)	6,7	(6,9)	(7,3)
Capex Devalorization	(60,9)	(63,8)	(58,6)	(44,7)	(44,0)
Net Cash Flow From Investing	(37,4)	57,8	157,0	167,3	197,7
Net Proceeds from Borrowing	79,5	30,2	(6,4)	4,6	(45,2)
Loan Devalorization Fx	31,3	31,2	20,4	9,1	6,7
Interest Paid	(68,3)	(70,3)	(50,5)	(41,7)	(28,2)
Dividends declared and Paid	-	-	(78,8)	(89,7)	(84,7)
Fx Results Conversion	(44,9)	(44,9)	(48,7)	(41,7)	(42,9)
Other Integral Results	9,1	9,8	10,7	10,4	10,1
Qualitative Fx Adjustment	39,8	40,2	42,5	37,5	38,7
Net Cash Flow Provided by Financing Activities	9,0	54,1	46,3	55,7	52,2

(*) Financial Statements were projected in ARS and then converted to their respective projected exchange rate.

SUM OF THE PARTS (UNLEVERED DCF)

Base Case - Yguazú Statement						Terminal Value Calculation		
Financial Model - Base Case						Terminal Value – [US\$ MM]	Yguazú	LOMA
Individual Statement [US\$ MM]						EBITDA	21,4	296
EBIT						Depreciation & Amortization	(5,4)	(29)
Less: Adjusted taxes on EBIT (unlevered)						EBIT	16,0	267
= Net operating profit after taxes (NOPAT)						Adjusted taxes on EBIT	(1,6)	(63)
Add: Depreciation & Amortization						Net operating profit after taxes (NOPAT)	14,4	204
- / + Increase / reduction in net working capital						Depreciation & Amortization	5,4	29
- / + Investment in / divestment of non-current assets						Net Working Capital	(0,6)	(2)
= Free Cash Flow						Capital Expenditure	(4,0)	(46)
						Free Cash Flow	15,2	185
						FCFF0	15	185
						Constant Growth Rate	3,0%	3,0%
						FCFF1	16	190
						R = WACC	9,98%	12,29%
						Value at end of projection period	224	2.050
						Discount Periods	4,50	4,50
						WACC	9,98%	12,29%
						Terminal Value	146	1.217
Base Case - Loma Negra Statement						Sum of the Parts Statement [US\$]		
Financial Model - Base Case						Implied Consolidated Enterprise Value	\$ 1.657,6	
Individual Statement [US\$ MM]						Less: Net Debt	-\$ 131,6	
EBIT						Implied Retail Equity Value	\$ 1.526,0	
Less: Adjusted taxes on EBIT (unlevered)						Shares Outstanding	\$ 119,2	
= Net operating profit after taxes (NOPAT)						Implied Share Price at Dec 2018	\$ 12,802	
Add: Depreciation & Amortization						Implied Share Price at Nov 2019	\$ 14,2	
- / + Increase / reduction in net working capital						Minority Interest	\$ 0,62	
- / + Investment in / divestment of non-current assets						Consolidated Share Price	\$ 13,6	
- / + Investment in / divestment of non-current assets Potential Legal Claims								
= Free Cash Flow								

WEIGHTED AVERAGE COST OF CAPITAL

Weighted Average Cost of Capital			
	2019	2020	
Cost of Equity⁽¹⁾ (re)			
Risk-Free Rate (RF)	3,14%	3,14%	
Leveraged Industry Beta (β)	1,05	1,02	
Equity Risk Premium (ERP)	5,40%	5,40%	
Country Risk Premium (CRP)	6,42%	6,42%	
Context Premium	1,14%	1,14%	
Cost of Equity (re)	16,44%	16,44%	
Cost of Debt (ra)			
Interest Rate	8,04%	8,04%	
Tax Rate	25,50%	25,50%	
Cost of Debt (ra)	6,45%	6,45%	
Capital Structure			
Equity/Assets	58,00%	61,47%	
Debt/Assets	42,00%	38,53%	
WACC⁽²⁾	12,05%	12,29%	

(1) $re = RF + \beta \times ERP + CRP + SRP$

(2) $WACC = \frac{MVD}{MVD + MVCE} \times ra (1 - Tax\ rate) + \frac{MVCE}{MVD + MVCE} \times re$

Where

RF = Risk-Free Rate
 β = Leveraged Industry Beta
 ERP = Equity Risk Premium
 CRP = Country Risk Premium
 SRP = Site Risk Premium
 re = Cost of Equity
 ra = Before-Tax Cost of Debt
 MVD = Market Value of Debt
 MVCE = Current Market Value of Common Equity

Comments

Risk-Free Rate: 10-year US Treasury yield (01/11/2018)

Leveraged Industry Beta:

Unleveraged Cement Peers beta: 0.69

$$\text{Leveraged Beta} = \text{Unleveraged beta} \times \left[1 + \left((1-t) \times \frac{\text{Debt}}{\text{Equity}} \right) \right]$$

t = Effective Rate Considering tax reform (Law. 27.430) Debt/Equity = 42%

Equity Risk Premium: 5,40%

Statistics of the Equity Premium or Market Risk Premium (MRP) used in 2018.
 Source: Valuewalk Survey. Damodaran

Country Risk Premium

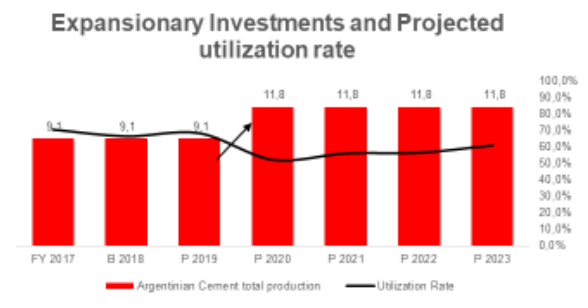
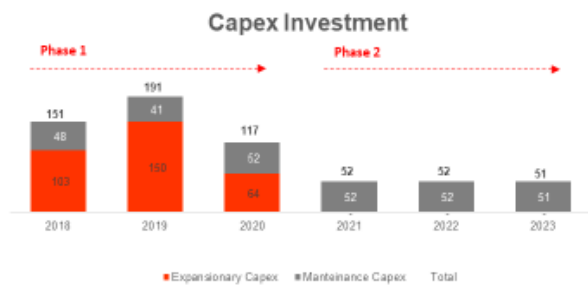
6,42% EMBIS. JP Morgan. – Last Trailing Quarter

Context Risk Premium: Corresponds to the difference between selected EMBI + and the largest weekly country risk premium evidenced in 2018.

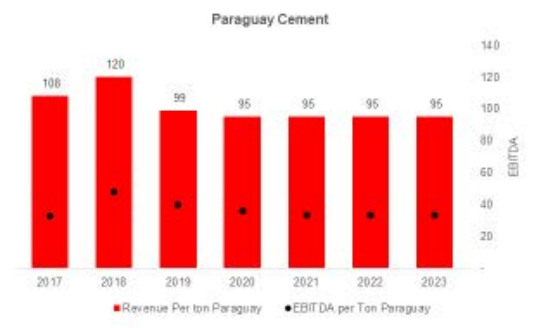
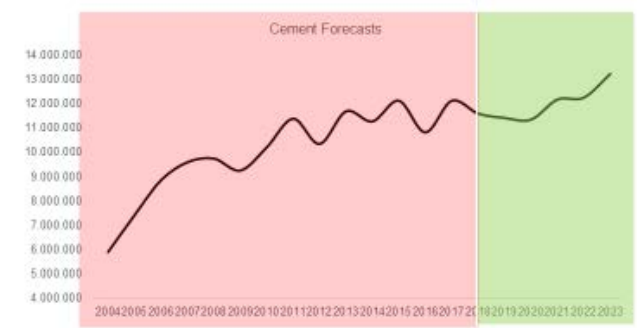
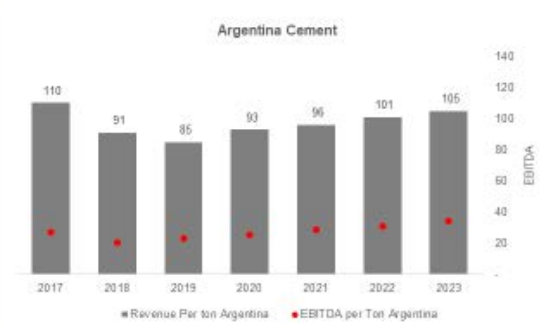
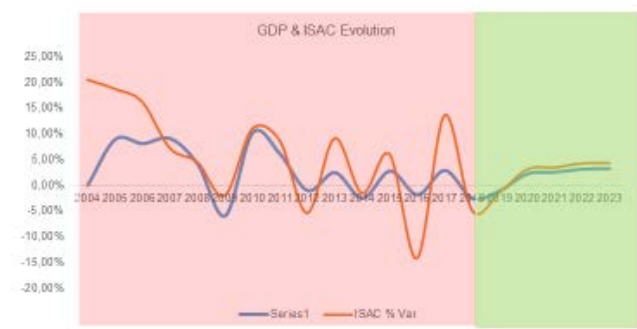
Interest Rate: Corresponds to the average of LOMA's corporate debt and the average of Argentine Utilities and Oil & Gas corporate debt.

Optimal Capital Structure: Peers selection

CAPITAL EXPENDITURE



FORECAST ASSUMPTIONS



Base Case

For our base case scenario, we have estimated that the Argentine economy and its cement industry will start its recovery by 2020. In this scenario the pressures exerted on LOMA's products prices by currency depreciation can be unnerved via *pass-through*, as the country's economy will begin a phase of economic growth. For this new phase, in an estimation consistent with the IMF's own projections and an estimated average of Argentina's GDP for the 1990/2017 period, we expect a perpetual growth of 3%.

Issues arising from currency depreciation will also be less frequent as the ARS is expected to maintain a value close to historical competitiveness, thus reducing Fx volatility.

However, for this scenario we are aware that the ongoing recession will contract cement demand. According to this we are expecting that the demand will fall to 11.3 MM tons by 2020. Due to this and the latency of the *pass-through* effect, we expect that the price per cement ton will vary between US\$ 85 and US\$ 105 throughout our projected period, reaching the latter in 2023.

In 2020 L'Amali II will begin operations, and we expect that the efficiencies generated through it and the stabilization of Argentina's macro trends will allow the Company to regain its previous EBITDA margins of 30% in 2021.

Projections for this scenario indicate the following:

- Price Target: US\$ 13.58.
- 8.0x Adjusted EBITDA 19e, EBITDA 19e US\$ 193,6.
- Forecasted Weighted Average Revenue Per ton US\$ 98.
- Forecasted Weighted Average EBITDA Per ton US\$ 28.

Bull Case

Our bull case scenario derives from the base one in the following estimations: a) a small slowdown of the Argentine economy in 2019, b) a recovery of the Argentine cement market by 2020, c) an increment in Argentina's GDP growth (+2% growth against the base case), and d) a variation in price ranges per cement between US\$ 87 and US\$ 110.

Projections for this scenario indicate:

- Price Target: US\$ 15.87.
- 8,6x EBITDA 19e, EBITDA 19E of US\$ 208,5.
- Forecasted Weighted Average Revenue Per ton of US\$ 100.
- Forecasted Weighted Average EBITDA Per ton of US\$ 30.

Bear Case

Our bear case scenario considers the following: a) Argentina's GDP falling 1.6% in 2019, according to pure IMF estimations, b) a late recovery of the cement market in 2020, c) cement demand falling back to 2011 levels (11.2 MM tons), d) several difficulties in adjusting prices via *pass-through* which will make cement ton prices vary between US\$ 82 and US\$ 95.

The outcomes for this scenario indicate:

- Price Target US\$ 8,36.
- 5.8x EBITDA 19e, EBITDA 19e US\$ 173,2
- Forecasted Weighted Average Revenue Per ton US\$ 91.
- Forecasted Weighted Average EBITDA Per ton US\$ 23.



