

Cementos Argos reports all time-high quarterly revenues: 2,9 trillion pesos

August 8th, 2022

Cementos Argos S.A. (Argos) is a geographically diverse rapidly growing cement and ready-mix concrete (RMC) company with presence in 16 countries and leading market positions in the US, Colombia, Caribbean & *Central* America (CCA) and total annual capacity of approximately 23.1 million tons of cement and 14.7 million m³ of concrete.

BVC: CEMARGOS, PFCEMARGOS

SANTIAGOX: CEMARGOSCL

ADR LEVEL 1: CMT0Y / ADR 144A: CMTRY - Reg-S: CMTSY

- Ready-mix volumes were favored by solid sales dynamics, especially in the United States and Colombia.
- Record revenues were mainly leveraged by the company's commercial strategy and by the higher volumes.
- Argos began a pilot test for the use of calcined clay in the USA, which reaffirms its commitment to reducing emissions.

Consolidated Results

Argos, the cement company of Grupo Argos, presented its quarterly results, highlighting record revenues and strong demand for cement and ready-mix, mainly in the United States and Colombia, as well as stable operating results in an environment of high-cost inflation thanks to the success of its commercial strategy in all geographies, the flexibility of its fuel matrix and the partial hedging of fuel prices.

From April to June, the cement company generated revenues for 2.9 trillion pesos, 15.3% higher compared to the same months of the previous year. Also, it obtained an adjusted EBITDA* of close to COP 525 billion, 2.6% higher than the second quarter of 2021. Net income*** decreased compared to 2021 due to non-recurring operations of asset sales that were reflected in the results of the second quarter of 2021.

It is noteworthy that the adjusted volume* of Ready-Mix in the period rose 13.4% and reached 1.9 million cubic meters, while the adjusted volume of cement* stood at 4.2 million tons, representing a comparable growth of 6.2% if the trading business is excluded and a decrease of 4% in general.

In line with its commitment to sustainability and, specifically, to the reduction of emissions, the company began a pilot test for the use of calcined clay in the United States and expects to reach production of three million tons of clay per year in all of its geographies by 2030, which translates into the production of green cement and concrete.



“We are convinced of the great opportunity that lies ahead to lead the industry in sustainability and generate greater value for our shareholders and all stakeholders. The calcined clay pilot that we are starting in the USA is another important milestone in our roadmap to produce carbon-neutral concrete by 2050. The results of the second quarter were very positive both in terms of revenue growth and volumes; driven, mainly, by the solidity of demand in the United States and the good dynamics of the Colombian economy amidst a challenging situation of high inflation and increase in interest rates”

Juan Esteban Calle, CEO

Key Figures		QUARTER			YTD		
		2021.Q2	2022.Q2	Var	2021.Q2	2022.Q2	Var
Revenue	COP Bn	2,473	2,851	15.3%	4,791	5,429	13.3%
EBITDA	COP Bn	696	509	-26.9%	1,141	954	-16.4%
EBITDA Adjusted	COP Bn	512	525	2.6%	949	884	-6.8%
Margin EBITDA	%	28.1%	17.8%	-10.3%	23.8%	17.6%	-6.2%
Margin EBITDA Adjusted	%	21.1%	18.4%	-2.7%	20.2%	16.3%	-3.9%
Net Profit	COP Bn	164	5	-96.7%	220	27	-87.6%
Net Margin	%	6.6%	0.2%	-6.4%	4.6%	0.5%	-4.1%

Volumes		QUARTER			YTD		
		2021.Q2	2022.Q2	Var	2021.Q2	2022.Q2	Var
Cement	000 TM	4,494	4,220	-6.1%	8,617	8,170	-5.2%
Cement - Adjusted	000 TM	4,394	4,220	-4.0%	8,383	8,170	-2.6%
RMC	000 M ³	1,981	1,957	-1.2%	3,983	3,864	-3.0%
RMC - Adjusted	000 M ³	1,726	1,957	13.4%	3,520	3,864	9.8%

The company reaffirms its consolidated EBITDA guidance for the year between 2.05 and 2.15 trillion pesos for the end of 2022, as well as a return on capital of around 10% for the same period.

Results Per Region

USA:

During the second quarter, revenues in this country were USD 416 million, 7.5% higher than those registered in the same months of 2021. Adjusted EBITDA*, remained stable at USD 75 million, results achieved in part by the USD 11 million in savings derived from the fuels hedging strategy. It is worth noting that, in June, Argos achieved the highest monthly EBITDA recorded to date since the company has been present in the country.

Regarding adjusted volumes, the company experienced strong demand across most of its operations. Therefore, dispatches of ready-mix rose 6.4% and totaled 1.2 million cubic meters, as did cement dispatches, which also increased 6.4% and totaled 1.7 million tons.

As for the market, positive conditions continue in the residential and commercial segments. Argos continues to monitor the evolution of macroeconomic variables and their possible impact on operations, although it remains optimistic in the medium and long term regarding the already approved bipartisan infrastructure bill, which will translate into greater demand in the medium and long term.

Key Figures		QUARTER			YTD		
		2021.Q2	2022.Q2	Var	2021.Q2	2022.Q2	Var
Revenue	USD M	387	416	7.5%	736	776	5.4%
EBITDA	USD M	126	71	-43.7%	177	133	-24.8%
EBITDA Adjusted	USD M	76	75	-0.4%	123	115	-6.9%
Margin EBITDA	%	32.6%	17.1%	-15.5%	24.0%	17.1%	-6.9%
Margin EBITDA Adjusted	%	20.2%	18.1%	-2.1%	17.4%	14.8%	-2.6%
Volumes		QUARTER			YTD		
		2021.Q2	2022.Q2	Var	2021.Q2	2022.Q2	Var
Cement	000 MT	1,659	1,658	0.0%	3,098	3,060	-1.2%
Cement - Adjusted	000 MT	1,558	1,658	6.4%	2,864	3,060	6.8%
RMC	000 M3	1,412	1,230	-12.9%	2,789	2,430	-12.9%
RMC - Adjusted	000 M3	1,156	1,230	6.4%	2,326	2,430	4.5%

Colombia:

The strong market dynamics continued during the second quarter of the year, supported by the retail segment, residential construction, and infrastructure projects. In the country, Argos' revenues grew 27.1%, reaching 678 billion pesos, and adjusted EBITDA** increased 12.7%, totaling COP 136 billion.

Continuing with the positive performance, concrete sales rose 25.1% and reached 656 thousand cubic meters, cement sales increased 13.3%, for a total of 1.5 million tons shipped from April to June.

In the country, housing sales and the start of residential projects continue to be a support of the market. In terms of infrastructure, projects such as the Bogotá Metro and 5G will bring significant demand in the coming years.

Key Figures		QUARTER			YTD		
		2021.Q2	2022.Q2	Var	2021.Q2	2022.Q2	Var
Revenue	COP Bn	533	678	27.1%	1,137	1,310	15.2%
EBITDA	COP Bn	105	136	29.0%	250	266	6.3%
EBITDA Adjusted	COP Bn	121	136	12.7%	279	266	-4.7%
Margin EBITDA	%	19.8%	20.1%	0.3%	22.0%	20.3%	-1.71%
Margin EBITDA Adjusted	%	22.7%	20.1%	-2.6%	24.6%	20.3%	-4.3%
Volumes		QUARTER			YTD		
		2021.Q2	2022.Q2	Var	2021.Q2	2022.Q2	Var
Cement	000 MT	1,335	1,513	13.3%	2,805	2,980	6.2%
Local Market	000 TM	1,106	1,235	11.7%	2,351	2,406	2.3%
Exports	000 TM	230	277	20.8%	454	575	26.5%
RMC	000 M3	525	656	25.1%	1,097	1,305	19.0%
Aggregates	000 MT	346	330	-4.6%	748	732	-2.1%

CCA:

In the second quarter, revenues were USD 138 million, while adjusted EBITDA** closed at USD 32 million, 18.8% below the same period of the previous year, affected by the combination of lower volumes in Honduras and Haiti and the already known inflationary pressures.

In this region, shipments of concrete were positive, increasing 58.9% and stood at 71 thousand cubic meters. For its part, cement volumes reached 1 million tons, with an improvement in those of the local market with respect to the first quarter of the year and a lower dynamic on the trading business, which resulted in a decrease in shipments of 30% cement. If this line is excluded, cement volumes fall 4.7%.

Regarding these markets, the company remains cautiously optimistic.

Key Figures		QUARTER			YTD		
		2021.Q2	2022.Q2	Var	2021.Q2	2022.Q2	Var
Revenue	USD M	139	138	-0.3%	272	276	1.5%
EBITDA	USD M	43	32	-26.4%	85	61	-28.5%
EBITDA Adjusted	USD M	39	32	-18.8%	77	61	-21.2%
Margin EBITDA	%	31.4%	23.2%	-8.2%	31.2%	22.0%	-9.2%
Margin EBITDA Adjusted	%	28.5%	23.2%	-5.3%	28.3%	22.0%	-6.3%
Volumes		QUARTER			YTD		
		2021.Q2	2022.Q2	Var	2021.Q2	2022.Q2	Var
Total Cement	000 TM	1,500	1,050	-30.0%	2,714	2,130	-21.5%
Local Market	000 TM	901	858	-4.7%	1,783	1,642	-7.9%
Trading	000 TM	599	191	-68.1%	931	487	-47.7%
RMC	000 M3	45	71	58.9%	97	129	33.2%

Summary of results:

Below is a summary of the main consolidated figures and by region for the second quarter of 2022:

COP Bn	Revenue			Ebitda				
	2021.Q2	2022.Q2	Var	2021.Q2	Mgn (%)	2022.Q2	Mgn (%)	Var Marg
Colombia	533	678	27.1%	105	19.8%	136	20.1%	30
USA	1,428	1,632	14.3%	461	32.3%	279	17.1%	-1,522
CCA	512	541	5.8%	161	31.4%	126	23.2%	-819
Subtotal	2,473	2,851	15.3%	727	29.4%	540	19.0%	-1046 bps
Corporate			0.0%	-31	N/A	-32	N/A	N/A
Other Businesses			0.0%		N/A	-0.1	N/A	N/A
Consolidated Results	2,473	2,851	15.3%	696	28.1%	509	17.8%	-1030 bps

USD M								
Colombia	144	173	20.2%	28	19.7%	35	20.1%	40
USA	387	416	7.5%	126	32.6%	71	17.1%	-1,553
CCA	139	138	-0.3%	43	31.4%	32	23.2%	-820
Subtotal	670	728	8.6%	198	29.6%	138	19.0%	-1063 bps
Corporate			0.0%	-8	N/A	-8	N/A	N/A
Other Businesses			0.0%		N/A	-0.02	N/A	N/A
Consolidated Results	670	728	8.6%	190	28.3%	130	17.8%	-1046 bps

*** Consolidated Results and US Region:**

Adjusted EBITDA excludes: i) For 2Q22 a non-operational expense related to the listing process for COP 16.1 billion, equivalent to USD 4.1 million, ii) For 2Q21 EBITDA excludes COP 174 billion of the gain on sale of the Dallas divestiture, equivalent to USD 48.1 million, COP 1.5 billion generated by the Dallas operation, equivalent to USD 426 thousand, and COP 8.2 billion generated by the divested RMC operations in FL and NC, equivalent to USD 2.3 million.

Adjusted EBITDA Margin excludes: i) For 2Q22 a non-operational expense related to the listing process for COP 16.1 billion, equivalent to USD 4.1 million, ii) For 2Q21 EBITDA excludes COP 174 billion of the gain on sale of the Dallas divestiture, equivalent to USD 48.1 million.

Adjusted Ready-mix volumes for 2Q21 exclude 141k m3 sold by the divested Dallas operations and 115k m3 sold by the operations in FL and NC divested on 1Q22.

Cement volumes exclude since 3Q21 the product bought to third parties used to supply Argos' operations of RMC in the US, particularly in Texas, to reflect better the degree of integrations of the operations. For purposes of comparability, the adjusted figure for 2Q21 excludes 100k tons of cement purchased from third parties.

****Colombia and CCA Regions:**

Starting 2022, the exports division that was previously reported on the CCA region will be reported in the Colombian region. Total cement represents local market and export volumes.

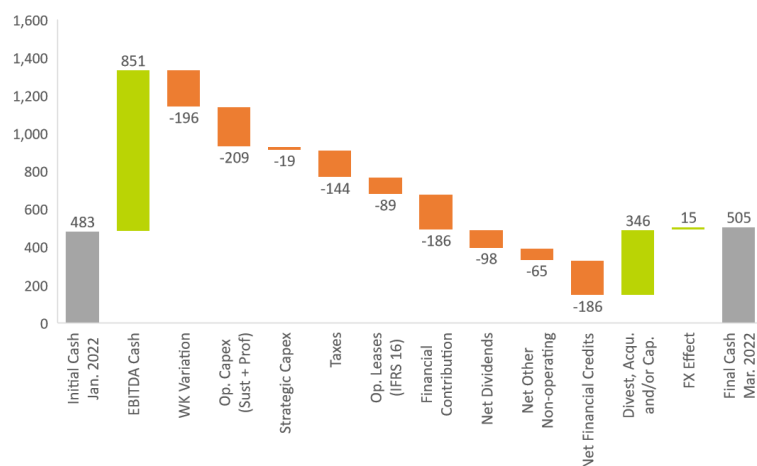
Adjusted EBITDA and EBITDA Margin include for 2Q21 COP 15.3 billion generated by the export division and exclude for CCA USD 4.1 million generated by the export business.

*****Net income for the second quarter of 2021 includes non-recurring income of 77 billion pesos associated with the divestment of Dallas.**

Indebtedness and coverage indicators:

Net debt to EBITDA plus dividends ratio slightly increased during the quarter, closing at 3 times, mostly affected by the gain on sale from the Dallas divestiture that was carried out during the second quarter of 2021, and is no longer included in our last 12 months EBITDA. Also, higher cash outflow generated by the inflationary pressures affected the leverage ratio.

Cash Flow as of June 30th, 2022 (COP Billion¹):



Cash flow (COP Mill)	Total
EBITDA	851,116
Net Op. Working Capital	(195,625)
Maintenance CAPEX + Profitability	(209,227)
Strategic CAPEX	(18,702)
Taxes	(143,952)
Leases operations (IFRS 16)	(88,711)
Total Free Cash Flow	194,899
Net Financial Expenses	(186,062)
Net Dividends	(97,885)
Net Other Non-Operating	(64,615)
Net Financial Operations	(185,784)
Divestments, Acquisitions and/or Capitalizations	346,170
Total Financial Cash Flow	(188,176)
Total Cash Flow for the Period	6,723
Initial Cash Flow	483,229
Exchange rate effect	14,801
Final Cash Flow	504,753

Investment Portfolio as of June 30th, 2022:

Company	% Stake	Price per Share (COP)	Value (COP million)	Value (USD million)
Grupo Sura	6.08%	39,400	1,118,761	271
Total			1,118,761	271

¹* FX Rate as of June 30th, 2022: COP 4,127.47 / USD

Cementos Argos S. A. and subsidiaries

CONSOLIDATED INCOME STATEMENT

For the periods three months ended June 30th, 2022 and 2021 | Million of Colombian pesos or Million of US dollars

	Accumulated (YTD)			Period (2Q)		
	2022	2021	Variation	2022	2021	Variation
Continuing operations						
Income from operations	\$ 5,428,596	\$ 4,791,397	13.3	\$ 2,851,315	\$ 2,473,282	15.3
US\$ dollar	1,387	1,321	4.9	728	670	8.6
	(4,530,370)	(3,838,951)	18.0	(2,317,094)	(1,971,322)	17.5
Cost of sales))		
	(4,121,408)	(3,444,140)	19.7	(2,116,239)	(1,766,793)	19.8
Cost of sales))		
Depreciation and amortization	(408,962)	(394,811)	3.6	(200,855)	(204,529)	(1.8)
Gross profit	\$ 898,226	\$ 952,446	(5.7)	\$ 534,221	\$ 501,960	6.4
Administrative expenses	(327,673)	(283,019)	15.8	(166,997)	(146,801)	13.8
Selling expenses	(139,794)	(116,496)	20.0	(72,299)	(56,366)	28.3
Depreciation and amortization	(47,720)	(61,875)	(22.9)	(23,446)	(29,109)	(19.5)
Assets impairment	-	-	-	-	-	-
Other expenses from operations, net	114,324	193,477	(40.9)	13,065	192,685	(93.2)
Operating profit	\$ 497,363	\$ 684,533	(27.3)	\$ 284,544	\$ 462,369	(38.5)
EBITDA	954,045	1,141,219	(16.4)	508,845	696,007	(26.9)
US\$ dollar	244	315	(22.6)	130	190	(31.5)
Financial expenses, net	(260,084)	(191,007)	36.2	(150,506)	(108,225)	39.1
Foreign currency exchange gains (loss), net	(11,047)	(23,250)	(52.5)	(6,038)	(8,061)	(25.1)
Share of profit of associates and joint ventures	936	(8,273)	(111.3)	963	(1,835)	(152.5)
Profit before income tax	\$ 227,168	\$ 462,003	(50.8)	\$ 128,963	\$ 344,248	(62.5)
Income tax	(164,491)	(192,999)	(14.8)	(104,312)	(151,611)	(31.2)
Net income	\$ 62,677	\$ 269,004	(76.7)	\$ 24,651	\$ 192,637	(87.2)
Income for the period attributable to:						
Owners of the parent company	27,292	219,545	(87.6)	5,470	164,225	(96.7)
Non-controlling interest	35,385	49,459	(28.5)	19,181	28,412	(32.5)
Net income for the year	\$ 62,677	\$ 269,004	(76.7)	\$ 24,651	\$ 192,637	(87.2)
US\$ dollar - Owners of the parent company	7	61	(88.5)	1	45	(96.9)
Additional Information:						
Gross margin	16.5%	19.9%		18.7%	20.3%	
Operating margin	9.2%	14.3%		10.0%	18.7%	
Net margin	0.5%	4.6%		0.2%	6.6%	
EBITDA	954,045	1,141,219		508,845	696,007	
EBITDA margin	17.6%	23.8%		17.8%	28.1%	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the period ended as of June 30th | Millions of Colombian pesos or million dollar

	2021	2020	Variation
ASSETS			
Cash and cash equivalents	\$ 504,753	\$ 483.229	4.5
Derivative financial instruments	33,016	16.263	103.0
Other financial assets	86,930	160	54231.3
Trade receivables and other accounts receivable, net	1,399,773	1.130.253	23.8
Tax receivable	279,421	201.827	38.4
Inventories	1,185,050	1.035.296	14.5
Other non-financial assets	62,713	80.779	(22.4)
Assets held for sale or for distribution to owners	42,507	42.507	-
Total current assets	\$ 3,594,163	\$ 2,990.314	20.2
Trade receivables and other accounts receivable, net	50,120	48.782	2.7
Investments in associates and joint ventures	35,371	26.602	33.0
Derivative financial instruments	42,541	15.974	166.3
Other non-current financial assets	1,142,345	876.394	30.3
Other intangible assets, net	691,729	704.845	(1.9)
Assets by right of use of leases	589,074	595.787	(1.1)
Biological assets	19,837	19.953	(0.6)
Property, plant and equipment, net	11,921,268	11.890.008	0.3
Investment property, net	229,967	225.282	2.1
Goodwill, net	1,729,832	1.862.913	(7.1)
Deferred tax assets	289,396	312.948	(7.5)
Other non-current assets	523	-	100
Total non-current assets	\$ 16,742,003	\$ 16.579.488	1.0
TOTAL ASSETS	\$ 20,336,166	\$ 19.569.802	3.9
US\$ dollar			
LIABILITIES			
Financial liabilities	1,660,432	1.476.758	12.4
Leasing liability	126,648	118.945	6.5
Trade liabilities and accounts payable	1,553,599	983.726	57.9
Taxes, liens and duties	221,728	205.542	7.9
Employee benefits	139,873	180.102	(22.3)
Provisions	101,179	95.660	5.8
Derivative financial instruments	6,896	1.360	407.1
Outstanding bonds and preferred shares	251,175	317.884	(21.0)
Prepaid income and other liabilities	110,218	104.693	5.3
Total current liabilities	\$ 4,171,748	\$ 3.484.670	19.7
Financial liabilities	1,674,284	1.615.678	3.6
Leasing liability	544,756	556.586	(2.1)
Trade liabilities and accounts payable	6	5	20.0
Employee benefits	231,236	237.982	(2.8)
Derivative financial instruments	13,334	47.451	(71.9)
Provisions	173,221	201.762	(14.1)
Outstanding bonds and preferred shares	2,720,354	2.926.871	(7.1)
Deferred tax liabilities	378,936	293.992	28.9
Total non-current liabilities	\$ 5,736,127	\$ 5.880.327	(2.5)
TOTAL LIABILITIES	\$ 9,907,875	\$ 9.364.997	5.8
US\$ dollar	2,400	2,352	2.0
Equity	9,476,290	9.250.118	2.4
Non-controlling interest	952,001	954.687	(0.3)
EQUITY	\$ 10,428,291	\$ 10.204.805	2.2
US\$ dollar	2,527	2,563	(1.4)
TOTAL EQUITY AND LIABILITIES	\$ 20,336,166	\$ 19.569.802	3.9

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 2Q22 results will be held on Tuesday, August 9th, 2022 at 8:00 a.m. Colombia & 9:00 a.m. ET

Join web seminar Zoom.

Register before the call:

https://summa-sci.zoom.us/webinar/register/WN_FbezBVPvSS-Q9is-qzPXJg

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. In order to avoid connectivity issues, we suggest connecting at least 15 minutes before the call.

2Q22 results presentation and report are available from today Monday, August 8th, 2022 at Cementos Argos' Investor Relations website: <https://ir.argos.co/en/Financial-Information/Reports>

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