

Cementos Argos Expands EBITDA Margin by 249 Basis Points and achieves a 21.5% margin year to date through efficiency strategies

Report 2Q24

August 9th, 2024



Cementos Argos S.A. (Argos) is a geographically diverse rapidly growing cement and ready-mix concrete (RMC) company with presence in the United States building materials industry through its 31% stake in Summit Materials, plus direct operations in Colombia and other 14 countries and territories in the Caribbean & *Central America* (CCA), with total annual capacity of approximately 14.4 MTPA of cement.

BVC: CEMARGOS
SANTIAGOX: CEMARGOSCL
ADR LEVEL 1: CMT0Y

SPRINT 2.0

Since the launch of SPRINT 2.0 in February, the common shares of the company have appreciated by 20%, with average trading volumes increasing six times when compared to last year. The total market cap is approximately U\$2.8 billion, and the float-adjusted market cap is around U\$1.3 billion, moving Argos closer to be eligible for the FTSE Russell and MSCI Emerging's Markets indexes.

SPRINT 2.0 status:

1. **First Pillar**, focused on achieving solid financial and operational results and a target of a consolidated EBITDA margin greater than 22% for 2024, Cementos Argos achieves a profitability of 21.5% for the 1H24, 249 basis points higher than 1H23.
2. **Second Pillar**, regarding distributions to shareholders, the company will distribute dividends of COP 585 billion, representing a 31% increase over 2023. The pending payment of COP 429 billion was approved in a second Shareholder's Meeting last June.
3. **Third Pillar**, regarding the second phase of COP 500 billion for share repurchases to be executed over a period of 2 years, the second tranche of this new share repurchase program for COP 375 billion was approved on the Shareholder's Meeting held on June 13th, and a total of COP 251 billion in share repurchases has been executed since September 2023.
4. **Fifth Pillar**, the average daily volumes operated by the Market Maker increased its activity by 7x versus de second quarter of 2023
5. **Sixth Pillar**, by which the company proposed a conversion of its common non-voting shares into common shares at an exchange ratio of 0.85 common shares per 1 common non-voting share, was successfully carried out on May 6th, achieving a conversion of 99.8% of the common non-voting shares. For more information on the company's new capital structure, please refer to the following link: [Share conversion results.](#)

Consolidated Results

For the first semester of 2024, adjusted EBITDA stood at COP 570 billion, increasing by 5.9% on a comparable basis versus 1H23. These results are the product of the continued implementation of efficiency and cost discipline strategies in the regions, together with the inflation softening and the improvement in market dynamics in certain countries within the CCA Region for 2Q24, which altogether allowed for an EBITDA margin expansion of 249 basis points, reaching 21.5% for the quarter.

Cement and ready-mix concrete volumes experienced a decrease of -2.9% and -2.8% during 1H24 year over year, but during 2Q24 a recovery of +2.1% in cement and +0.8% in ready-mix concrete was exhibited. Positive volume execution during the second quarter was possible due to the good dynamics of Dominican Republic, Honduras and Surinam in cement and Colombia in terms of ready-mix.

Key Figures - Adjusted		QUARTER			YTD		
		2023.Q2	2024.Q2	Var	2023.Q2	2024.Q2	Var
Revenue	COP Bn	1,391	1,344	-3.4%	2,837	2,656	-6.4%
EBITDA	COP Bn	252	279	10.7%	539	570	5.9%
<i>EBITDA Margin</i>	%	18.1%	20.7%	264 pbs	19.0%	21.5%	249 pbs
Net Income	COP Bn	136	127	-6.5%	254	200	-21.5%
<i>Net Margin</i>	%	9.8%	9.5%	-32 pbs	9.0%	7.5%	-145 pbs
Volumes - Adjusted		QUARTER			YTD		
		2023.Q2	2024.Q2	Var	2023.Q2	2024.Q2	Var
Cement	000 TM	2,438	2,490	2.1%	4,863	4,723	-2.9%
RMC	000 M ³	680	686	0.8%	1,372	1,334	-2.8%

For a detailed reconciliation of the adjustments please refer to the reconciliation tables

Results Per Region

Colombia

During the quarter, the region continued to implement a commercial strategy leveraged in the strength of Argos' brand. This approach allowed the company to maintain stable prices throughout the year in a context of lower local volumes. Total cement dispatches decreased 5.2% during the quarter, while ready-mix concrete volumes increased 3.5% versus last year.

The commercial strategy just mentioned complemented the efficiencies program, **from the quarry to the client**, that achieved savings of COP 40 billion during the second quarter, primarily in logistics costs. Additionally, the softening of the inflation curve, has positively affected the cost structure. Overall, the unitary cost of energetics decreased in line with inflation in the cement business on a year over year basis for the second quarter. As a result, EBITDA posted a 13.9% growth during the quarter and an 11% growth during the first six months of the year when compared to 2023. Margins expanded 332 basis points for the quarter and 299 YTD, reaching 22.6% and 24.5% respectively.

Key Figures - Adjusted		QUARTER			YTD		
		2023.Q2	2024.Q2	Var	2023.Q2	2024.Q2	Var
Revenue	COP Bn	766	744	-2.9%	1,523	1,486	-2.4%
EBITDA	COP Bn	147	168	13.9%	328	365	11.1%
EBITDA Margin	%	19.2%	22.6%	332 pbs	21.6%	24.5%	299 pbs

Volumes		QUARTER			YTD		
		2023.Q2	2024.Q2	Var	2023.Q2	2024.Q2	Var
Cement	000 MT	1,413	1,339	-5.2%	2,814	2,658	-5.5%
Local Market	000 TM	1,106	992	-10.3%	2,161	1,956	-9.5%
Exports	000 TM	308	347	12.9%	652	702	7.6%
RMC	000 M3	613	634	3.5%	1,233	1,215	-1.5%
Aggregates	000 MT	305	154	-49.5%	618	304	-50.8%

For a detailed reconciliation of the adjustments please refer to the reconciliation tables

CCA

The complementary nature of the regional markets has led to positive outcomes. Operationally, cement prices remained stable for both year-to-date and year-over-year figures. Total cement volumes grew by 12.2% during the quarter and 0.8% during the semester on a comparable basis. Local market volumes increased by 2.9% during the quarter, with the Dominican Republic delivering stellar performance and Honduras exhibiting good performance, particularly in volumes. However, concrete volumes decreased by 23% during the quarter due to the transition of Panama's ready-mix business to a new model where strategic partners lease and operate our assets. Trading volumes grew by 46%, supported by our continued operation of the supply agreement with Summit Materials.

As a result of these dynamics, EBITDA grew by 12.5% in 2Q24 and 13.3% year-to-date, with an EBITDA margin of 25.1% for the quarter and 24.2% year-to-date, representing expansions of 135 and 222 basis points, respectively.

Key Figures - Adjusted		QUARTER			YTD		
		2023.Q2	2024.Q2	Var	2023.Q2	2024.Q2	Var
Revenue	USD M	141	150	6.4%	286	294	3.0%
Central America	USD M	69	69	-1.3%	136	134	-1.6%
Caribbean	USD M	64	67	5.1%	135	130	-3.4%
Trading*	USD M	7	14	90.4%	15	30	102.8%
EBITDA	USD M	33	38	12.5%	63	72	13.3%
Central America	USD M	19	20	1.7%	37	38	2.1%
Caribbean	USD M	10	13	36.2%	19	25	36.4%
Trading	USD M	4	5	7.1%	8	9	11.2%
EBITDA Margin	%	23.7%	25.1%	135 pbs	22.1%	24.4%	222 pbs
EBITDA Margin Central America	%	27.8%	28.6%	84 pbs	27.1%	28.1%	100 pbs
EBITDA Margin Caribbean	%	15.3%	19.8%	452 pbs	13.8%	19.5%	568 pbs

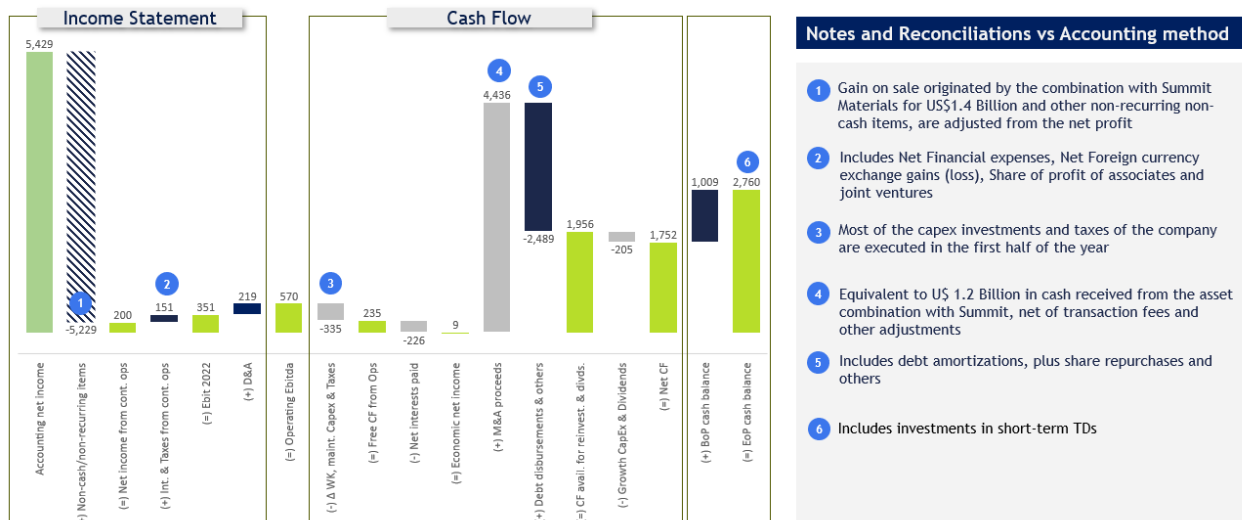
Volumes - Adjusted		QUARTER			YTD		
		2023.Q2	2024.Q2	Var	2023.Q2	2024.Q2	Var
Cement	000 TM	1,025	1,150	12.2%	2,049	2,065	0.8%
Central America	000 TM	447	443	-0.9%	861	860	-0.1%
Caribbean	000 TM	357	384	7.6%	765	738	-3.6%
Trading	000 TM	221	323	46.1%	423	468	10.7%
RMC	000 M3	68	52	-23.0%	139	118	-14.8%
Central America	000 M3	48	28	-42.7%	97	69	-29.2%
Caribbean	000 M3	19	24	25.7%	42	50	18.6%

*Does not include sales to related companies

Indebtedness and coverage indicators:

The ratio of net debt to EBITDA stood at 2.06x within our estimates and below our guidance for the year 2024.

Cash Flow as of June 30th, 2024 (COP Billion¹):



Investment Portfolio as of June 30th, 2024:

Company	% Stake	Price per Share (COP)	Value (COP million)	Value (USD million)
Grupo Sura	8.91%	34,400	976,786	235
Total			976,786	235

¹* FX Rate as of June 30th, 2024: COP 4,148.04 / USD

IFRS Figures and Reconciliation to comparable results

Consolidated

Consolidated		QUARTER		YTD	
		2023.Q2	2024.Q2	2023.Q2	2024.Q2
RMC Volume	m3	1,756	686	2,448	1,334
	US Assets combination with Summit	m3	-1,076	-2,140	
RMC Volume - Adjusted	m3	680	686	308	1,334

Consolidated		QUARTER		YTD	
		2023.Q2	2024.Q2	2023.Q2	2024.Q2
Cement Volume	TON	4,020	2,292	6,445	4,403
	US Assets combination with Summit	TON	-1,582	-3,083	
Cement Volume - Adjusted	TON	2,438	2,292	3,362	4,403

Consolidated		QUARTER		YTD	
		2023.Q2	2024.Q2	2023.Q2	2024.Q2
Revenue - IFRS	COP Bn	3,332	1,344	6,713	2,656
	US Assets combination with Summit	COP Bn	-1,940	-3,876	
Revenue - Adjusted	COP Bn	1,391	1,344	2,837	2,656

Consolidated		QUARTER		YTD	
		2023.Q2	2024.Q2	2023.Q2	2024.Q2
EBITDA - IFRS	COP Bn	662	265	1,256	557
	US Assets combination with Summit	COP Bn	-411	-718	
	Provision termination Concrete contracts Panama	COP Bn	13	13	
EBITDA - Adjusted	COP Bn	252	279	538	570
EBITDA Margin - IFRS	%	19.9%	19.7%	18.7%	21.0%
EBITDA Margin - Adjusted	%	18.1%	20.7%	19.0%	21.5%

Consolidated		QUARTER		YTD	
		2023.Q2	2024.Q2	2023.Q2	2024.Q2
Net Income - IFRS	COP Bn	124	98	218	5,429
	US Assets combination with Summit	COP Bn			-5,336
	Gain on sale	COP Bn			67
	Transaction and integration costs	COP Bn			13
	Headcount reduction ready-mix business Panama	COP Bn	13	36	27
	Non-Recurring Income Tax	COP Bn	12	16	
Net Income - Adjusted	COP Bn	136	127	254	200
Net Margin - IFRS	%	3.7%	7.3%	3.3%	204.4%
Net Margin - Comparable	%	9.8%	9.5%	9.0%	7.5%

Colombia

COLOMBIA		QUARTER		YTD	
		2023.Q2	2024.Q2	2023.Q2	2024.Q2
Revenue - IFRS	COP Bn	735	744	1,447	1,486
	US Assets combination with Summit	COP Bn	31	76	
Revenue - Adjusted	COP Bn	766	744	1,523	1,486

IFRS Results:

Below is a summary of the main consolidated figures and by region for the second quarter of 2024:

COP Bn	Revenue		
	2023.Q2	2024.Q2	Var
Colombia	735	744	1.3%
CCA	625	588	-5.8%
Central America	308	269	-12.9%
Caribbean	283	264	-6.8%
Trading	33	55	68.3%
Subtotal	3,331	1,333	-60.0%
Corporate		11	0.0%
Other Businesses		1	0.0%
Consolidated Results	3,332	1,344	-59.7%

USD M

Colombia	165	190	14.9%
CCA	141	150	6.4%
Central America	69	69	-1.3%
Caribbean	64	67	5.1%
Trading	7	14	90.4%
Subtotal	750	340	-54.7%
Corporate			0.0%
Other Businesses			0.0%
Consolidated Results	750	343	-54.3%

2023.Q2	Mgn (%)	EBITDA		
		2024.Q2	Mgn (%)	Var Marg
147	20.0%	168	22.6%	251
149	23.8%	134	22.8%	-104
86	27.8%	63	23.6%	-420
44	15.4%	52	19.8%	441
20	59.3%	18	33.1%	-2,622
707	21.2%	302	22.7%	145 bps
-44	N/A	-34	N/A	N/A
-1	N/A	-2.6	N/A	N/A
662	19.9%	265	19.7%	-14 bps

-37

33	20.2%	43	22.6%	234
33	23.7%	34	22.8%	-93
19	27.8%	16	23.6%	-415
10	15.3%	13	19.8%	452
4	58.9%	5	33.1%	-2,579
158	21.1%	77	22.7%	153 bps
-10	N/A	-9	N/A	N/A
	N/A	-0.67	N/A	N/A
148	19.8%	68	19.7%	-6 bps

CONSOLIDATED STATEMENT OF INCOMEFor the six months ended as of June 30th | Million of Colombian pesos or million dollars

	Accumulated (YTD)			Period (2 nd Q)		
	2024	2023	Variation	2024	2023	Variation
Continuing operations						
Income from operations	\$ 2.655.505	\$ 2.761.321	(3,8)	1.344.172	1.359.806	(1,1)
<i>US\$ dollar (millions)</i>	677	601	12,7	343	306	12,0
Cost of sales	(1.992.221)	(2.114.873)	(5,8)	(1.015.148)	(1.051.195)	(3,4)
Cost of sales	(1.806.911)	(1.917.202)	(5,8)	(915.921)	(950.717)	(3,7)
Depreciation and amortization	(185.310)	(197.671)	(6,3)	(99.227)	(100.478)	(1,2)
Gross profit	\$ 663.284	\$ 646.448	2,6	329.024	308.611	6,6
Administrative expenses	(222.498)	(206.254)	7,9	(111.483)	(103.661)	7,5
Selling expenses	(84.618)	(83.063)	1,9	(44.030)	(41.252)	6,7
Depreciation and amortization	(33.885)	(43.321)	(21,8)	(16.717)	(20.132)	(17,0)
Impairment of goodwill and assets	-	203	100	.	(203)	(100)
Other revenues, net	15.176	(16.682)	191,0	(7.336)	(12.362)	(40,7)
Operating profit	\$ 337.459	\$ 296.925	13,7	149.458	131.001	14,1
EBITDA	556.654	538.120	3,4	265.402	251.814	5,4
<i>US\$ dollar (millions)</i>	142	117	21,3	68	57	19,0
Adjusted EBITDA	570.071	538.120	5,9	278.819	251.814	10,7
<i>US\$ dollar (millions)</i>	145	117	24,2	71	57	25,0
Financial expenses, net	(264.558)	(299.890)	11,8	(170.433)	(167.494)	1,8
Foreign currency exchange (loss) gains	(5.048)	(57.641)	91,2	5.977	(42.702)	(114,0)
Share of profit of associates and joint ventures	56.602	(3.040)	1961,9	128.559	(684)	18895,2
Profit before income tax	\$ 124.455	\$ (63.646)	295,5	113.561	(79.879)	(242,2)
Income tax	(31.788)	(4.288)	641,3	(15.577)	13.255	(217,5)
Discontinued operations, net	5.335.934	286.355	1763,4	-	190.220	(100)
Net income	\$ 5.428.601	\$ 218.421	2385,4	97.984	123.596	(20,7)
Income for the period attributable to:						
Owners of the parent company	5.398.926	179.161	2913,4	79.040	100.735	(21,5)
Non-controlling interest	29.675	39.260	(24,4)	18.944	22.861	(17,1)
Net income for the year	\$ 5.428.601	\$ 218.421	2385,4	97.984	123.596	(20,7)
<i>US\$ dollar - Owners of the parent company</i>	1.377	39	3432,8	20	22	(10,8)
Net income adjusted	199.560	254.257	(21,5)	127.152	135.984	(6,5)
Additional Information:						
Gross margin	25,0%	23,4%		24,5%	22,7%	
Operating margin	12,7%	10,8%		11,1%	9,6%	
Net margin	203,3%	6,5%		5,9%	7,4%	
EBITDA	566.654	538.120		265.402	251.814	
EBITDA margin	21,0%	19,5%		19,7%	18,5%	
Adjusted EBITDA	570.071	538.120		278.819	251.814	
Adjusted EBITDA margin	21,5%	19,5%		20,7%	18,5%	

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONFor the six months ended as of June 30th and December 31st | Millions of Colombian pesos or million dollars

	2024	2023	Variation
ASSETS			
Cash and cash equivalents	\$ 2.751.620	\$ 1.008.527	172,8
Other financial assets	8.582	127	6657,5
Derivative financial instruments	117.422	135.390	(13,3)
Trade receivables and other accounts receivable, net	618.145	1.184.294	(47,8)
Tax asset	296.095	199.616	48,3
Inventories	737.237	1.219.898	(39,6)
Other non-financial assets	114.525	234.567	(51,2)
Assets held for sale	-	236	(100)
Total current assets	\$ 4.643.626	\$ 3.982.655	16,6
Trade receivables and other accounts receivable, net	39.519	41.208	(4,1)
Investments in associates and joint ventures	8.415.800	39.238	21348,1
Derivative financial instruments	62.556	34.916	79,2
Other financial assets	1.007.626	852.755	18,2
Other intangible assets, net	406.957	484.712	(16,0)
Assets by right of use of leases, net	143.188	433.223	(66,9)
Biological assets	15.593	16.164	(3,5)
Property, plant and equipment, net	5.037.073	11.523.084	(56,3)
Investment property	206.144	240.569	(14,3)
Goodwill	993.123	1.601.761	(38,0)
Deferred tax assets	97.246	250.136	(61,1)
Other non-current assets	11.238	10.318	8,9
Total non-current assets	\$ 16.436.063	\$ 15.528.084	5,8
TOTAL ASSETS	\$ 21.079.689	\$ 19.510.739	8,0
<i>US\$ dollar (millions)</i>	5.082	5.105	(0,4)
LIABILITIES			
Financial liabilities	1.540.831	1.819.111	(15,3)
Leasing liability	43.265	103.151	(58,1)
Trade liabilities and accounts payable	1.178.528	1.160.101	1,6
Tax liability	61.496	49.078	25,3
Employee benefits	140.002	252.106	(44,5)
Provisions	32.696	71.504	(54,3)
Other financial liabilities	78.600	88.266	(11,0)
Derivative financial instruments	234.352	226.270	3,6
Outstanding bonds and preferred shares	433.051	196.845	120,0
Other non-financial liabilities	234.781	265.213	(11,5)
Total current liabilities	\$ 3.977.602	\$ 4.231.645	(6,0)
Financial liabilities	979.969	2.234.376	(56,1)
Leasing liability	100.250	422.628	(76,3)
Employee benefits	222.140	232.015	(4,3)
Derivative financial instruments	113.020	114.138	(1,0)
Provisions	50.249	185.436	(72,9)
Outstanding bonds and preferred shares	1.980.716	2.497.133	(20,7)
Other liabilities	78.425	-	100
Deferred tax liabilities	445.318	518.369	(14,1)
Total non-current liabilities	\$ 3.970.087	\$ 6.204.095	(36,0)
TOTAL LIABILITIES	\$ 7.947.689	\$ 10.435.740	(23,8)
<i>US\$ dollar (millions)</i>	1.916	2.730	(29,8)
Equity attributable to the owners of the parent company	12.372.596	8.013.711	54,4
Non-controlling interest	759.404	1.061.288	(28,4)
EQUITY	\$ 13.132.000	\$ 9.074.999	44,7
<i>US\$ dollar (millions)</i>	3.163	2.374	33,2
TOTAL EQUITY AND LIABILITIES	\$ 21.079.689	\$ 19.510.739	8,0

Appendix

Separated Financial Statements

In compliance with the letter 24 of 2017 and the article 5.2.4.1.5 of decree 2555 of 2010, is important to highlight that to have a better understanding of the financial information published by the company, both the consolidated and separated financial statements must be analyzed in conjunction including its respective appendixes and the solvency, profitability, liquidity and indebtedness are detailed in the respective document transmitted to the Superintendencia Financiera de Colombia.

The separated financial statements of Cementos Argos S.A. reflect a similar trend to the one reported in the analysis of our Colombian operation in the consolidated financial statements and complementary analysis published to the stock market and reported to the Superintendencia Financiera de Colombia. In the same way, the separated financial statements include the corporate expenses of the operation that supports all the geographies. In this sense, and in order to have an appropriate understanding of the solvency, profitability, liquidity and indebtedness of the company, it is suggested to analyze the consolidated financial statements.

Conference Call Information

The conference call to discuss 2Q24 results will be held on August 9th, 2024, at 11:00 a.m. Colombia & 12:00 a.m. ET

Join web seminar Zoom.

Register before the call:

https://summa-sci.zoom.us/webinar/register/WN_gxgf7HViTdiHFOScrxrg0A

Once you fill out the form, and depending on the configuration of your browser, you will either be automatically connected to the conference call or redirected to a tab with another link. On the second case, please click on the new link to access the event. To avoid connectivity issues, we suggest connecting at least 15 minutes before the call.

2Q24 results presentation and report are available from today August 9th, 2024, at Cementos Argos' Investor Relations website: ir.argos.co/en/financial-information/quarterly-results/

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