

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended  
April 30, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-31756



(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

13-1947195

(I.R.S. Employer Identification No.)

**One Church Street, Suite 201, Rockville, Maryland 20850**

(Address of Principal Executive Offices) (Zip Code)

**(301) 315-0027**

(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed since Last Report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, \$0.15 par value	AGX	New York Stock Exchange

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Common stock, \$0.15 par value: 13,354,332 shares as of May 31, 2024.

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

	Three Months Ended	
	April 30,	
	2024	2023
<b>REVENUES</b>	\$ 157,682	\$ 103,675
Cost of revenues	139,738	89,451
<b>GROSS PROFIT</b>	17,944	14,224
Selling, general and administrative expenses	11,425	10,591
<b>INCOME FROM OPERATIONS</b>	6,519	3,633
Other income (loss), net	4,794	(629)
<b>INCOME BEFORE INCOME TAXES</b>	11,313	3,004
Income tax expense	3,431	895
<b>NET INCOME</b>	<u>\$ 7,882</u>	<u>\$ 2,109</u>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAXES</b>		
Foreign currency translation adjustments	(790)	440
Net unrealized losses on available-for-sale securities	(969)	(37)
<b>COMPREHENSIVE INCOME</b>	<u>\$ 6,123</u>	<u>\$ 2,512</u>
<b>NET INCOME PER SHARE</b>		
Basic	\$ 0.59	\$ 0.16
Diluted	\$ 0.58	\$ 0.16
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>		
Basic	13,257	13,413
Diluted	13,572	13,546
<b>CASH DIVIDENDS PER SHARE</b>	<u>\$ 0.30</u>	<u>\$ 0.25</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**ARGAN, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands, except per share data)

	April 30, 2024	January 31, 2024
	(Unaudited)	(Note 1)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 207,738	\$ 197,032
Investments	208,618	215,373
Accounts receivable, net	59,960	47,326
Contract assets	54,385	48,189
Other current assets	43,625	39,259
<b>TOTAL CURRENT ASSETS</b>	<b>574,326</b>	<b>547,179</b>
Property, plant and equipment, net	10,825	11,021
Goodwill	28,033	28,033
Intangible assets, net	2,120	2,217
Deferred taxes, net	2,305	2,259
Right-of-use and other assets	6,799	7,520
<b>TOTAL ASSETS</b>	<b>\$ 624,408</b>	<b>\$ 598,229</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 66,448	\$ 39,485
Accrued expenses	60,721	81,721
Contract liabilities	200,429	181,054
<b>TOTAL CURRENT LIABILITIES</b>	<b>327,598</b>	<b>302,260</b>
Noncurrent liabilities	3,655	5,030
<b>TOTAL LIABILITIES</b>	<b>331,253</b>	<b>307,290</b>
<b>COMMITMENTS AND CONTINGENCIES</b> (see Notes 8 and 9)		
<b>STOCKHOLDERS' EQUITY</b>		
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; 15,828,289 shares issued; 13,350,180 and 13,242,520 shares outstanding at April 30, 2024 and January 31, 2024, respectively	2,374	2,374
Additional paid-in capital	164,501	164,183
Retained earnings	229,364	225,507
Less treasury stock, at cost – 2,478,109 and 2,585,769 shares at April 30, 2024 and January 31, 2024, respectively	(97,728)	(97,528)
Accumulated other comprehensive loss	(5,356)	(3,597)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>293,155</b>	<b>290,939</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 624,408</b>	<b>\$ 598,229</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**ARGAN, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED APRIL 30, 2024 AND 2023**  
(Dollars in thousands)  
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Equity
	Outstanding Shares	Par Value					
<b>Balances, February 1, 2024</b>	13,242,520	\$ 2,374	\$ 164,183	\$ 225,507	\$ (97,528)	\$ (3,597)	\$ 290,939
Net income	—	—	—	7,882	—	—	7,882
Foreign currency translation loss	—	—	—	—	—	(790)	(790)
Net unrealized losses on available-for-sale securities	—	—	—	—	—	(969)	(969)
Stock compensation expense	—	—	1,211	—	—	—	1,211
Stock option exercises and restricted stock unit settlements, net of shares withheld for exercise price and withholding taxes	113,260	—	(893)	—	(13)	—	(906)
Common stock repurchases	(5,600)	—	—	—	(187)	—	(187)
Cash dividends	—	—	—	(4,025)	—	—	(4,025)
<b>Balances, April 30, 2024</b>	<u>13,350,180</u>	<u>\$ 2,374</u>	<u>\$ 164,501</u>	<u>\$ 229,364</u>	<u>\$ (97,728)</u>	<u>\$ (5,356)</u>	<u>\$ 293,155</u>
<b>Balances, February 1, 2023</b>	13,441,590	\$ 2,374	\$ 162,208	\$ 207,832	\$ (88,641)	\$ (2,876)	\$ 280,897
Net income	—	—	—	2,109	—	—	2,109
Foreign currency translation gain	—	—	—	—	—	440	440
Net unrealized losses on available-for-sale securities	—	—	—	—	—	(37)	(37)
Stock compensation expense	—	—	1,034	—	—	—	1,034
Stock option exercises and restricted stock unit settlements	65,470	—	(1,895)	—	2,439	—	544
Common stock repurchases	(92,656)	—	—	—	(3,681)	—	(3,681)
Cash dividends	—	—	—	(3,357)	—	—	(3,357)
<b>Balances, April 30, 2023</b>	<u>13,414,404</u>	<u>\$ 2,374</u>	<u>\$ 161,347</u>	<u>\$ 206,584</u>	<u>\$ (89,883)</u>	<u>\$ (2,473)</u>	<u>\$ 277,949</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**ARGAN, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	<u>Three Months Ended April 30,</u>	
	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 7,882	\$ 2,109
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Changes in accrued interest on investments	3,544	1,081
Stock compensation expense	1,211	1,034
Lease expense	647	439
Depreciation	480	547
Deferred income tax expense	263	147
Amortization of intangible assets	97	98
Other	(38)	57
Changes in operating assets and liabilities		
Accounts receivable	(12,636)	(10,642)
Contract assets	(6,196)	19,864
Other assets	(4,422)	(4,089)
Accounts payable and accrued expenses	7,479	(26,940)
Contract liabilities	19,375	15,047
Net cash provided by (used in) operating activities	<u>17,686</u>	<u>(1,248)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of short-term investments	(57,500)	(90,000)
Maturities of short-term investments	80,000	149,750
Purchases of available-for-sale securities	(29,824)	(30,355)
Maturities of available-for-sale securities	9,230	—
Purchases of property, plant and equipment	(322)	(645)
Investments in solar energy projects	(3,312)	—
Net cash (used in) provided by investing activities	<u>(1,728)</u>	<u>28,750</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common stock repurchases	(187)	(3,681)
Payments of cash dividends	(4,025)	(3,357)
Proceeds from share-based award settlements, net of withholding taxes paid	(906)	544
Net cash used in financing activities	<u>(5,118)</u>	<u>(6,494)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH</b>	<u>(134)</u>	<u>992</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>10,706</u>	<u>22,000</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>197,032</u>	<u>173,947</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 207,738</u>	<u>\$ 195,947</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Right-of-use assets obtained in exchange for lease obligations	<u>\$ 542</u>	<u>\$ 293</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for income taxes, net of refunds	<u>\$ 3,312</u>	<u>\$ 513</u>
Cash paid for operating leases	<u>\$ 651</u>	<u>\$ 444</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**ARGAN, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2024**  
**(Tabular dollar amounts in thousands, except per share data)**  
**(Unaudited)**

**NOTE 1 – DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION**

**Description of the Business**

Argan, Inc. ("Argan") conducts operations through its wholly-owned subsidiaries, Gemma Power Systems, LLC and affiliates ("GPS"); The Roberts Company, Inc. ("TRC"); Atlantic Projects Company Limited and affiliates ("APC") and Southern Maryland Cable, Inc. ("SMC"). Argan and these consolidated subsidiaries are hereinafter collectively referred to as the "Company."

Through GPS and APC, the Company provides a full range of engineering, procurement, construction, commissioning, maintenance, project development, and technical consulting services to the power generation market. The customers include primarily independent power producers, public utilities, power plant equipment suppliers and other commercial firms with significant power requirements with projects located in the United States (the "U.S."), the Republic of Ireland ("Ireland") and the United Kingdom (the "U.K."). GPS and APC represent the Company's power industry services reportable segment. Through TRC, the industrial construction services reportable segment provides on-site services that support new plant construction and additions, maintenance turnarounds, shutdowns and emergency mobilizations for industrial operations primarily located in the Southeast region of the U.S. and that may include the fabrication, delivery and installation of steel components such as piping systems and pressure vessels. Through SMC, which conducts business as SMC Infrastructure Solutions, the telecommunications infrastructure services segment provides project management, construction, installation and maintenance services to commercial, local government and federal government customers primarily in the Mid-Atlantic region of the U.S.

**Basis of Presentation and Significant Accounting Policies**

The condensed consolidated financial statements include the accounts of Argan and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation. In Note 15, the Company has provided certain financial information relating to the operating results and assets of its reportable segments based on the manner in which management disaggregates the Company's financial reporting for purposes of making internal operating decisions.

The Company's fiscal year ends on January 31 each year. The condensed consolidated balance sheet as of April 30, 2024, the condensed consolidated statements of earnings and stockholders' equity for the three months ended April 30, 2024 and 2023, and the condensed consolidated statements of cash flows for the three months ended April 30, 2024 and 2023 are unaudited. The condensed consolidated balance sheet as of January 31, 2024 has been derived from audited consolidated financial statements. These condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. The accompanying condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements, the notes thereto, and the independent registered public accounting firm's report thereon, that are included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2024 ("Fiscal 2024").

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, which are of a normal and recurring nature, considered necessary for a fair statement of the financial position of the Company as of April 30, 2024, and its earnings and cash flows for the interim periods presented. The results of operations for any interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

## Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* introducing key amendments to enhance disclosures in public entities' reportable segments. Notable changes include the mandatory disclosure of significant segment expenses regularly provided to the chief operating decision maker ("CODM"), disclosure of other segment items, and requirements for consistency in reporting measures used by the CODM. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company is currently evaluating the effects, if any, that the adoption ASU 2023-07 may have on its financial position, results of operations, cash flows, or disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which introduces more detailed requirements for annual disclosures for income taxes. The ASU requires public business entities to present specific categories in the income tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. ASU 2023-09 also requires all entities to disclose the amount of income taxes paid, net of refunds received, disaggregated by federal, state, and foreign jurisdiction. The ASU is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the effects, if any, that the adoption of ASU 2023-09 may have on its financial position, results of operations, cash flows, or disclosures.

There are no other recently issued accounting pronouncements that have not yet been adopted that the Company considers material to its condensed consolidated financial statements.

## NOTE 2 – REVENUES FROM CONTRACTS WITH CUSTOMERS

### Disaggregation of Revenues

The following table presents consolidated revenues for the three months ended April 30, 2024 and 2023, disaggregated by the geographic area where the corresponding projects were located:

	Three Months Ended April 30,	
	2024	2023
United States	\$ 124,331	\$ 65,244
Republic of Ireland	28,891	24,856
United Kingdom	4,460	13,575
Consolidated Revenues	<u>\$ 157,682</u>	<u>\$ 103,675</u>

Revenues for projects located in Ireland and the U.K. are attributed to the power industry services segment. The major portions of the Company's consolidated revenues are recognized pursuant to fixed-price contracts with most of the remaining portions earned pursuant to time-and-material contracts. Consolidated revenues are disaggregated by reportable segment in Note 15 to the condensed consolidated financial statements.

### Contract Termination

For a project being performed by APC to construct a gas-fired power facility in Northern Ireland (the "Kilroot Project"), an estimated loss for the project of approximately \$12.7 million has been recognized, of which \$2.6 million was recorded during the three-month period ended April 30, 2024 and the remainder recorded in the prior fiscal year. On May 3, 2024, the project owner revoked the passes of the project and construction teams of APC to the construction site. APC had delivered a notice of contract breach with a 14-day resolution period. The issues were not resolved and APC terminated the contract (see Note 7). APC has significant unresolved contract variations and claims for extensions of time, among others, related to the Kilroot Project. The project owner has asserted counterclaims that the Company disputes. APC will continue to pursue all of its rights under the contract, and will do so through legal means if necessary.

### Contract Assets and Liabilities

The Company's timing of revenue recognition may not be consistent with its rights to bill and collect cash from project owners and other customers. Most contracts require payments as the corresponding work progresses that are determined in the manner described therein. This results in typically larger contract liability balances early in contract lives that decline over the terms of the corresponding contracts. During the three months ended April 30, 2024 and 2023, there were no

unusual or one-time adjustments to contract liabilities. The amounts of revenues recognized during the three months ended April 30, 2024 and 2023, that were included in the balances of contract liabilities as of January 31, 2024 and 2023, were approximately \$66.5 million and \$50.9 million, respectively.

Contract retentions are billed amounts which, pursuant to the terms of the applicable contract, are not paid by customers until a defined phase of a contract or project has been completed and accepted. These retained amounts are reflected in contract assets or contract liabilities depending on the net contract position of the particular contract. The amounts retained by project owners and other customers under construction contracts at April 30, 2024 and January 31, 2024 were \$24.8 million and \$21.2 million, respectively.

#### **Variable Consideration**

Variable consideration includes unapproved change orders for which the Company has project-owner directive for additional work or other scope change, but not for the price associated with the corresponding additional effort, that are included in the transaction price when it is considered probable that the applicable costs will be recovered through a modification to the contract price. The Company also includes in the corresponding transaction price an estimate of the amount that it expects to receive from claims based on management's judgment regarding all reasonably available information. At April 30, 2024 and January 31, 2024, the aggregate amounts of such contract variations, that primarily related to the Kilroot Project, and that were included in the corresponding transaction prices pending customer approvals, were \$9.4 million and \$8.4 million, respectively.

#### **Remaining Unsatisfied Performance Obligations ("RUPO")**

At April 30, 2024, the Company had RUPO of \$0.8 billion. The largest portion of RUPO at any date usually relates to engineering, procurement and construction ("EPC") service and other construction contracts with typical performance durations of one to three years. However, the length of certain significant construction projects may exceed three years. The Company estimates that approximately 67% of the RUPO amount at April 30, 2024 will be included in the amount of consolidated revenues that will be recognized during the remainder of the fiscal year ending January 31, 2025 ("Fiscal 2025"). Most of the remaining amount of the RUPO amount at April 30, 2024 is expected to be recognized in revenues during the fiscal years ending January 31, 2026 and January 31, 2027.

It is important to note that estimates may be changed in the future and that cancellations, deferrals, or scope adjustments may occur related to work included in the amount of RUPO at April 30, 2024. Accordingly, RUPO may be adjusted to reflect project delays and cancellations, revisions to project scope and cost and foreign currency exchange fluctuations, or to revise estimates, as effects become known. Such adjustments to RUPO may materially reduce future revenues below Company estimates.

#### **NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

At April 30, 2024 and January 31, 2024, certain amounts of cash equivalents were invested in a money market fund with net assets invested in high-quality money market instruments, including U.S. Treasury obligations; obligations of U.S. government agencies, authorities, instrumentalities or sponsored enterprises; and repurchase agreements secured by such obligations. Dividend income related to money market investments is recorded when earned. The balances of accrued dividends at April 30, 2024 and January 31, 2024 were \$0.6 million and \$0.7 million, respectively.

#### **Investments**

The Company's investments consisted of the following as of April 30, 2024 and January 31, 2024:

	April 30, 2024	January 31, 2024
Short-term investments	\$ 84,029	\$ 109,489
Available-for-sale securities	124,589	105,884
Total investments	<u>\$ 208,618</u>	<u>\$ 215,373</u>

#### Short-Term Investments

Short-term investments as of April 30, 2024 and January 31, 2024 consisted solely of certificates of deposit ("CDs") with initial maturities of one year or less purchased from Bank of America, N.A. (the "Bank"). The Company has the intent and ability to hold the CDs until they mature, and they are carried at cost plus accrued interest. The balances of accrued interest on the CDs at April 30, 2024 and January 31, 2024 were \$1.5 million and \$4.5 million, respectively. Interest income is recorded when earned and is included in other income. At April 30, 2024 and January 31, 2024, the weighted average annual interest rates of the outstanding CDs were 5.5% and 5.4%, respectively.

#### Available-For-Sale Securities

The Company's available-for-sale ("AFS") securities consisted of the following amounts of amortized cost, allowance for credit losses, gross unrealized gains and losses and estimated fair value by contractual maturity as of April 30, 2024 and January 31, 2024:

	April 30, 2024				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury notes:					
Due within one year	\$ 15,032	\$ —	\$ —	\$ 167	\$ 14,865
Due in one to two years	50,557	—	—	456	50,101
Due in two to three years	50,004	—	—	405	49,599
U.S. corporate debt security:					
Due in two to three years	10,046	—	—	22	10,024
Totals	<u>\$ 125,639</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,050</u>	<u>\$ 124,589</u>

	January 31, 2024				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury notes:					
Due in one to two years	\$ 50,634	\$ —	\$ 305	\$ 102	\$ 50,837
Due in two to three years	45,583	—	263	128	45,718
U.S. corporate debt security:					
Due in two to three years	9,406	—	—	77	9,329
Totals	<u>\$ 105,623</u>	<u>\$ —</u>	<u>\$ 568</u>	<u>\$ 307</u>	<u>\$ 105,884</u>

As of April 30, 2024 and January 31, 2024, interest receivable in the amounts of \$0.8 million and \$1.3 million, respectively, were included in the balances of AFS securities. For the three months ended April 30, 2024, the change in net unrealized holding losses, net of tax, for the Company's AFS securities reported in other comprehensive income was approximately \$1.0 million. For the three months ended April 30, 2023, the change in net unrealized holding losses, net of tax, for the Company's AFS securities reported in other comprehensive income was not material.

For the three months ended April 30, 2024 and 2023, there were no sales of the Company's AFS securities, and therefore, there were no amounts of gains or losses reclassified out of other comprehensive income into net income.

The Company does not believe the unrealized losses represent credit losses based on the evaluation of evidence as of April 30, 2024, which includes an assessment of whether it is more likely than not the Company will be required to sell or intends to sell the investments before recovery of their corresponding amortized cost bases.

## Earnings on Invested Funds

Earnings on invested funds for the three months ended April 30, 2024 and 2023 were \$4.5 million and \$2.4 million, respectively, and are included in other income, net, in the consolidated statements of earnings.

## Concentration Risk

The Company has a substantial portion of its cash on deposit in the U.S. with the Bank or invested in CDs purchased from the Bank. In addition, the Company has cash invested in a money market fund at a separate institution. The Company also maintains certain Euro-based bank accounts in Ireland and certain pound sterling-based bank accounts in the U.K. in support of the operations of APC. As of April 30, 2024, approximately 2% of the Company's cash and cash equivalents were held by financial institutions in Ireland and the U.K. Management does not believe that the combined amount of the CDs and the cash deposited with the Bank, cash invested in the money market fund, and cash balances maintained at financial institutions in Ireland and the U.K., in excess of government-insured levels, represent material risks.

## NOTE 4 – FAIR VALUE MEASUREMENTS

The following table presents the Company's financial instruments as of April 30, 2024 and January 31, 2024 that are measured and recorded at fair value on a recurring basis:

	April 30, 2024			January 31, 2024		
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash equivalents:						
Money market fund	\$ 144,895	\$ —	\$ —	\$ 126,646	\$ —	\$ —
Available-for-sale securities:						
U.S. Treasury notes	—	114,565	—	—	96,555	—
U.S. corporate debt security	—	10,024	—	—	9,329	—
Totals	<u>\$ 144,895</u>	<u>\$ 124,589</u>	<u>\$ —</u>	<u>\$ 126,646</u>	<u>\$ 105,884</u>	<u>\$ —</u>

## NOTE 5 – ACCOUNTS RECEIVABLE

The Company generally extends credit to a customer based on an evaluation of the customer's financial condition, without requiring tangible collateral. Customer payments on other construction, fabrication and field service contracts are generally due within 30 days of billing, depending on the negotiated terms of the corresponding contract. Exposure to losses on accounts and notes receivable is expected to differ due to the varying financial condition of each customer. The Company monitors its exposure to credit losses and may establish an allowance for credit losses based on management's estimate of the loss that is expected to occur over the remaining life of the particular financial asset. The amounts of the provision for credit losses for the three months ended April 30, 2024 and 2023 were insignificant. The allowance for credit losses at April 30, 2024 and January 31, 2024 was \$1.8 million.

## NOTE 6 – INTANGIBLE ASSETS

At both April 30, 2024 and January 31, 2024, the goodwill balances related primarily to the GPS and TRC reporting units, and were \$18.5 million and \$9.5 million, respectively. Management does not believe that any events or circumstances occurred or arose since January 31, 2024, that required an updated assessment of the goodwill balances of either the GPS or TRC reporting units.

The Company's intangible assets, other than goodwill, relate primarily to the industrial construction services segment and consisted of the following as of April 30, 2024 and January 31, 2024:

	Estimated Useful Life	April 30, 2024			January 31, 2024		
		Gross Amounts	Accumulated Amortization	Net Amounts	Gross Amounts	Accumulated Amortization	Net Amounts
Trade name	15 years	\$ 4,499	\$ 2,524	\$ 1,975	\$ 4,499	\$ 2,450	\$ 2,049
Customer relationships	10 years	916	771	145	916	748	168
Totals		<u>\$ 5,415</u>	<u>\$ 3,295</u>	<u>\$ 2,120</u>	<u>\$ 5,415</u>	<u>\$ 3,198</u>	<u>\$ 2,217</u>

The following is a schedule of future amounts of amortization related to purchased intangibles:

<b>Years ending January 31,</b>	<b>Amortization Expense</b>
2025 (remainder)	\$ 294
2026	376
2027	300
2028	300
2029	300
Thereafter	550
Total	\$ 2,120

#### **NOTE 7 – FINANCING ARRANGEMENTS**

On May 24, 2024, the Company and the Bank executed the Second Amended and Restated Replacement Credit Agreement with an expiration date May 31, 2027 (the "New Credit Agreement"). The New Credit Agreement supersedes the now expired credit agreement, as amended, that was executed on May 15, 2017 with an expiration date of May 31, 2024 (the "Expired Credit Agreement"), reduces the base lending commitment amount from \$50.0 million to \$35.0 million, increases the letter of credit fees to be consistent with current market conditions, and establishes the interest rate for revolving loans at the Secured Overnight Financing Rate ("SOFR") plus 1.85%. In addition to the base commitment, the new facility includes an accordion feature that allows for an additional commitment amount of \$30.0 million, subject to certain conditions, that represents an increase from the \$10.0 million accordion provided by the Expired Credit Agreement. The Company may use the borrowing ability to cover other credit instruments issued by the Bank for the Company's use in the ordinary course of business as defined in the New Credit Agreement. Further, on May 31, 2024, the Company completed the negotiation of a companion facility, in the amount of \$ 25.0 million, pursuant to which the Company's Irish subsidiary, Atlantic Projects Company Limited ("APCL"), may cause the Bank's European entity to issue letters of credit on its behalf that will be secured by a blanket parent company guarantee issued by Argan to the Bank.

At April 30, 2024 and January 31, 2024, the Company did not have any borrowings outstanding under the Expired Credit Agreement. However, the Bank had issued a letter of credit, in support of the activities of APC for the Kilroot Project, that was outstanding in the total amount of \$9.2 million as of April 30, 2024. Subsequent to April 30, 2024, the project owner made a draw for the full amount of the irrevocable letter of credit that is subject to the open and disputed contract variations and claims related to this project.

The Company has pledged the majority of its assets to secure its financing arrangements. The Bank's consent is not required for acquisitions, divestitures, cash dividends or significant investments as long as certain conditions are met. The New Credit Agreement requires that the Company comply with certain financial covenants at its fiscal year-end and at each fiscal quarter-end. The New Credit Agreement includes other terms, covenants and events of default that are customary for a credit facility of its size and nature, including a requirement to achieve positive adjusted earnings before interest, taxes, depreciation and amortization, as defined, over each rolling twelve-month measurement period. As of April 30, 2024, the Company was in compliance with the covenants and other requirements of the New Credit Agreement that are similar to those that were included in the Expired Credit Agreement.

#### **NOTE 8 – COMMITMENTS**

##### **Performance Bonds and Guarantees**

In the normal course of business and for certain major projects, the Company may be required to obtain surety or performance bonding, to cause the issuance of letters of credit, or to provide parent company guarantees (or some combination thereof) in order to provide performance assurances to clients on behalf of its contractor subsidiaries. As these subsidiaries are wholly-owned, any actual liability is ordinarily reflected in the financial statement account balances determined pursuant to the Company's accounting for contracts with customers. When sufficient information about claims on guaranteed or bonded projects would become available and monetary damages or other costs or losses are determined to be probable, the Company would record such losses.

As of April 30, 2024, the estimated amounts of the Company's unsatisfied bonded performance obligations, covering all of its subsidiaries, was approximately \$0.4 billion. As of April 30, 2024, the outstanding amount of bonds covering other

risks, including warranty obligations related to completed activities, was not material. Not all of our projects require bonding.

The Company also provided a financial guarantee, subject to certain terms and conditions, up to the amount of \$3.6 million in support of business development efforts. An estimated loss related to this guarantee was recorded during the year ended January 31, 2022 ("Fiscal 2022").

#### Warranties

The Company generally provides assurance-type warranties for work performed under its construction contracts. The warranties cover defects in equipment, materials, design or workmanship, and most warranty periods typically run from nine to twenty-four months after the completion of construction on a particular project. Because of the nature of the Company's projects, including project owner inspections of the work both during construction and prior to substantial completion, the Company has not experienced material unexpected warranty costs in the past. Warranty costs are estimated based on experience with the type of work and any known risks relative to each completed project. The accruals of liabilities, which are established to cover estimated future warranty costs, are recorded as the contracted work is performed, and they are included in the amounts of accrued expenses in the condensed consolidated balances sheets. The liability amounts may be periodically adjusted to reflect changes in the estimated size and number of expected warranty claims.

#### NOTE 9 – LEGAL CONTINGENCIES

In the normal course of business, the Company may have pending claims and legal proceedings. In the opinion of management, based on information available at this time, there were no current claims and proceedings that were expected to have a material adverse effect on the condensed consolidated financial statements as of April 30, 2024.

#### NOTE 10 – STOCK-BASED COMPENSATION

On June 23, 2020, the Company's stockholders approved the adoption of the 2020 Stock Plan (the "2020 Plan"). The 2020 Plan replaced the 2011 Stock Plan (the "2011 Plan"); the Company's authority to make awards pursuant to the 2011 Plan expired on July 19, 2021. Together, the 2020 Plan and the 2011 Plan are hereinafter referred to as the "Stock Plans." As of April 30, 2024, there were 1,920,114 shares of common stock reserved for issuance under the Stock Plans, which includes 483,679 shares of common stock available for future awards under the 2020 Plan.

Expense amounts related to stock awards were \$1.2 million and \$1.0 million for the three months ended April 30, 2024 and 2023, respectively. At April 30, 2024, there was \$8.0 million in unrecognized compensation cost related to outstanding stock awards that the Company expects to expense over the next three years.

#### Stock Options

A summary of stock option activity under the Stock Plans for the three months ended April 30, 2024 is presented below (shares in thousands):

	Shares	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term (years)	Weighted- Average Grant-Date Fair Value Per Share
Outstanding, February 1, 2024	1,365	\$ 44.95	4.67	\$ 10.43
Granted	6	\$ 61.22		
Exercised	(249)	\$ 41.58		
Forfeited	(4)	\$ 60.07		
Outstanding, April 30, 2024	1,118	\$ 45.73	4.47	\$ 10.63
Exercisable, April 30, 2024	1,047	\$ 46.13	4.19	\$ 10.81
Vested or expected to vest, April 30, 2024	1,118	\$ 45.73	4.47	\$ 10.63

The changes in the number of non-vested options to purchase shares of common stock for the three months ended April 30, 2024 is presented below (shares in thousands):

	<u>Shares</u>	<u>Weighted-Average Grant-Date Fair Value Per Share</u>
Non-vested, February 1, 2024	92	\$ 7.85
Granted	6	\$ 13.89
Vested	(27)	\$ 8.63
Non-vested, April 30, 2024	<u>71</u>	<u>\$ 8.06</u>

The total intrinsic value amounts related to the stock options exercised during the three months ended April 30, 2024 and 2023 were \$4.7 million and \$0.7 million, respectively. At April 30, 2024, the aggregate market value amounts of the shares of common stock subject to outstanding stock options and exercisable stock options where the options were "in-the-money" exceeded the aggregate exercise prices of such options by \$17.8 million and \$16.4 million, respectively.

#### Restricted Stock Units

The Company awards total stock return performance-based restricted stock units ("PRSUs"), earnings per share performance-based restricted stock units ("EPRSUs"), renewable energy performance-based restricted stock units ("RRSUs"), and time-based restricted stock units ("TRSUs") to senior executives, certain other key employees and members of the Company's board of directors. Awardees earn the right to receive shares of common stock as certain performance goals are achieved and/or service periods are satisfied. Each restricted stock unit expires on the three-year anniversary of the award.

During the three months ended April 30, 2024, the Company awarded PRSUs covering a target of 5,000 shares of common stock, EPRSUs covering a target of 10,000 shares of common stock, RRSUs covering a target of 5,000 shares of common stock, TRSUs covering 37,750 shares of common stock, and 2,658 shares based on the amount of cash dividends deemed paid on shares earned pursuant to the awards. The number of shares of common stock to be issued under certain awards may exceed target shares if certain performance goals are met.

The changes in the maximum number of shares of common stock issuable pursuant to outstanding restricted stock units for the three months ended April 30, 2024, are presented below (shares in thousands):

	<u>Shares</u>	<u>Weighted-Average Grant-Date Fair Value Per Share</u>
Outstanding, February 1, 2024	348	\$ 30.21
Awarded	75	\$ 41.49
Issued	(50)	\$ 42.17
Forfeited	(55)	\$ 24.49
Outstanding, April 30, 2024	<u>318</u>	<u>\$ 31.99</u>

## NOTE 11 – INCOME TAXES

The Company's income tax amounts for the three months ended April 30, 2024 and 2023 differed from corresponding amounts computed by applying the federal corporate income tax rate of 21% to the income before income taxes for the periods as presented below:

	Three Months Ended April 30,	
	2024	2023
Computed expected income tax expense	\$ 2,376	\$ 631
Difference resulting from:		
Unrecognized tax loss benefit	794	—
Foreign tax rate differential	(216)	(198)
State income taxes, net of federal tax effect	418	84
Other permanent differences and adjustments, net	59	378
Income tax expense	<u>\$ 3,431</u>	<u>\$ 895</u>

### Net Operating Loss ("NOL") Carryback

As a result of the tax changes enacted by the Coronavirus, Aid, Relief and Economic Security Act signed into law in March 2020 (the "CARES Act"), the Company made a filing during the year ended January 31, 2021 with the Internal Revenue Service (the "IRS") requesting carryback refunds of income taxes paid for the years ended January 31, 2016 ("Fiscal 2016") and 2015 ("Fiscal 2015") in the total amount of approximately \$12.7 million. At the instruction of the IRS, the Company filed amended income tax returns for Fiscal 2016 and Fiscal 2015 during Fiscal 2024; the IRS has not completed the examination and approval process for the Company's amended tax returns and refund request.

### Research and Development Tax Credits

During the year ended January 31, 2023 ("Fiscal 2023"), the Company filed amended federal income tax returns for Fiscal 2022 and for the year ended January 31, 2021 ("Fiscal 2021") that included research and development tax credits in the total amount of \$5.8 million, which was netted with a provision for uncertain tax return positions in the amount of \$2.4 million. In May 2023, the Company received notification that these amended federal income tax returns were selected for examination. At April 30, 2024, the examination was in its early stages of documentation requests and review.

### Income Tax Refunds

As of April 30, 2024 and January 31, 2024, the balances of other current assets in the condensed consolidated balance sheet included income tax refunds receivable and prepaid income taxes in the total amounts of approximately \$18.2 million and \$18.3 million, respectively. The income tax refunds included the amount expected to be received from the IRS upon its examination and approval of the Company's NOL carryback refund request and the completion of its examination of the amended tax returns for Fiscal 2022 and Fiscal 2021 as described above.

### Income Tax Returns

The Company is subject to federal and state income taxes in the U.S., and income taxes in Ireland and the U.K. Tax treatments within each jurisdiction are subject to the interpretation of the related tax laws and regulations which require significant judgments to apply. The Company is no longer subject to income tax examinations by authorities for its fiscal years ended on or before January 31, 2020, except for several notable exceptions including Ireland, the U.K. and several states where the open periods are one year longer.

### Solar Energy Projects

The Company holds equity investments in Solar Tax Credit ("STC") investments. Primarily, the STC investments are structured as limited liability companies that invest in solar energy projects that are eligible to receive energy tax credits. During the three months ended April 30, 2024, the Company made investments of approximately \$3.3 million in STC investments that were committed as of January 31, 2024. As of April 30, 2024, the Company had no remaining cash investment commitments related to its STC investments.

At April 30, 2024 and January 31, 2024, the investment accounts balances were \$1.4 million and \$2.1 million, respectively, which are included in other assets in the condensed consolidated balance sheets.

The Company has elected to use the proportional amortization method ("PAM") for STC investments that qualify. Under PAM, an investment is amortized in proportion to the allocation of tax benefits received in each period, and the investment amortization and tax benefit amounts are presented net within income tax expense in the Company's condensed consolidated statement of earnings. For the three months ended April 30, 2024, the Company recorded \$0.7 million of investment amortization related to the STC investment that qualifies for PAM. The amount of non-income tax-related activity and other returns related to this investment was not material for the three months ended April 30, 2024. During the three months ended April 30, 2023, the Company did not have any STC investments that qualified for PAM.

For the Company's STC investments that do not qualify for PAM, the Company accounts for the investments using the equity method of accounting and includes income and losses related to the investment in other income in the Company's condensed consolidated statements of earnings. For the three months ended April 30, 2024 and 2023, the Company recorded its share of losses of less than \$0.1 million and \$0.1 million, respectively, from these STC investments.

#### NOTE 12 – NET INCOME PER SHARE

Basic and diluted net income per share amounts are computed as follows (shares in thousands except in the notes):

	<u>Three Months Ended April 30,</u>	
	<u>2024</u>	<u>2023</u>
Net income	\$ 7,882	\$ 2,109
Weighted average number of shares outstanding – basic	13,257	13,413
Effect of stock awards <sup>(1)</sup>	315	133
Weighted average number of shares outstanding – diluted	<u>13,572</u>	<u>13,546</u>
Net income per share		
Basic	\$ 0.59	\$ 0.16
Diluted	<u>\$ 0.58</u>	<u>\$ 0.16</u>

- (1) For the three months ended April 30, 2024 and 2023, the weighted average numbers of shares determined on a dilutive basis exclude the effects of antidilutive stock options and restricted stock units covering an aggregate of 344,000 and 851,834 shares of common stock, respectively.

#### NOTE 13 – CASH DIVIDENDS AND COMMON STOCK REPURCHASES

During the three months ended April 30, 2024, the Company's board of directors declared and the Company paid a regular quarterly cash dividend in the amount of \$0.30 per share of common stock. During the three months ended April 30, 2023, the Company paid a regular quarterly dividend of \$0.25 per share of common stock.

Pursuant to its established program and authorizations provided by Argan's board of directors, the Company repurchased shares of its common stock during the three months ended April 30, 2024 and 2023 and added the shares to treasury stock. During these periods, the Company repurchased 5,600 shares and 92,656 shares of common stock, all on the open market, for aggregate prices of approximately \$0.3 million, or \$44.87 per share, and \$3.7 million, or \$39.61 per share, respectively.

For the three months ended April 30, 2024, the Company accepted 185,354 shares of common stock at the average price per share of \$60.64 for the exercise price and/or tax withholding in connection with stock option exercises and other share-based award settlements. For the three months ended April 30, 2023, the Company did not accept any shares of common stock for such transactions. For the three months ended April 30, 2024 and 2023, the Company used 113,260 shares and 65,470 shares of treasury stock, respectively, to settle stock option exercises and other share-based awards.

**NOTE 14 – CUSTOMER CONCENTRATIONS**

The majority of the Company's consolidated revenues relate to performance by the power industry services segment which provided 70% and 68% of consolidated revenues for the three months ended April 30, 2024 and 2023, respectively. The industrial construction services segment represented 28% and 29% of consolidated revenues for the three months ended April 30, 2024 and 2023, respectively.

The Company's most significant customer relationships for the three months ended April 30, 2024 included two power industry services customers, which accounted for 28% and 11% of consolidated revenues. The Company's most significant customer relationships for the three months ended April 30, 2023 included four power industry services customers, which accounted for 16%, 14%, 14% and 13% of consolidated revenues.

The accounts receivable balances from three major customers represented 25%, 22% and 12% of the corresponding consolidated balance as of April 30, 2024. Accounts receivable balances from three major customers represented 16%, 14% and 14% of the corresponding consolidated balance as of January 31, 2024.

The contract asset balances associated with two major customers represented 33% and 28% of the corresponding consolidated balance as of April 30, 2024. The contract asset balances associated with two major customers represented 39% and 32% of the corresponding consolidated balance as of January 31, 2024.

**NOTE 15 – SEGMENT REPORTING**

Segments represent components of an enterprise for which discrete financial information is available that is evaluated regularly by the Company's chief executive officer, who is the CODM, in determining how to allocate resources and in assessing performance. The Company's reportable segments recognize revenues and incur expenses, are organized in separate business units with different management teams, customers, talents and services, and may include more than one operating segment.

Intersegment revenues and the related cost of revenues are netted against the corresponding amounts of the segment receiving the intersegment services. For the three months ended April 30, 2024 and 2023, intersegment revenues were not material.

Summarized below are certain operating results and financial position data of the Company's reportable business segments for the three months ended April 30, 2024 and 2023. The "Other" column in each summary includes the Company's corporate expenses.

Three Months Ended April 30, 2024	Power Services	Industrial Services	Telecom Services	Other	Totals
Revenues	\$ 110,266	\$ 43,699	\$ 3,717	\$ —	\$ 157,682
Cost of revenues	98,992	37,879	2,867	—	139,738
Gross profit	11,274	5,820	850	—	17,944
Selling, general and administrative expenses	6,128	1,873	610	2,814	11,425
Income (loss) from operations	5,146	3,947	240	(2,814)	6,519
Other income, net	4,061	1	—	732	4,794
Income (loss) before income taxes	<u>\$ 9,207</u>	<u>\$ 3,948</u>	<u>\$ 240</u>	<u>\$ (2,082)</u>	<u>11,313</u>
Income tax expense					3,431
Net income					<u>\$ 7,882</u>
Amortization of intangibles	<u>\$ —</u>	<u>\$ 97</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 97</u>
Depreciation	<u>137</u>	<u>245</u>	<u>97</u>	<u>1</u>	<u>480</u>
Property, plant and equipment additions	<u>272</u>	<u>32</u>	<u>18</u>	<u>—</u>	<u>322</u>
Current assets	<u>\$ 416,117</u>	<u>\$ 54,170</u>	<u>\$ 3,844</u>	<u>\$ 100,195</u>	<u>\$ 574,326</u>
Current liabilities	<u>293,979</u>	<u>29,642</u>	<u>1,372</u>	<u>2,605</u>	<u>327,598</u>
Goodwill	<u>18,476</u>	<u>9,467</u>	<u>90</u>	<u>—</u>	<u>28,033</u>
Total assets	<u>443,920</u>	<u>70,792</u>	<u>6,516</u>	<u>103,180</u>	<u>624,408</u>
Three Months Ended April 30, 2023	Power Services	Industrial Services	Telecom Services	Other	Totals
Revenues	\$ 70,176	\$ 30,307	\$ 3,192	\$ —	\$ 103,675
Cost of revenues	60,335	26,562	2,554	—	89,451
Gross profit	9,841	3,745	638	—	14,224
Selling, general and administrative expenses	5,714	1,460	703	2,714	10,591
Income (loss) from operations	4,127	2,285	(65)	(2,714)	3,633
Other income (loss), net	2,090	—	—	(2,719)	(629)
Income (loss) before income taxes	<u>\$ 6,217</u>	<u>\$ 2,285</u>	<u>\$ (65)</u>	<u>\$ (5,433)</u>	<u>3,004</u>
Income tax expense					895
Net income					<u>\$ 2,109</u>
Amortization of intangibles	<u>\$ —</u>	<u>\$ 98</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 98</u>
Depreciation	<u>128</u>	<u>304</u>	<u>114</u>	<u>1</u>	<u>547</u>
Property, plant and equipment additions	<u>389</u>	<u>256</u>	<u>—</u>	<u>—</u>	<u>645</u>
Current assets	<u>\$ 303,596</u>	<u>\$ 43,946</u>	<u>\$ 3,985</u>	<u>\$ 73,474</u>	<u>\$ 425,001</u>
Current liabilities	<u>160,564</u>	<u>29,226</u>	<u>1,172</u>	<u>1,435</u>	<u>192,397</u>
Goodwill	<u>18,476</u>	<u>9,467</u>	<u>90</u>	<u>—</u>	<u>28,033</u>
Total assets	<u>330,736</u>	<u>61,421</u>	<u>7,071</u>	<u>76,466</u>	<u>475,694</u>

**NOTE 16 — SUPPLEMENTAL FINANCIAL STATEMENT INFORMATION**

Other current assets consisted of the following at April 30, 2024 and January 31, 2024:

	April 30, 2024	January 31, 2024
Income tax refunds receivable and prepaid income taxes	\$ 18,252	\$ 18,267
Raw materials inventory	9,573	9,985
Prepaid expenses	9,595	6,035
Other	6,205	4,972
Total other current assets	<u>\$ 43,625</u>	<u>\$ 39,259</u>

Accrued expenses consisted of the following at April 30, 2024 and January 31, 2024:

	April 30, 2024	January 31, 2024
Accrued project costs	\$ 30,855	\$ 49,135
Accrued compensation	13,991	21,206
Lease liabilities	3,282	2,726
Other	12,593	8,654
Total accrued expenses	<u>\$ 60,721</u>	<u>\$ 81,721</u>

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion summarizes the financial position of Argan, Inc. and its subsidiaries as of April 30, 2024, and the results of their operations for the three month periods ended April 30, 2024 and 2023, and should be read in conjunction with (i) the unaudited condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (ii) the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for Fiscal 2024 that was filed with the SEC on April 11, 2024 (the "Annual Report").

**Cautionary Statement Regarding Forward Looking Statements**

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. We have made statements in this Item 2 and elsewhere in this Quarterly Report on Form 10-Q that may constitute "forward-looking statements." The words "believe," "expect," "anticipate," "plan," "intend," "estimate," "foresee," "should," "would," "could," or other similar expressions are intended to identify forward-looking statements.

Our forward-looking statements, financial position and results of operations, are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts for existing operations and do not include the potential impact of any future acquisitions.

Our forward-looking statements, by their nature, involve significant risks and uncertainties (some of which are beyond our control) and assumptions. They are subject to change based upon various factors including, but not limited to, the risks and uncertainties described in this Quarterly Report on Form 10-Q and our Annual Report. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove to be incorrect, actual results may vary in material respects from those projected in the forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Business Description**

The Company is primarily a construction firm that conducts operations through its wholly-owned subsidiaries, GPS, APC, TRC and SMC. Through GPS and APC, we provide a full range of engineering, procurement, construction, commissioning, maintenance, project development and technical consulting services to the power generation market for a wide range of customers, including independent power project owners, public utilities, power plant heavy equipment

suppliers and other commercial firms with significant power requirements in the U.S., Ireland and the U.K. GPS and APC represent our power industry services reportable segment. Through TRC, the industrial construction services reportable segment provides primarily on-site services that support new plant construction and additions, maintenance turnarounds, shutdowns and emergency mobilizations for industrial plants primarily located in the Southeast region of the U.S. and that may include the fabrication, delivery and installation of steel components such as piping systems and pressure vessels. Through SMC, which conducts business as SMC Infrastructure Solutions, the telecommunications infrastructure services segment provides project management, construction, installation and maintenance services to commercial, local government and federal government customers primarily in the Mid-Atlantic region of the U.S.

We may make additional opportunistic acquisitions and/or investments by identifying companies with significant potential for profitable growth and realizable synergies with one or more of our existing businesses. However, we may have more than one industrial focus depending on the opportunity and/or needs of our customers. Significant acquired companies will be operated in a manner that we believe will best provide long-term and enduring value for our stockholders.

### **Project Backlog**

At April 30, 2024, our consolidated project backlog amount of \$0.8 billion consisted substantially of the projects of the power industry services reporting segment. The comparable consolidated backlog amount as of January 31, 2024 was \$0.8 billion. Our reported amount of project backlog at a point in time represents the total value of projects awarded to us that we consider to be firm as of that date less the amounts of revenues recognized to date on the corresponding projects.

Typically, we include the total value of EPC services and other major construction contracts in project backlog upon receiving a notice to proceed from the project owner. When provided with a limited notice to proceed ("LNTP"), we usually record only the value of the contract related to the LNTP initially. Nevertheless, the inclusion of contract values in project backlog may require management judgement based on the facts and circumstances.

We are committed to the construction of state-of-the-art, natural gas-fired power plants, as important elements of our country's electricity-generation mix now and in the future. This represents our core business. In addition, we have been directing meaningful business development efforts to winning projects for the erection of utility-scale solar fields and wind farms and for the construction of hydrogen-based energy and other industrial projects in order to diversify the sources of revenues. For the quarter ended April 30, 2024, the amount of revenues earned by us and associated with renewable energy projects were 28.0% of corresponding revenues for the power industry services segment. We have successfully completed alternative energy projects in the past and we have renewed efforts to obtain new work in sectors of the power market that will complement our natural gas-fired EPC services projects going forward.

It is important to note that the start of new projects is primarily controlled by project owners and that delays may occur that are beyond our control. However, we continue to pursue natural gas-fired power plant, renewable energy plant and industrial construction opportunities in the U.S., Ireland and the U.K. Our vision is to safely contribute to the construction of the energy infrastructure and state-of-the-art industrial facilities that are essential to future economic prosperity in the areas where we operate. We intend to realize this vision with motivated, creative, high-energy and customer-driven teams that are committed to delivering the best possible project results each and every time.

#### *Trumbull Energy Center*

In October 2022, GPS added to project backlog the EPC services contract value of the Trumbull Energy Center, a 950 MW natural gas-fired power plant now under construction in Lordstown, Ohio (the "Trumbull Energy Center"). We received the full notice to proceed from the project owner, Clean Energy Future-Trumbull, LLC, in November 2022. This combined cycle power station will consist of two Siemens Energy SGT6-8000H gas-fired, high efficiency, combustion turbines with two heat recovery steam generators and a single steam turbine. Project completion is scheduled for early in the year ending January 31, 2027.

#### *405 MW Midwest Solar Project*

In April 2024, GPS executed a LNTP with a customer to construct a utility-scale solar field in Illinois that will provide 405 MW of electrical power (the "405 MW Midwest Solar Project") and will use pre-existing transmission and utility infrastructure from a nearby retired coal power plant. The unique, multi-phased project includes solar-tracking panels that can be stowed by remote command for expected adverse weather events. The project is in its early phases.

### *Midwest Solar and Battery Projects*

In August 2023, GPS executed LNTPs with a customer for three solar and battery projects in Illinois (the "Midwest Solar and Battery Projects"). Under the LNTPs, GPS commenced early engineering and design activities as well as procurement of major equipment for construction of state-of-the-art solar energy and battery energy storage facilities. Between January and early May 2024, GPS received full notices to proceed on all three of the solar and battery projects. The three projects will cumulatively represent 160 MW of electrical power and 22 MW of energy storage. For each project, completion is expected in the last quarter of Fiscal 2025 through the first half of the fiscal year ending January 31, 2026.

### *Shannonbridge Power Project*

APC entered into an EPC services contract with GE Verova for the construction and commissioning of an open-cycle thermal power facility in County Offaly, Ireland, that will have the capacity to generate approximately 264 MW of temporary emergency electrical power (the "Shannonbridge Power Project"). The Shannonbridge Power Project, an initiative of EirGrid and the Electricity Supply Board of Ireland (the "ESB"), aims to enhance the region's power infrastructure and to ensure a reliable electricity supply during critical situations and emergencies. GPS is teaming with APC in performance of this contract. Work on this project commenced early in Fiscal 2024 pursuant to the receipt of a series of LNTPs. In August 2023, APC received the full notice to proceed on this project. Substantial completion of this project, that is defined in the corresponding contract as system turnover for commissioning, occurred in March 2024.

### *ESB FlexGen Peaker Plants*

In May 2022, APC entered into engineering and construction services contracts with the ESB to construct three 65 MW aero-derivative gas turbine flexible generation power plants in and around the city of Dublin, Ireland ("ESB FlexGen Peaker Plants"). Two of the power plants, the Poolbeg and Ringsend FlexGen Power Plants, are located on the Poolbeg Peninsula, and the Corduff FlexGen Power Plant is located in nearby Goddamedy. All three projects cleared the applicable capacity auction in Fiscal 2023 and are expected to operate intermittently during peak periods of electricity demand and as back-up supply options when renewable electricity generation is limited. The completion of each power facility is expected to occur in the first half of Fiscal 2025.

### *Kilroot Power Station*

In October 2021 and pursuant to the Kilroot Project, APC was contracted to construct a 2 x 330 MW natural gas-fired power plant in Carrickfergus that is near Belfast, Northern Ireland, in an existing structure that was initially designed to enclose coal-fired units.

As previously disclosed, there have been a number of challenges related to the Kilroot Project that have adversely impacted our ability to execute as expected, including supply chain delays, material changes to the project, the COVID-19 omicron outbreak, the war in Ukraine and extreme weather. In addition, unresolved variations and claims disrupted the execution of the project and harmed the cash flow of this project. On May 3, 2024, the project owner revoked the passes of our project and construction teams to the construction site. APC had delivered a notice of contract breach with a 14-day resolution period. The issues were not resolved and APC terminated the contract (see Note 7). We have recognized the estimated contract loss related to the Kilroot Project in the amount of approximately \$12.7 million, of which \$2.6 million was recorded during the three-month period ended April 30, 2024 and the remainder recorded in the prior fiscal year.

Subsequent to April 30, 2024, the letter of credit related to the Kilroot Project was drawn upon by the project owner for the full amount of \$9.2 million (see Note 7 to the accompanying condensed consolidated financial statements). APC has significant unresolved contract variations and extension-of-time claims, among others, related to this project, and the project owner has asserted counterclaims that we dispute. APC will continue to pursue all of its rights under the contract, and will do so through legal means if necessary.

### *TRC Project Backlog*

As of April 30, 2024, TRC's project backlog was approximately \$120 million as compared to \$128 million on January 31, 2024. Despite generating \$43.7 million in revenues during the quarter, the backlog moderately decreased by \$7.9 million, demonstrating our successful business development efforts focused on securing larger industrial field service construction projects from both new and recurring clients.

## **Market Outlook**

### **Natural Gas Power**

The overall growth of our power business has been substantially based on the number of combined cycle gas-fired power plants built by us, as many coal-fired plants have been shut down in the U.S. In 2010, coal-fired power plants accounted for about 45% of net electricity generation in the U.S. For 2023, coal fueled approximately 17% of net electricity generation. It has been reported that the average age of the active plants in the coal-fired fleet approximates 45 years old with an average life span of 50 years; the last coal-fired power plant built in the U.S. was constructed in 2015. On the other hand, natural-gas fired power plants provided approximately 42% of the electricity generated by utility-scale power plants in the U.S. in 2023, representing an increase of 70% in the amount of electrical power generated by natural gas-fired power plants, which provided approximately 24% of net electricity generation in 2010.

In the reference case of its most recently published Annual Energy Outlook released in March 2023 (as would be customary, EIA did not publish a report in early 2024), the EIA projects that economic growth paired with increasing electrification in end-user sectors will result in notable growth of electricity demand in the U.S. through 2050. Declining capital costs for solar panels, wind turbines and battery storage, as well as government subsidies like those included in the Inflation Reduction Act of 2022 (the "IRA"), will result in renewables becoming increasingly cost effective compared with the alternatives when the costs of building new power capacity are considered. Renewables are increasingly meeting power demand through 2050 as they become more competitive with natural gas, coal and nuclear power.

The historic decline in the use of coal as a power source in the U.S. was caused, to a significant extent, by the plentiful supply of domestic and generally inexpensive natural gas which made it the fuel of choice for power plant developers over this period. The pace of the historic increase in the preference for natural gas as an electricity generating fuel source also was energized, in part, by environmental activism and restrictive regulations targeting coal-fired power plants.

However, the headwinds confronting a significant resurgence in the pace of planning new developments of gas-fired power plants are strong. Various cities, counties and states have adopted clean energy and carbon-free goals or objectives with achievement expected by a certain future date, typically 10 to 30 years out. These aspirational goals may increase the risk of a new power plant becoming a stranded asset before the end of its useful economic life, a risk that potential equity capital providers may be unwilling to take. Lenders, who have become more wary of funding fossil-fuel ventures as environmental, social and governance ideals influence financing decisions, may be generally unwilling to provide capital for energy projects to increase the domestic production and transmission of oil and natural gas. In addition, insurance underwriters may require oil and gas industry clients to implement plans to reduce methane emissions, and will not provide insurance coverage for oil and gas projects in government-protected conservation areas that do not allow for sustainable use.

### **Solar and Wind Power**

The net amount of electricity generation in the U.S. provided by utility-scale solar photovoltaic and wind facilities continues to rise. Together, such power facilities provided approximately 12%, 13% and 15% of the net amount of electricity generated by utility-scale power facilities in 2021, 2022 and 2023, respectively. The EIA projects that new photovoltaic solar and wind capacity will continue to be added to the utility-scale power fleet in the U.S. at a brisk pace, attributable to declines in costs of renewable power plants and power storage, an increase in the scale of energy storage capacity (i.e., battery farms and other energy storage technologies), the availability of valuable tax credits, and the overall political commitment to renewable energy.

The surge in renewable energy is propelled by significant factors, including reductions in solar and onshore wind costs between 2009 and 2023, driven primarily by technological advancements. The EIA indicated that for 2024, of the approximately 62.8 gigawatts of new utility-scale electric-generating capacity that is planned to be added to U.S. power grids, approximately 71% will come from solar and wind facilities. However, challenges persist, notably in offshore wind sectors facing cost overruns and supply chain issues, resulting in major offshore wind projects being delayed or cancelled.

### **The Power Grid Transition**

Throughout the U.S., the risk of electricity shortages grows as the retirement of traditional power plants outpaces their replacement by renewable energy and battery storage. The strain on power grids mounts as the U.S. makes the historic

transition from conventional power plants fueled by coal and natural gas to renewable forms of energy. Electric-grid operators are warning that power-generating capacity is struggling to keep up with demand. The challenge is that solar and wind farms do not produce electricity at all times, and they need large batteries to store their output for later use.

PJM published a study in February 2023 that supported the growing concern that the reliability of power grids is being eroded by the rush to renewable power. Its research highlighted three trends that present increasing reliability risks due to a potential timing mismatch between load growth, resource retirements and the pace of new electricity generating plant additions. The study indicates that the growth rate of electricity demand in the PJM footprint is likely to increase from electrification (i.e., shifts to electric-powered automobiles, electric appliances, etc.) coupled with the proliferation of high-demand data centers in the region. Coal-fired and old gas-fired power generation facilities are being retired at a rapid pace, possibly creating the risk that such retirements may outpace the construction of new power-generating facilities as PJM's interconnection queue includes primarily intermittent and limited-duration renewable energy resources. Given the operating characteristics of these types of facilities and the weather, PJM will need multiple megawatts of renewable power and accompanying battery storage, and improvements in the transmission network, to replace a single megawatt of thermal generation.

Accelerating the build-out of renewable energy sources and batteries has become an especially difficult proposition amid supply-chain challenges and inflation. For example, during Fiscal 2023, the highly publicized probe by the U.S. Commerce Department into whether Chinese solar manufacturers were circumventing trade tariffs on solar panels had the effect of halting imports of key components needed to build new solar farms. As a result of this probe, the U.S. determined that certain Chinese solar manufacturers were dodging U.S. tariffs by finishing their products in Cambodia, Malaysia, Thailand and Vietnam, countries that accounted for approximately 80% of solar panel supplies. In August 2023, the U.S. Commerce Department imposed tariffs on solar imports from Southeast Asia. Critics of this action claim that the tariffs will scramble supply chains, delay projects and reduce profits for solar farm developers.

Additionally, solar and wind energy plant developers continue to confront the problems caused by grid congestion, often unsuccessfully. Many of these projects have been canceled because renewable plants need to be sited where the resources are optimal, often in remote locations where the transmission systems are not robust as power is consumed substantially in urban areas. The costs associated with the necessary grid upgrades may be prohibitive.

U.S. offshore wind projects progress inconsistently, facing challenges in the areas of environmental and fishery impacts, grid connection complexities, transmission planning, federal permitting processes and rising interest rates. Further, U.S. projects are confronted by shipping regulations that may limit the ability of developers to replicate successful European erection models. Commitments to sell power at a fixed price in an environment of rising inflation and interest rates have challenged the finances of many offshore wind projects, and as a result several prominent projects have been delayed or cancelled. Proponents of clean energy also face political challenges from constituencies who oppose the impacts to wildlife and the environment that may be caused by clean energy infrastructure projects.

### **Nuclear Power**

Over the last several decades, the number of operating nuclear reactors has declined. At the end of April 2024, the U.S. had 94 operating commercial nuclear reactors at 54 nuclear power plants in 28 states. The average age of these nuclear reactors is approximately 42 years old with most plants authorized to operate for another 20 years. Only four nuclear reactors have entered into commercial operation in the last thirty years. In July 2023 and April 2024, the Vogtle Units 3 and 4, respectively, entered into commercial operations. Suffering significant cost overruns—more than twice the initial estimates—and substantial delays, these units have caused the industry to shift focus to smaller, more economical designs.

The deployment of small modular reactors could mean lower construction and electricity costs through the use of simpler power plant designs, standardized components and passive safety measures. Such plants could be built in less time than larger plants, utilize less space and represent a viable choice for reliable power to offset the intermittencies of renewable power sources. The increase by the U.S. in its use of nuclear power for electricity generation could have unfavorable effects on the demand for new natural gas-fired and additional renewable energy facilities in the future, but could provide balance-of-plant construction opportunities for GPS.

## Hydrogen Power

It is important to note that the plans for certain natural gas-fired power plant projects include the integration of hydrogen-burning capabilities. While the plants will initially burn natural gas alone, it is planned by the respective project owners that the plants will eventually burn a mixture of natural gas and green hydrogen, thereby establishing power-generation flexibility for these plants. Operational testing of gas turbines fueled with renewable hydrogen have been successful. We believe this pairing is a winning combination that provides inexpensive and efficient power, enhances grid reliability and addresses clean-air concerns. The building of state-of-the-art power plants with flex-fuel capability replaces coal-fired power plants in the short term with relatively clean gas-fired electricity generation. Further, such additions to the power generation fleet provide the potential for the plants to burn 100% green hydrogen gas, which would provide both base load power and long duration back-up power, when the sun is not shining or the wind is not blowing, for extended periods of time and without certain harmful air emissions.

### The Regulatory Landscape

We believe that significant uncertainty relates to the policies of the current U.S. presidential administration. President Biden proposes to make the electricity production in the U.S. carbon free by 2035 and to put the country on the path to achieve net zero carbon emissions by 2050.

In August 2022, President Biden signed the IRA, a climate and healthcare bill that funds hundreds of billions of dollars in tax subsidies intended to combat climate change among other measures. According to certain commentary, the legislation will cause investment in technologies needed for leaner production and the use of fuel types, including hydrogen, nuclear, renewables and fossil fuels. However, it appears that receipt of the majority of the tax subsidies will be conditioned on the extent that taxpayers "buy American" and/or pay prevailing wages, among other requirements. Existing supply chains and skilled labor pools may lack the capacity to meet the demand that the incentives are intended to create. Therefore, the subsidies may not provide the intended economic incentives to renewable and other energy project owners.

In May 2023, the Biden administration proposed new rules for the Environmental Protection Agency (the "EPA") that are intended to drastically reduce greenhouse gases from coal- and gas-fired power plants that officials admit will cost such plants billions of dollars to comply fully by 2042. The proposed rules provide plant owners flexibility to select methods for achieving emission reduction targets, which may include adopting carbon-capture technology or incorporating cleaner fuels like hydrogen. However, the technological readiness of carbon capture and hydrogen blending is still debated among industry leaders, citing concerns over commercial viability and compliance feasibility. Additionally, environmental groups and landowners have challenged plans to erect pipelines intended to transfer carbon emissions to storage locations. In April 2024, the EPA issued final rules that require coal-fired power plants that are expected to operate beyond 2039 to reduce their carbon emissions by 90% prior to 2032. For new gas-fired power plants, the rules require a sliding scale of carbon capture up to 90% based on the operational load of the individual power plant. Rules for existing natural gas power plants have been delayed until 2025 in response to concern that such rules could affect grid reliability.

In June 2023, President Biden signed a bill that raised the debt ceiling, which also included reforms for certain elements of the permitting process for energy projects. The bill imposes certain timelines for federal agencies to review and to approve elements of major energy projects and includes provisions designating a single agency to take the lead on the environmental review process. Such streamlining of the current permitting process for energy generating facilities could ease certain constraints on the power industry. The legislation also provided an approval of the Appalachian natural gas pipeline.

In May 2024, the Biden administration launched the Federal-State Modern Grid Deployment Initiative, a collaborative measure between the federal government and twenty-one states intended to prioritize efforts that support the adoption of modern grid solutions to expand grid capacity and build modern grid capabilities for both new and existing transmission and distribution lines.

### Capacity Auctions

Many of our recently completed and awarded EPC service contracts relate to the construction of natural gas-fired power plants located within the Mid-Atlantic geographic footprint of PJM, which operates a capacity market to ensure long-term grid reliability by securing the appropriate amount of power supply resources needed to meet predicted future energy demands in its region. Capacity payments represent meaningful portions of the revenue streams of qualifying power plants.

Annual capacity auctions since 2021 have suffered delays that, once held, resulted in lower prices than previous auctions. In June 2023, FERC issued an order accepting delays in future capacity auctions so that market design rule changes proposed by stakeholders might be implemented for all future auctions. In January 2024, FERC approved only one component of PJM's two-part proposal for its capacity auction reform.

Uncertainty in this market, including the difficulties experienced by PJM in implementing a capacity auction design that all of its stakeholders consider to be fair, the repeated capacity auction delays, and the shrinking annual capacity auction prices, may discourage potential power plant owners from commencing the development of new power plants in this area thereby reducing potential new business opportunities for us.

#### **Outlook for Natural Gas-Fired Power Plants**

Despite the headwinds, we believe that the lower operating costs of natural gas-fired power plants, the higher energy generating efficiencies of modern gas turbines, and the requirements for grid resiliency should sustain the demand for modern combined cycle and simple cycle gas-fired power plants in the future. Natural gas is relatively clean burning, generally cost-effective, dependable and abundant. New gas-fired power plants incorporate major advances in gas-fired turbine technologies that have provided increased power plant efficiencies while providing the quick starting capabilities and the reliability that are necessary to balance the inherent intermittencies of solar and wind power plants.

Notable is Texas' plan to add more gas-fired power capacity in the state, supported by a newly created energy fund. There was a May 31, 2024 deadline for projects to notify officials of their intent to apply for loans from the fund; filings representing more than 41 GW of new gas-fired generation were recorded.

We believe that the benefits of natural gas as a source of power are compelling, especially as a complement to the deployment of solar and wind powered energy sources, and that the future long-term prospects for natural gas-fired power plant construction remain generally favorable as natural gas continues to be the primary source for power generation in our country. The future availability of less carbon-intense, higher efficiency and inexpensive natural gas in the U.S. should be a significant factor in the economic assessment of future power generation capacity additions, although the pace of new opportunities emerging may be restrained and the starts of awarded EPC projects may be delayed or cancelled due to the challenges described above.

The scramble for electricity, regardless of source, caused by the Russian invasion of Ukraine may have clarified that the 100% transition to renewable energy is in the distant future and has prompted, in part, renewed interest in not only carbon capture techniques, but carbon removal technologies as well. Carbon capture processes grab carbon from smokestacks and other sources of dense greenhouse gases, thereby reducing harmful emissions. Carbon-removal technologies are more demanding as they remove carbon out of the more diffuse open air in order to store it for centuries. Governments, including the U.S., are taking initial steps to boost this industry. The success of this industry could reduce the climate-change fear associated with natural gas-fired power plants. We intend to execute an "all-of-the-above" approach in pursuing the construction of future facilities that support the energy transition, which we see as a continuation of our historical commitment to building cleaner energy plants.

#### **International Power Markets**

The foregoing discussion in this "Market Outlook" has focused on the state of the domestic power market as the EPC services business of GPS historically provides the predominant portion of our revenues. However, overseas power markets may provide important new power construction opportunities for APC especially across Ireland and the U.K. For 2023, the percentage of net electricity generation fueled by natural gas in the islands of Ireland and Great Britain were approximately 45% and 32%, respectively.

The Irish government has issued a policy statement on the security of the electricity supply in Ireland which confirms the requirement for the development of new support technologies to deliver on its commitment to have 80% of the country's electricity generated from renewables by 2030. The report emphasizes that this will require a combination of conventional generation (typically powered by natural gas), interconnection to other jurisdictions, demand flexibility and other technologies such as battery storage and generation from renewable gases. The Irish government has approved that the development of new conventional generation (including gas-fired and gasoil distillate-fired generation) is a national priority and should be permitted and supported in order to ensure the security of electricity supply while supporting the growth of renewable electricity generation.

Further, the Irish government recognizes that the successful development of data centers in the country is a key aspect in promoting Ireland as a digital economy hot-spot in Europe. The stewards of the electricity supply in Ireland acknowledge that the large increase in electricity demand presented by the growth of the data center industry represents an evolving, significant risk to the security of the supply. During Fiscal 2023, APC completed a project to install natural gas-fired power generation for a major data center in the Dublin area.

Recently, the government of the U.K. expressed support for new gas-fired power plants to offset the remaining coal-fired plant retirement, the retirement of aging gas plants, and the intermittency of renewable energy plants. Prime Minister Rishi Sunak stated that he would not gamble with energy security despite U.K. plans to decarbonize the power system by 2035. His secretary of state for energy security echoed these sentiments with a speech in which she stated that she expected to warn of blackouts unless there is sufficient gas-fired capacity to provide back-up for intermittent renewables. Her comments also expressed hope that new gas plants will be accompanied with the potential ability to burn 100% hydrogen or be fitted with carbon capture and storage technologies. Of course, the recency of these pronouncements means that it is too soon to expect energy policy shifts or the announcement of plans for specific new gas-fired power plants in the U.K. Further, Mr. Sunak's government is facing a strong challenge from the opposition party that is much more bullish on decarbonization. In fact, the dissolution of Parliament has been requested by the Prime Minister, and a general election has been scheduled for July 2024.

Nonetheless, APC is actively pursuing other new business opportunities in both the renewable and support sectors of power generation with its existing and new clients in both countries. Over the last three years, APC has increased its activities and currently has multiple projects under execution. GPS has been providing top management guidance and project management expertise to APC on its Shannonbridge Power Project and the ESB FlexGen Peaker Plants during this period. APC has also provided experienced resources to GPS on several of its EPC services contracts in the U.S.

### **Industrial Construction Services Outlook**

TRC was founded in 1977, initially focused on the fabrication of piping systems and pressure vessels. Prior to our acquisition of TRC in 2015, it expanded its business to include industrial field services with a concentration on turnarounds, outage support, renovations, repairs and maintenance projects. Since the acquisition, TRC has narrowed the focus of its field services to emphasize industrial construction projects. During Fiscal 2023, TRC consolidated its metal fabrication plants and support structures into one industrial fabrication and warehouse facility near Greenville, North Carolina, which is centrally located within its primary geographic market. The consolidation reduced fixed costs and notably streamlined the business, which has permitted TRC to primarily focus on its field service construction opportunities.

Industrial field services typically represent the majority of TRC's annual revenues with the remaining revenues contributed by projects consisting solely of metal fabrication. Recent and current major customers of TRC include Nutrien Ltd., the global fertilizer company; Jacobs Solutions Inc., an international engineering and construction firm that is building a significant biotechnology manufacturing facility in the research triangle area of North Carolina; and North America's largest forest products companies such as Weyerhaeuser Company, International Paper and Donnar Corporation; and various other industrial companies. These relationships demonstrate that TRC is a trusted industrial services provider to blue chip customers from around North America, and from countries like France, Germany, Denmark, Japan, Belgium and Australia, that are expanding or locating new production facilities in TRC's geographic region.

As stated above, the business footprint for TRC encompasses the Southeast region of the U.S. where there are many local and state governments that welcome industrial production facilities with ideal locations and with serious economic development programs and incentives. The national focus on infrastructure improvements, biotechnology advancements, energy storage and clean water have resulted in firms that are focused on these trends recently choosing TRC to participate in major construction projects in the region. Other important factors and trends include low corporate state tax rates, favorable labor migration patterns, the surface transportation infrastructure and the ready access to modern seaports.

Economic data supports our belief that TRC is ideally located in a leading manufacturing growth area of the U.S., which should continue to provide it with project opportunities going forward that will expand its business and industrial construction capabilities. The Dodge Construction Starts report for 2024 forecasts that total construction in the U.S. will increase by 7% in 2024, with a 16% increase in the manufacturing category. The FMI Construction Put-in-Place Forecast for 2024 predicts that construction activity in the manufacturing sector will increase by over 15% in 2024. Despite headwinds such as material price volatility and rising labor costs, skilled labor shortages, high interest rates and tighter

lending standards, it is likely that 2024 will see a boost to construction associated with manufacturing, as well as the transportation and clean energy infrastructures, as funds from three key pieces of national legislation passed in 2021 and 2022 are expected to flow into the industry. These bills include the Infrastructure and Jobs Act, the IRA and the Creating Helpful Incentives to Produce Semiconductors Act, and they appear to be sustaining high construction industry confidence for 2024 and the future beyond.

#### Comparison of the Results of Operations for the Three Months Ended April 30, 2024 and 2023

We reported net income of \$7.9 million, or \$0.58 per diluted share, for the three months ended April 30, 2024. For the comparable period of the prior year, we reported net income of \$2.1 million, or \$0.16 per diluted share. The following schedule compares our operating results for the three months ended April 30, 2024 and 2023 (dollars in thousands):

	Three Months Ended April 30,			
	2024	2023	\$ Change	% Change
<b>REVENUES</b>				
Power industry services	\$ 110,266	\$ 70,176	\$ 40,090	57.1 %
Industrial construction services	43,699	30,307	13,392	44.2
Telecommunications infrastructure services	3,717	3,192	525	16.4
Revenues	157,682	103,675	54,007	52.1
<b>COST OF REVENUES</b>				
Power industry services	98,992	60,335	38,657	64.1
Industrial construction services	37,879	26,562	11,317	42.6
Telecommunications infrastructure services	2,867	2,554	313	12.3
Cost of revenues	139,738	89,451	50,287	56.2
<b>GROSS PROFIT</b>	17,944	14,224	3,720	26.2
Selling, general and administrative expenses	11,425	10,591	834	7.9
<b>INCOME FROM OPERATIONS</b>	6,519	3,633	2,886	79.4
Other income (loss), net	4,794	(629)	5,423	NM
<b>INCOME BEFORE INCOME TAXES</b>	11,313	3,004	8,309	276.6
Income tax expense	3,431	895	2,536	283.4
<b>NET INCOME</b>	\$ 7,882	\$ 2,109	\$ 5,773	273.7 %

NM – not meaningful

#### Revenues

Consolidated revenues for the three months ended April 30, 2024 were \$157.7 million, which represented an increase of \$54.0 million, or 52.1%, from consolidated revenues of \$103.7 million reported for the three months ended April 30, 2023. The overall improvement in revenues was due to increases in revenues between quarters for all three of our reportable segments, as presented in the table above.

#### Power Industry Services

The revenues of the power industry services segment, representing the businesses of GPS and APC, increased by 57.1%, or \$40.1 million, to \$110.3 million for the three months ended April 30, 2024 compared with revenues of \$70.2 million for the three months ended April 30, 2023 as the quarterly construction activities increased for the Midwest Solar and Battery Projects, the Trumbull Energy Center and the Shannonbridge Power Project. The increase in revenues between quarters was partially offset by decreased construction activities associated with the Guemsey Power Station project and the Kilroot Project, as those projects have concluded and have been exited, respectively. The revenues of this business segment represented approximately 69.9% of consolidated revenues for the quarter ended April 30, 2024 and 67.7% of consolidated revenues for the corresponding prior year quarter.

The primary driver for this segment's revenues for the three months ended April 30, 2023, were the construction of the Trumbull Energy Center, the Guemsey Power Station, the ESB FlexGen peaker plants and the Kilroot Project power facility.

### ***Industrial Construction Services***

The revenues of our industrial construction services segment, representing the business of TRC, increased by \$13.4 million, or 44.2%, to \$43.7 million for the three months ended April 30, 2024 compared to revenues of \$30.3 million for the three months ended April 30, 2023 as the amounts of field services increased meaningfully between periods, partially offset by decreased supporting vessel fabrication work between periods. For the three months ended April 30, 2024 and 2023, the revenues of this segment represented 27.7% and 29.2% of consolidated revenues for the corresponding periods.

### ***Telecommunications Infrastructure Services***

The revenue results of this business segment, which represent the business of SMC, were \$3.7 million for the three-month period ended April 30, 2024, an increase of \$0.5 million, or 16.4%, from the amount of revenues earned during the three months ended April 30, 2023.

### **Cost of Revenues**

With the increase in consolidated revenues for the three months ended April 30, 2024 compared with last year's first quarter ended April 30, 2023, the consolidated cost of revenues also increased between the quarters. These costs were \$139.7 million and \$89.5 million for the three-month periods ended April 30, 2024 and 2023, respectively, representing an increase of approximately 56.2%.

For the three-month period ended April 30, 2024, we reported a consolidated gross profit of approximately \$17.9 million, which represented an increase from the gross profit reported for the three-month period ended April 30, 2023 in the amount of \$14.2 million.

Although, the gross profit percentage of corresponding consolidated revenues declined to 11.4% for the three-month ended April 30, 2024, from 13.7% of corresponding consolidated revenues in the comparable prior year period, the gross profit percentages increased at our industrial construction services segment and telecommunications segment. The decline in the gross profit percentage at our power industry services segment during the current period was primarily due to the unfavorable gross profit adjustment on the Kilroot Project in the amount of \$2.6 million and also reflects the changing mix of projects and contract types. The effect of the contract loss was meaningfully offset for the current quarter by the profits earned on the performance of other projects by each of our four operating companies, including APC. The gross profit percentages of corresponding revenues for the power industry services, industrial construction services and the telecommunications infrastructure services segments were 10.2%, 13.3% and 22.9%, respectively, for the quarter ended April 30, 2024.

The gross profit percentages of corresponding revenues for the power industry services, industrial construction services and the telecommunications infrastructure services segments were 14.0%, 12.4% and 20.0%, respectively, for the quarter ended April 30, 2023.

### **Selling, General and Administrative Expenses**

These costs were \$11.4 million and \$10.6 million for the three months ended April 30, 2024 and 2023, respectively, and represented 7.2% and 10.2% of corresponding consolidated revenues, respectively.

### **Other Income, Net**

Other income, net, for the three months ended April 30, 2024 was \$4.8 million, which reflected income earned during the period on funds invested in a money market account, CDs, U.S. Treasury notes and a U.S. corporate debt security in the total amount of approximately \$4.5 million, as investment yields and average balances of invested funds are meaningfully higher this year.

Other loss, net, for the three months ended April 30, 2023 was \$0.6 million, which reflected the wire-transfer fraud loss of approximately \$3.0 million, partially offset by income earned during the period on invested funds in the total amount of approximately \$2.4 million.

## Income Taxes

We incurred income tax expense for the three months ended April 30, 2024 in the amount of approximately \$3.4 million, which represents an effective income tax rate of 30.3%. This effective tax rate differs from the statutory federal tax rate of 21% due primarily to an unrecognized tax loss benefit for the current fiscal quarter and the typically unfavorable estimated effects of state income taxes and permanent differences. For the three months ended April 30, 2023, we reported income tax expense in the amount of approximately \$0.9 million, which represented an effective tax rate of 29.8% for the period.

## Net Income

For the three months ended April 30, 2024, our overall operating profit performance resulted in net income in the amount of \$7.9 million, or \$0.58 per diluted share. For the comparable period last year, we reported net income in the amount of \$2.1 million, or \$0.16 per dilutive share.

## Liquidity and Capital Resources as of April 30, 2024

At April 30 and January 31, 2024, our balances of cash and cash equivalents were \$207.7 million and \$197.0 million, respectively, which represented an increase of \$10.7 million.

The net amount of cash provided by operating activities for the three months ended April 30, 2024 was \$17.7 million. Our net income for the three months ended April 30, 2024, adjusted favorably by the net amount of non-cash income and expense items, represented a source of cash in the total amount of \$14.1 million. The increase in the combined level of accounts payable and accrued expenses in the amount of \$7.5 million represented a source of cash during the period. The increase in contract liabilities of \$19.4 million represented a source of cash, primarily due to the net effect of the early phase of construction activities on a GPS project. The increase of accounts receivable of \$12.6 million and other assets of \$4.4 million represented a use of cash during the period.

During the three months ended April 30, 2024, our primary source of cash from investing activities was the net maturities of CDs issued by the Bank, in the amount of \$22.5 million. We used \$20.6 million, net of maturities, to invest in available-for-sale securities consisting of U.S. Treasury notes and a U.S. corporate debt security. We also used \$3.3 million to fund our remaining capital contribution obligation to a solar energy project.

For the three months ended April 30, 2024, we used \$5.1 million cash in financing activities, including \$4.0 million used for the payment of regular cash dividends and \$0.2 million to repurchase shares of common stock pursuant to our share repurchase program. We also used \$0.9 million for share-based award settlements, which represented the net of payments of \$2.4 million for withholding taxes reimbursed by shares of common stock and \$1.5 million of proceeds from the exercise of stock options during the period. As of April 30, 2024, there were no restrictions with respect to intercompany payments between the holding company, GPS, TRC, APC and SMC.

During the three months ended April 30, 2023, our balance of cash and cash equivalents increased by a net amount of \$22.0 million.

The net amount of cash used in operating activities for the three months ended April 30, 2023 was \$1.2 million. Our net income for the three months ended April 30, 2023, adjusted favorably by the net amount of non-cash income and expense items, represented a source of cash in the total amount of \$5.4 million. The reduction in the balance of contract assets of \$19.9 million, represented a source of cash and was primarily due to project retentions being moved to contract receivables as the Guemsey Power Station reached substantial completion during the period. The increase in contract liabilities of \$15.0 million represented a source of cash, primarily due to the net effect of the early phase of construction activities on a GPS project and post peak phase of certain APC projects. The \$10.6 million increase in contract receivables during the period represented a use of cash, primarily due to GPS and TRC project billings and the reclassification of project retentions related to the Guemsey Power Station. Reductions in the combined level of accounts payables and accrued expenses in the amount of \$26.9 million and the increase of other assets of \$4.1 million, represented uses of cash during the period as well.

During the three months ended April 30, 2023, our primary source of cash from investing activities was the net maturities of our short-term investments, which consist entirely of CDs issued by the Bank, in the amount of \$59.8 million. We used \$30.4 million of these proceeds to invest in available-for-sale securities of U.S. Treasury notes. We also used \$0.6 million to make capital expenditures.

For the three months ended April 30, 2023, we used \$6.5 million cash in financing activities, including \$3.7 million used to repurchase shares of common stock and \$3.4 million used for the payment of regular cash dividends. We received proceeds from the exercise of stock options in the amount of \$0.5 million, which represented a source of cash.

At April 30, 2024, a portion of our balance of cash and cash equivalents was invested in CDs, U.S. Treasury notes, a U.S. corporate debt security, and a money market fund with most of its net assets invested in cash, U.S. Treasury obligations and repurchase agreements secured by U.S. government obligations. The major portion of our domestic operating bank account balances are maintained with the Bank. We do maintain certain Euro-based bank accounts in Ireland and certain pound sterling-based bank accounts in the U.K. in support of the operations of APC.

In order to monitor the actual and necessary levels of liquidity for our business, we focus on net liquidity, or working capital, in addition to our cash balances. During the three months ended April 30, 2024, our net liquidity increased by \$1.8 million to \$246.7 million from \$244.9 million as of January 31, 2024, due primarily to our net income for the period, partially offset by the payment of cash dividends. As we have no debt service, as our fixed asset acquisitions in a reporting period are typically low, and as our net liquidity includes our short-term investments and available-for-sale investments, our levels of working capital are not subjected to the volatility that affects our levels of cash and cash equivalents.

On May 24, 2024, we executed with the Bank the New Credit Agreement. The New Credit Agreement supersedes the Expired Credit Agreement, as amended, that was executed on May 15, 2017 and expired on May 31, 2024, reduces the base lending commitment amount from \$50.0 million to \$35.0 million, increases the letter of credit fees to be consistent with current market conditions, and establishes the interest rate for revolving loans at SOFR plus 1.85%. In addition to the base commitment, the facility includes an accordion feature that allows for an additional commitment amount of \$30.0 million, subject to certain conditions, that represents an increase from the \$10.0 million accordion provided by the Expired Credit Agreement. We may use the borrowing ability to cover other credit instruments issued by the Bank for our use in the ordinary course of business as defined in the New Credit Agreement. Further, on May 31, 2024, we completed the negotiation of a companion facility, in the amount of \$25.0 million, pursuant to which APCL may cause the Bank's European entity to issue letters of credit on its behalf (the "Master Issuance and Indemnity Agreement") that will be secured by a blanket parent company guarantee issued by the Company to the Bank (the "Guarantee of Payment Agreement").

Together, the New Credit Agreement, the companion facility, and the parent company guarantee are hereinafter referred to as the "Credit Facilities." The Credit Facilities include customary terms, covenants and events of default for credit facilities of this size and nature. Despite the reduction in the base amount of the credit commitment provided by the New Credit Agreement, the increased accordion amount and the addition of the Master Issuance and Indemnity Agreement companion facility provide the Company with greater flexibility in managing its credit requirements, at a potentially lower overall cost.

At April 30, 2024 and January 31, 2024, we did not have any borrowings outstanding under the Expired Credit Agreement. However, the Bank had issued a letter of credit, in support of the activities of APC for the Kilroot Project, that was outstanding in the total amount of \$9.2 million as of April 30, 2024. Subsequent to April 30, 2024, the project owner made a draw for the full amount of the letter of credit that is subject to the disputes between the parties. We immediately reimbursed the Bank for the amount of the draw from our cash reserves.

We have pledged the majority of the Company's assets to secure our financing arrangements. The Bank's consent is not required for acquisitions, divestitures, cash dividends or significant investments as long as certain conditions are met. The New Credit Agreement requires that the Company comply with certain financial covenants at its fiscal year-end and at each fiscal quarter-end, including a requirement to achieve positive adjusted earnings before interest, taxes, depreciation and amortization, as defined, over each rolling twelve-month measurement period. As of April 30, 2024, we were in compliance with the covenants and other requirements of the New Credit Agreement that are similar to those that were included in the Expired Credit Agreement.

In the normal course of business and for certain major projects, we may be required to obtain surety or performance bonding, to provide parent company guarantees, or to cause the issuance of letters of credit (or some combination thereof) in order to provide performance assurances to clients on behalf of one of our subsidiaries. If our services under a guaranteed project would not be completed or would be determined to have resulted in a material defect or other material deficiency, then we could be responsible for monetary damages or other legal remedies. As is typically required by any surety bond, we would be obligated to reimburse the issuer of any surety bond provided on behalf of a subsidiary for any cash payments

made thereunder. The commitments under performance bonds generally end concurrently with the expiration of the related contractual obligation. Not all of our projects require bonding.

As of April 30, 2024, the estimated amounts of the Company's unsatisfied bonded performance obligations, covering all of its subsidiaries, were approximately \$0.4 billion. As of April 30, 2024, the outstanding amounts of bonds covering other risks, including contract retentions and warranty obligations related to completed activities, were approximately \$16.0 million.

We have also provided a financial guarantee, subject to certain terms and conditions, up to the amount of \$3.6 million to support certain project development efforts. An estimated loss related to this guarantee was recorded during the year ended January 31, 2022.

When sufficient information about claims related to performance on projects would be available and monetary damages or other costs or losses would be determined to be probable, we would record such losses. As our subsidiaries are wholly-owned, any actual liability related to contract performance is ordinarily reflected in the financial statement account balances determined pursuant to the Company's accounting for contracts with customers. Any amounts that we may be required to pay in excess of the estimated costs to complete contracts in progress as of April 30, 2024 are not estimable.

In prior years, we made investments in limited liability companies that make equity investments in solar energy projects that are eligible to receive energy tax credits, for which we have received substantially all of the income tax benefits associated with those investments. In Fiscal 2024, we made an investment of approximately \$5.1 million cash in a solar tax credit entity. During the three months ended April 30, 2024, we made the remaining \$3.3 million of cash investment commitments related to this solar fund. It is likely that we will evaluate opportunities to make other solar energy investments of this type in the future.

We believe that cash on hand, our cash equivalents, cash that will be provided from the maturities of short-term investments and other debt securities and cash generated from our future operations, with or without funds available under our Credit Agreement, as amended, will be adequate to meet our general business needs in the foreseeable future. In general, we maintain significant liquid capital in our consolidated balance sheet to ensure the maintenance of our bonding capacity and to provide parent company performance guarantees for EPC and other construction projects.

However, any significant future acquisition, investment or other unplanned cost or cash requirement, may require us to raise additional funds through the issuance of debt and/or equity securities. There can be no assurance that such financing will be available on terms acceptable to us, or at all.

#### **Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")**

The table following immediately below presents the determinations of EBITDA for the three months ended April 30, 2024 and 2023, respectively (amounts in thousands).

	Three Months Ended	
	April 30,	
	2024	2023
Net income, as reported	\$ 7,882	\$ 2,109
Income tax expense	3,431	895
Depreciation	480	547
Amortization of intangible assets	97	98
EBITDA	\$ 11,890	\$ 3,649

We believe that EBITDA is a meaningful presentation that enables us to assess and compare our operating performance on a consistent basis by removing from our operating results the impacts of our capital structure, the effects of the accounting methods used to compute depreciation and amortization and the effects of operating in different income tax jurisdictions. Further, we believe that EBITDA is widely used by investors and analysts as a measure of performance.

However, as EBITDA is not a measure of performance calculated in accordance with U.S. GAAP, we do not believe that this measure should be considered in isolation from, or as a substitute for, the results of our operations presented in accordance with U.S. GAAP that are included in our condensed consolidated financial statements. In addition, our

EBITDA does not necessarily represent funds available for discretionary use and is not necessarily a measure of our ability to fund our cash needs.

### **Critical Accounting Policies**

Critical accounting policies are those related to the areas where we have made what we consider to be particularly subjective or complex judgments in arriving at estimates and where these estimates can significantly impact our financial results under different assumptions and conditions.

These estimates, judgments, and assumptions affect the reported amounts of assets, liabilities and equity, the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting periods. We base our estimates on historical experience and various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets, liabilities and equity that are not readily apparent from other sources. Actual results and outcomes could differ from these estimates and assumptions. We do periodically review these critical accounting policies and estimates with the audit committee of our board of directors.

We consider the accounting policies related to revenue recognition on long-term construction contracts; income tax reporting; and the financial reporting associated with any significant claims or legal matters to be most critical to the understanding of our financial position and results of operations. An expanded discussion of our critical accounting policies is included in Item 7 of Part II of our Annual Report. During the three months ended April 30, 2024, there have been no material changes in the way we apply the critical accounting policies described therein.

### **Recently Issued Accounting Pronouncements**

See Note 1 to the accompanying condensed consolidated financial statements for discussion on recently issued accounting pronouncements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

In the normal course of business, our results of operations may be subject to risks related to fluctuations in interest rates; changes in foreign currency exchange rates; fluctuations in prices for commodities including steel products, copper, concrete and fuel; and global supply disruptions, among other market risks.

In the "Risk Factors" section of our Annual Report, we included discussion of the risks to our fixed price contracts if actual contract costs rise above the estimated amounts of such costs that support corresponding contract prices. Identified as factors that could cause contract cost overruns, project delays or other unfavorable effects on our contracts, among other circumstances and events, are delays in the scheduled deliveries of machinery and equipment ordered by us or project owners, unforeseen increases in the costs of labor, warranties, raw materials, components or equipment or the failure or inability to obtain resources when needed.

There have been no material changes to the Company's market risks during the three months ended April 30, 2024. For a broader discussion of the Company's exposure to market risks, refer to the Company's market risk disclosures set forth in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" of the 2024 Annual Report"

### **ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of disclosure controls and procedures.** Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of April 30, 2024. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of April 30, 2024, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified by the SEC, and the material information related to the Company and its consolidated subsidiaries is made known to management,

including the chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure in the reports.

**Changes in internal controls over financial reporting.** There have been no significant changes in our internal control over financial reporting (as defined in Rules 13a-15 and 15d-15 under the Exchange Act) during the fiscal quarter ended April 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II

### ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, we may have pending claims and legal proceedings. It is our opinion, based on information available at this time, that any current claim or proceeding will not have a material effect on our condensed consolidated financial statements.

#### ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in our Annual Report.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Our board of directors has authorized management to spend up to \$125 million for the repurchase of shares of our common stock in the open market or through investment banking institutions, privately-negotiated transactions, or direct purchases (the "Share Repurchase Plan"). The timing and amount of stock repurchase transactions will depend on market and business conditions, applicable legal and credit requirements and other corporate considerations. In accordance with the SEC's Rule 10b5-1, and pursuant to the Share Repurchase Plan, we have allowed, and may in the future allow, the repurchase of our common stock during trading blackout periods by an investment banking firm or other institution agent acting on our behalf pursuant to predetermined parameters.

Information related to our share repurchases for the three months ended April 30, 2024 follows:

Period	Total Number of Shares Repurchased	Average Price per Share Paid	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased under the Plans or Programs (Dollars in Thousands)
February 1 - 29, 2024	5,600	\$ 44.87	5,600	\$ 23,767
March 1 - 31, 2024	4,299	\$ 49.97	—	\$ 23,767
April 1 - 30, 2024	181,055	\$ 60.90	—	\$ 23,767
<b>Total</b>	<b>190,954</b>		<b>5,600</b>	

For the month ended March 31, 2024, we accepted 4,299 shares of our common stock at the average price per share of \$49.97 for the exercise price and/or tax withholding in connection with stock option exercises that occurred during the month. For the month ended April 30, 2024, we accepted 181,055 shares of our common stock at the average price per share of \$60.90 for the exercise price and/or tax withholding in connection with stock option exercises and restricted stock unit settlements that occurred during the month.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

### ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

### ITEM 5. OTHER INFORMATION

During the quarter ended April 30, 2024, no director or officer of the Company (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

#### ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Title</u>
3.1	<a href="#">Certificate of Incorporation, as amended. Incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K filed on April 10, 2019.</a>
3.2	<a href="#">Bylaws. Incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K filed on April 15, 2009.</a>
10.1	<a href="#">Second Amended and Restated Replacement Credit Agreement, dated May 24, 2024, among Argan, Inc. and certain subsidiaries of Argan, Inc., as borrowers, and Bank of America, N.A., as the lender. Incorporated by reference to the Registrant's Current Report on Form 8-K filed on May 31, 2024.</a>
10.2	<a href="#">Master Issuance and Indemnity Agreement, dated May 31, 2024, between Atlantic Projects Company Limited and Bank of America, N.A. Incorporated by reference to the Registrant's Current Report on Form 8-K filed on May 31, 2024.</a>
10.3	<a href="#">Guarantee of Payment Agreement, dated May 24, 2024, between Argan, Inc. and Bank of America, N.A. Incorporated by reference to the Registrant's Current Report on Form 8-K filed on May 31, 2024.</a>
31.1	<a href="#">Certification of Chief Executive Officer, pursuant to Rule 13a-14(c) under the Securities Exchange Act of 1934.</a>
31.2	<a href="#">Certification of Chief Financial Officer, pursuant to Rule 13a-14(c) under the Securities Exchange Act of 1934.</a>
32.1	<a href="#">Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350. *</a>
32.2	<a href="#">Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350. *</a>
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.LAB	Inline XBRL Taxonomy Label Linkbase.
101.PRE	Inline XBRL Taxonomy Presentation Linkbase.
101.DEF	Inline XBRL Taxonomy Extension Definition Document.
104	Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

\* The certification is being furnished and shall not be considered filed as part of this report.

#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

#### ARGAN, INC.

June 6, 2024

By: /s/ David H. Watson  
David H. Watson  
President and Chief Executive Officer

June 6, 2024

By: /s/ Richard H. Deily  
Richard H. Deily  
Senior Vice President, Chief Financial Officer,  
Treasurer and Corporate Secretary

## SARBANES-OXLEY ACT SECTION 302(a) CERTIFICATION

I, David H. Watson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Argan, Inc. (the "Registrant") for the period ended April 30, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: June 6, 2024

By: /s/ David H. Watson

David H. Watson  
President and Chief Executive Officer  
(Principal Executive Officer)

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## SARBANES-OXLEY ACT SECTION 302(a) CERTIFICATION

I, Richard H. Deily, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Argan, Inc. (the "Registrant") for the period ended April 30, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: June 6, 2024

By: /s/ Richard H. Deily

Richard H. Deily  
Senior Vice President, Chief Financial Officer, Treasurer and Corporate Secretary  
(Principal Financial Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Argan, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the period ended April 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David H. Watson, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 6, 2024

By: /s/ David H. Watson

David H. Watson  
President and Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Argan, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the period ended April 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard H. Deily, Senior Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 6, 2024

By: /s/ Richard H. Deily

Richard H. Deily

Senior Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

(Principal Financial Officer)

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