



Argan, Inc. Reports Third Quarter Results

December 7, 2022 – ROCKVILLE, MD – **Argan, Inc.** (NYSE: AGX) (“Argan” or the “Company”) today announces financial results for its third quarter ended October 31, 2022. For additional information, please read the Company’s Quarterly Report on Form 10-Q, which the Company intends to file today with the U.S. Securities and Exchange Commission (the “SEC”). The Quarterly Report can be retrieved from the SEC’s website at www.sec.gov or from the Company’s website at www.arganinc.com.

Summary Information (dollars in thousands, except per share data)

| | <u>October 31,</u> | | <u>Change</u> |
|---|--------------------|--------------------|---------------|
| | <u>2022</u> | <u>2021</u> | |
| For the Quarter Ended: | | | |
| Revenues | \$ 117,875 | \$ 124,451 | \$ (6,576) |
| Gross profit | 22,208 | 26,135 | (3,927) |
| Gross margin % | 18.8 % | 21.0 % | (2.2)% |
| Net income | \$ 7,758 | \$ 12,393 | \$ (4,635) |
| Diluted per share | 0.56 | 0.78 | (0.22) |
| EBITDA | 11,261 | 16,708 | (5,447) |
| Cash dividends per share | 0.25 | 0.25 | — |
| | | | |
| | <u>October 31,</u> | <u>January 31,</u> | <u>Change</u> |
| | <u>2022</u> | <u>2022</u> | |
| As of: | | | |
| Cash, cash equivalents and short-term investments | \$ 286,631 | \$ 440,498 | \$ (153,867) |
| Net liquidity ⁽¹⁾ | 230,423 | 284,257 | (53,834) |
| Share repurchase treasury stock, at cost | 83,657 | 20,405 | 63,252 |
| Project backlog | 839,000 | 714,000 | 125,000 |

⁽¹⁾ Net liquidity, or working capital, is defined as total current assets less total current liabilities.

“We were pleased to announce last month that our Gemma Power Systems subsidiary received full notice to proceed on an engineering, procurement and construction (“EPC”) services contract to build the Trumbull Energy Center, a 950 MW natural gas-fired power plant in Lordstown, Ohio, which increased our project backlog to exceed \$0.8 billion,” David Watson, President and Chief Executive Officer of Argan, said. “All of our companies are generally experiencing increasing amounts of project backlogs this year and continue to see significant opportunities in their markets. We believe this increase is a reflection, in part, on our ability to execute effectively and efficiently for our customers. For example, the Guernsey Power Station, the largest single-phase, gas-fired, power plant project in the U.S. has been under construction throughout the entire COVID-19 pandemic with limited schedule delays to date and recently reached first fire on all three units, major milestones for the project. Due to increased project backlog and market opportunities, our dedicated and talented employees and our strong balance sheet, we are positioned to finish out the year strong and for growth into the future.”

Consolidated revenues for the quarter ended October 31, 2022 were \$117.9 million, which represented a decrease of \$6.6 million, or 5.3%, from consolidated revenues of \$124.5 million reported for the three months ended October 31, 2021. Consolidated revenues of our power industry services segment decreased

by \$8.9 million as the quarterly construction activities associated with the Guernsey Power Station project and the Equinix data center project have passed peak levels. The reduction in revenues between the quarters was partially offset by increasing revenues at several projects including the Kilroot Power Station, the ESB FlexGen peaker plants and the Maple Hill Solar energy facility. The Company's consolidated project backlog was approximately \$839 million as of October 31, 2022.

For the quarter ended October 31, 2022, we reported a consolidated gross profit of approximately \$22.2 million which represented a gross profit percentage of approximately 18.8% of corresponding consolidated revenues. The gross profit percentages of corresponding revenues for the power industry services, industrial services and the telecommunications infrastructure segments were 19.8%, 15.4% and 16.8%, respectively, for the current quarter.

Selling, general and administrative expenses for the three months ended October 31, 2022 and 2021, were \$12.7 million and \$11.6 million, respectively, representing an increase of \$1.1 million between the quarters, or 9.3%, which was due primarily to the accrual of costs associated with the retirement of the Company's former chief executive officer in August 2022.

For the three months ended October 31, 2022, net income was \$7.8 million, or \$0.56 per diluted share. For the three months ended October 31, 2021, we reported net income in the amount of \$12.4 million, or \$0.78 per diluted share. EBITDA for the quarter ended October 31, 2022 decreased to \$11.3 million from \$16.7 million for the prior year quarter. The Company paid its regular quarterly cash dividend of \$0.25 per share in October 2022.

For the nine months ended October 31, 2022, we reported net income in the amount of \$19.5 million, or \$1.36 per diluted share, compared to \$36.0 million of net income, or \$2.25 per diluted share, in the prior year period. EBITDA for the nine months ended October 31, 2022 decreased to \$36.9 million from \$50.5 million for the prior year period.

As of October 31, 2022, cash, cash equivalents and short-term investments totaled \$287 million and net liquidity was \$230 million; furthermore, the Company had no debt. The \$154 million reduction in cash, cash equivalents and short-term investments from January 31, 2022 reflected the expected cash flow cycle of two significant projects, the payment of dividends and the repurchase of shares. During the three months ended October 31, 2022, the Company repurchased 308,423 shares of common stock at a cost of \$10 million. Since last November, the Company has repurchased 2,248,767 shares of common stock, or approximately 14% of its outstanding shares, at a cost of approximately \$84 million under the now \$100 million share repurchase program authorization.

About Argan

Argan's primary business is providing a full range of services to the power industry, including the renewable energy sector. Argan's service offerings focus on the engineering, procurement and construction of natural gas-fired power plants and renewable energy facilities, along with related commissioning, operations management, maintenance, project development and consulting services, through its Gemma Power Systems and Atlantic Projects Company operations. Argan also owns The Roberts Company, which is a fully integrated fabrication, construction and industrial plant services company, and SMC Infrastructure Solutions, which provides telecommunications infrastructure services.

Certain matters discussed in this press release may constitute forward-looking statements within the meaning of the federal securities laws. Reference is hereby made to the cautionary statements made by the Company with respect to risk factors set forth in its most recent reports on Form 10-K, Forms 10-Q and

other SEC filings. The Company's future financial performance is subject to risks and uncertainties including, but not limited to, the successful addition of new contracts to project backlog, the receipt of corresponding notices to proceed with contract activities, and the Company's ability to successfully complete the projects that it obtains. The Company has several signed EPC contracts that have not started and may not start as forecasted due to market and other circumstances beyond its control. Actual results and the timing of certain events could differ materially from those projected in or contemplated by the forward-looking statements due to the risk factors highlighted above and described regularly in the Company's SEC filings.

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ARGAN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share data)
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|------------------|--------------------------|------------------|
| | October 31, | | October 31, | |
| | 2022 | 2021 | 2022 | 2021 |
| REVENUES | \$ 117,875 | \$ 124,451 | \$ 336,262 | \$ 383,800 |
| Cost of revenues | 95,667 | 98,316 | 269,929 | 306,299 |
| GROSS PROFIT | 22,208 | 26,135 | 66,333 | 77,501 |
| Selling, general and administrative expenses | 12,667 | 11,590 | 34,226 | 31,813 |
| INCOME FROM OPERATIONS | 9,541 | 14,545 | 32,107 | 45,688 |
| Other income, net | 768 | 1,117 | 1,868 | 1,569 |
| INCOME BEFORE INCOME TAXES | 10,309 | 15,662 | 33,975 | 47,257 |
| Income tax expense | (2,551) | (3,269) | (14,510) | (11,228) |
| NET INCOME | 7,758 | 12,393 | 19,465 | 36,029 |
| Foreign currency translation adjustments | (650) | (471) | (2,601) | (728) |
| COMPREHENSIVE INCOME | <u>\$ 7,108</u> | <u>\$ 11,922</u> | <u>\$ 16,864</u> | <u>\$ 35,301</u> |
| NET INCOME PER SHARE | | | | |
| Basic | <u>\$ 0.56</u> | <u>\$ 0.79</u> | <u>\$ 1.36</u> | <u>\$ 2.29</u> |
| Diluted | <u>\$ 0.56</u> | <u>\$ 0.78</u> | <u>\$ 1.36</u> | <u>\$ 2.25</u> |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING | | | | |
| Basic | <u>13,781</u> | <u>15,774</u> | <u>14,268</u> | <u>15,757</u> |
| Diluted | <u>13,812</u> | <u>15,963</u> | <u>14,350</u> | <u>15,980</u> |
| CASH DIVIDENDS PER SHARE | <u>\$ 0.25</u> | <u>\$ 0.25</u> | <u>\$ 0.75</u> | <u>\$ 0.75</u> |

ARGAN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

| | October 31, | January 31, |
|--|--------------------|--------------------|
| | 2022 | 2022 |
| | (Unaudited) | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 136,065 | \$ 350,472 |
| Short-term investments | 150,566 | 90,026 |
| Accounts receivable, net | 37,899 | 26,978 |
| Contract assets | 11,551 | 4,904 |
| Other current assets | 28,884 | 34,904 |
| TOTAL CURRENT ASSETS | 364,965 | 507,284 |
| Property, plant and equipment, net | 10,504 | 10,460 |
| Goodwill | 28,033 | 28,033 |
| Other purchased intangible assets, net | 2,730 | 3,322 |
| Right-of-use, deferred tax and other assets | 4,671 | 4,486 |
| TOTAL ASSETS | \$ 410,903 | \$ 553,585 |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 45,268 | \$ 41,822 |
| Accrued expenses | 40,243 | 53,315 |
| Contract liabilities | 49,031 | 127,890 |
| TOTAL CURRENT LIABILITIES | 134,542 | 223,027 |
| Noncurrent liabilities | 4,621 | 4,963 |
| TOTAL LIABILITIES | 139,163 | 227,990 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock, par value \$0.10 per share – 500,000 shares authorized; no shares issued and outstanding | — | — |
| Common stock, par value \$0.15 per share – 30,000,000 shares authorized; 15,827,772 and 15,788,673 shares issued at October 31, 2022 and January 31, 2022, respectively; 13,575,772 and 15,257,688 shares outstanding at October 31, 2022 and January 31, 2022, respectively | 2,374 | 2,368 |
| Additional paid-in capital | 161,305 | 158,190 |
| Retained earnings | 197,567 | 188,690 |
| Less treasury stock, at cost – 2,252,000 and 530,985 shares at October 31, 2022 and January 31, 2022, respectively | (83,657) | (20,405) |
| Accumulated other comprehensive loss | (5,052) | (2,451) |
| TOTAL STOCKHOLDERS' EQUITY | 272,537 | 326,392 |
| Non-controlling interest | (797) | (797) |
| TOTAL EQUITY | 271,740 | 325,595 |
| TOTAL LIABILITIES AND EQUITY | \$ 410,903 | \$ 553,585 |

ARGAN, INC. AND SUBSIDIARIES
Reconciliations to EBITDA
(In thousands)(Unaudited)

| | Three Months Ended | |
|---|---------------------------|------------------|
| | October 31, | |
| | 2022 | 2021 |
| Net income, as reported | \$ 7,758 | \$ 12,393 |
| Income tax expense | 2,551 | 3,269 |
| Depreciation | 740 | 819 |
| Amortization of purchased intangible assets | 212 | 227 |
| EBITDA | <u>\$ 11,261</u> | <u>\$ 16,708</u> |

| | Nine Months Ended | |
|---|--------------------------|------------------|
| | October 31, | |
| | 2022 | 2021 |
| Net income, as reported | \$ 19,465 | \$ 36,029 |
| Income tax expense | 14,510 | 11,228 |
| Depreciation | 2,296 | 2,560 |
| Amortization of purchased intangible assets | 611 | 680 |
| EBITDA | <u>\$ 36,882</u> | <u>\$ 50,497</u> |