Argan, Inc.

July 26, 2019

Disclosures Statement and Disclaimers

This presentation and the information contained herein is confidential, is the property of KORR Value LP and its affiliates (collectively, "KORR") and is intended solely for the information of intended recipients and their authorized agents or representatives and may not be distributed to any other person without KORR's prior written consent. This presentation is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

This presentation is for discussion and informational purposes only. The views expressed herein represent the opinions of KORR as of the date hereof. All of the information contained herein is based on publicly available information with respect to Argan, Inc. (the "Issuer"), including filings made by the Issuer with the Securities and Exchange Commission (the "SEC") and other sources, as well as KORR's analysis of such publicly available information. KORR has relied upon and assumed, without independent verification, the accuracy and completeness of all data and information available from public sources, and not representation is made that any such data or information is accurate. KORR recognizes that the Issuer may possess confidential or otherwise non-public information that could lead it to disagree with KORR's views and/or conclusions and that could alter the opinions of KORR were such information known. No representation, warranty or undertaking, express or implied, is or will be given or deemed to have been made by KORR as to the reliability, accuracy, completeness or fairness of any information or opinion contained in this presentation. KORR and each of its directors, officers, employees, representatives and agents expressly disclaim any and all responsibility or liability based, in whole or in part, on the accuracy or sufficiency of such information, any errors, omissions or misstatements, negligent or otherwise, relating thereto. Furthermore, KORR disclaims any obligation to update the information contained herein and reserves the right to modify or change its conclusions at any time in the future.. This presentation may contain links to articles. The view and opinions expressed in such articles are those of the author referenced or quoted in such article and, unless specifically noted otherwise, do not necessarily represent the opinion of KORR.

The Issuer agrees that it will not disclose any material non-public information to KORR (whether as a result of this presentation or otherwise) without KORR's written consent, and KORR is under no duty of confidentiality or otherwise with respect to such information or this presentation.

All registered or unregistered service marks, trademarks and trade names referred to in this presentation are the property of their respective owners, and KORR's use herein does not imply an affiliation with, or endorsement by, the owners of these service marks, trademarks and trade names

The preparation and distribution of this presentation should not be taken as any form of commitment on the part of KORR to take any action in connection with the company discussed herein. KORR is in the business of buying and selling securities. It has, and may in the future, buy, sell or change the form of its position in the company discussed herein for any or no reason whatsoever. KORR is not a broker dealer but rather an investment advisor. Projected returns are not guaranteed and may prove to be wrong. There is no assurance or guarantee with respect to the prices at which any securities of the company will trade, and such securities may not trade at prices that may be implied herein. The estimates, projections, pro forma information and potential impact of the analyses set forth herein are based on assumptions that KORR believes to be reasonable as of the date of this presentation, but there can be no assurance or guarantee that actual results or performance of the Company will not differ, and such differences may be material.

Except for the historical information contained herein, the information and opinions included in this presentation constitute forward-looking statements, including estimates and projections prepared with respect to, among other things, the Issuer's anticipated operating performance, the value of the Issuer's securities, debt or any related financial instruments that are based upon or relate to the value of the securities of the Issuer (collectively, "Issuer Securities"), general economic and market conditions and other future events. All statements contained in this presentation that are not clearly historical in nature or that necessarily depend on future events are forward-looking, and the words "anticipate," "believe," "expect," "potential," "opportunity," "estimate," "plan," and similar expressions are generally intended to identify forward-looking statements. Any assumptions, assessments, estimates, projections or the like (collectively, "Statements") regarding future events or which are forward-looking in nature constitute only subjective views, outlooks or estimations, are based upon KORR's judgements, expectations or beliefs, which may or may not prove to be correct and which are subject to change due to a variety of factors, including fluctuating market and competitive conditions, future business decisions and economic factors, and involve inherent risks and uncertainties, many of which cannot be predicted or quantified and are beyond KORR's control. The Statements contained in this presentation that are not historical facts are based on current expectations, speak only as of the date of this presentation and involve risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such Statements. Although KORR believes that the assumptions underlying the Statements are reasonable as of the date of this presentation, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the projected results or forward-looking statements included in this presentation will prove to be accurate. In light of the significant uncertainties inherent in the Statements included in this presentation, the inclusion of such information should not be regarded as a representation as to future results or that the objectives and plans expressed or implied by such projected results and forward-looking statements will be achieved. KORR will not undertake and specifically declines any obligation to disclose the results of any revisions that may be made to any Statements in this presentation to reflect events or circumstances or to reflect the occurrence of anticipated or unanticipated events. Actual results could differ materially from those set forth in, contemplated by, or underlying these Statements.

Disclosures Statement and Disclaimers (Cont.)

Neither KORR nor any of its affiliates, directors, officers, employees, representatives or agents shall be responsible or have any liability for any misinformation contained in any third party, SEC or other regulatory filing or third party report. KORR has not sought or obtained consent from any third party to use any statements or information contained herein. Any such statements or information should not be viewed as indicating the support of such third party for the views expressed herein. Select figures presented in this presentation, including earnings before interest, taxes, depreciation and amortization (“EBITDA”), have not been calculated using generally accepted accounting principles (“GAAP”) and have not been audited by independent accountants. Such figures may vary from GAAP accounting in material respects and there can be no assurance that the unrealized values reflected in this presentation will be realized. Nothing in this presentation is intended to be a prediction of the future trading price or market value of securities of the Issuer. There is no assurance or guarantee with respect to the prices at which any securities of the Issuer will trade, and such securities may not trade at prices that may be implied herein. The estimates, projections, pro forma information and potential impact of KORR’s analyses set forth herein are based on assumptions that KORR believes to be reasonable as of the date of this presentation, but there can be no assurance or guarantee that actual results or performance of the Issuer will not differ, and such differences may be material. KORR reserves the right to change any of its opinions expressed herein at any time.

This presentation does not constitute (and may not be construed to be) a solicitation or offer by KORR or any of its directors, officers, employees, representatives or agents to buy or sell any Issuer Securities or securities of any other person in any jurisdiction or an offer to sell an interest in funds managed by KORR. This presentation foes not constitute financial promotion, investment advice or an inducement or encouragement to participate in any product, offering or investment or to enter into any agreement with the recipient. No agreement, commitment, understanding or other legal relationship exists or may be deemed to exist between or among KORR and any other person by virtue of furnishing this presentation. It is possible that there will be developments in the future that cause one or more of such funds managed by KORR from time to time to sell all or a portion of their holdings in open market transactions or otherwise (including via short sales), buy additional shares (in open market or privately negotiated transactions or otherwise), or trade in options, puts, calls or other derivative instruments relating to such shares. Consequently, KORR’ beneficial ownership of common stock of the Issuer may vary over time depending on various factors, with or without regard to KORR’ views of the Issuer’s business, prospects or valuation (including the market price of the Issuer’s common stock), including without limitation, other investment opportunities available to KORR, concentration of positions in the portfolios managed by KORR, conditions in the securities markets and general economic and industry conditions. KORR also reserves the right to take any actions with respect to investments in the Issuer as it may deem appropriate, including, but not limited to, communicating with management of the Issuer, the Board of Directors of the Issuer, other investors and shareholders, stakeholders, industry participants, and/or interested or relevant parties about the Issuer, and to change its intentions with respect to its investments in the Issuer at any time. However, neither KORR nor any of its affiliates has any intention, either alone or as part of a group, to directly or indirectly seek to acquire “control” of the Issuer or to otherwise put the Issuer “in play” through any means. For purposes of the foregoing sentence, “control” shall mean the power, whether or not exercised, to direct or cause the direction of the management and policies of an entity through the ownership of voting shares, by contract or otherwise.

This presentation is not intended to be, nor should it be construed or used as, investment, tax or legal advice. No representation is made that KORR's investment process or investment objectives will or are likely to be achieved or successful or that KORR's investments will make any profit or will not sustain losses. Past performance is not indicative of future results.

The purpose of this presentation of Argan, Inc. ("Argan", "AGX" or the "Company") is to present to the Board of Directors of Argan, as fiduciaries, why certain actions must be taken in order to both protect the brand of Argan as a company, as well as to increase shareholder value.

Immediate actions include:

- *Address and mitigate investors' concerns regarding* Atlantic Projects Company Limited ("APC") *via a sale, initiating chargebacks, legal recourse, and/or a reorganization of the business.*
- *Initiate a share repurchase program.*
- *Seek a large acquirer to purchase AGX.*

Table of Contents

Table of Contents

Argan, Inc.

Situation Overview and Proposal to Unlock Shareholder Value

Situation Overview (Page 1 of 2)

About the Company

- Argan, Inc. (NYSE: AGX) is a holding company that conducts operations through its subsidiaries: Gemma Power Systems, LLC and affiliates (“GPS”), APC, Southern Maryland Cable, Inc. (“SMC”), and The Roberts Company (“TRC”). The Company provides engineering, procurement, construction, and other services to the power generation and renewable energy markets through GPS and APC, provides telecommunication infrastructure project management, construction, and other services through SMC, and delivers and installs fabricated steel components for industrial plants through TRC.

Two-year performance

- Over the past two years, Argan has underperformed its peers in nearly all financial measures. The share price has dropped from ~$70 to $41 today, and despite EBITDA projections of $125-150 million for the next four years (based on the disclosed backlog), no debt, and hundreds of millions in cash, the events described in the 8-K dated May 17, 2019 have caused the stock to trade down 20% from mid-May until the end of June. In addition, the Company has one of the lowest forward-looking EV/EBITDA multiple in the peer group, coming in at only 5.3x. See slide 14 for more information about Argan and its valuation compared to its peers.

Market Discount

- KORR believes that Argan owns and operates the best-in-class company in the engineering, procurement, and construction space through GPS. Additionally, we believe GPS’s CEO, Mr. William Griffin, to be a proficient and skilled leader. However, we believe that as an independent public entity, Argan is unable to garner a proper valuation for the following reasons:
  - Argan’s overall size vs. project size makes their performance lumpy compared with peers;
  - Management’s failure to effectively and clearly communicate with investors;
  - Minimal analyst coverage, and research which is not publicly available; and
  - Recent failed acquisitions which have reduced investor confidence.

Source: AGX Annual Report FY 2019; 8-K Filing, 10-Q Filing FY20 Q1

Project Backlog

- **The one bright point, and what we believe to be one of the most significant drivers of the Company's future performance, is its project backlog, which is expected to increase to levels never before seen at Argan.**
- Our analysis shows that the size of the project backlog has historically been a good predictor of the future performance of Argan's revenue, share price, and EBITDA. The benefits of a growing backlog are most apparent four quarters after the project backlog has increased.

KORR's Proposals

- **As a result of the increasing project backlog, we believe that now is the ideal time to act to increase shareholder value.** Our recommendations include:
  - Mitigating issues at the APC subsidiary;
  - Implement a share repurchase program; and
  - Seek a large acquirer to purchase Argan.

Source: AGX Annual Report FY 2019; 8-K Filing, 10-Q Filing FY20 Q1

Proposal to Unlock Shareholder Value

- **Mitigate DAMAGE – reputation and shareholder sentiment regarding the TeesREP power plant at the APC subsidiary.**
  - In November 2018, almost the entire on-site workforce, approximately 400 employees, went on strike citing safety concerns.
  - We believe that the issues stemming from the labor strike have caused investors to assume the worst, and that management's lack of communication continues to depress the Argan share price. We believe management has the following options:
    - Sell the APC business;
    - Initiate chargebacks;
    - Seek legal recourse; and
    - Reorganize the business.
- **Implement a share repurchase program.**
  - With the recent record-breaking backlog, there is clear visibility into additional value. Argan should implement a share repurchase program. Argan has never repurchased shares. However, given our belief that Argan's shares are trading significantly below their intrinsic value, we believe this is an ideal time to implement such a program.
  - We believe that the company can spend up to $50 million to repurchase one million shares, while not putting their performance bonds at risk. If shares are repurchased at an average price of $45 per share and shares appreciate as expected as a result of the increased project backlog, we anticipate **an ROI of over 40% utilizing our most conservative price target of $64.**

Source: AGX Annual Report FY 2019; 8-K Filing, 10-Q Filing FY20 Q1

Proposal to Unlock Shareholder Value

- **Seek a large acquirer to purchase Argan.**
  - Argan has been, and remains an attractive acquisition target, due to the following reasons:
    - Large and increasing backlog (over $2 billion);
    - Clean balance sheet ($0 debt and $256 million in cash);
    - Flexible workforce and operating structure; and
    - Well-respected and strong reputation in the EPC space.
  - A company such as Fluor Corporation (“FLR”), Jacobs Engineering Group (“JEC”), WorleyParsons Limited (“Worley”), Chicago Bridge & Iron Company, Bechtel Corporation, Kiewit Corporation, PCL Construction Inc., or another large another engineering and construction company could effectively integrate Argan’s workforce and segments as needed into their operating structure.
  - Performance bond requirements, which require Argan to hold significant amounts of cash on its balance sheet disproportionate to its size, limit Argan’s ability to effectively deploy capital. A large construction and engineering company could undertake Argan’s current backlog and keep cash as collateral against performance bonds on its balance sheet without it constituting a significant portion of their balance sheet.
  - Our analysis indicates a share price of between $68.06 and $100.72 based on a comparable analysis EBITDA of 11.5x, using Worley’s recent acquisition of JEC’s Engineering’s Energy, Chemicals & Resources segment. Argan currently trades at $41.
  - Using a regression analysis to find the future TTM EBITDA using the project backlog size with **95% confidence bands**, our analysis indicated a share price of $63.75 on the **low** end of our confidence interval, and an **average** share price of $93.27, keeping today’s cash level constant and utilizing the same 11.5x multiple.
  - Using our regression analysis to find the future share price using the project backlog size with **95% confidence bands**, our analysis indicated a share price of $82.86 on the **low** end of our confidence interval, and an **average** share price of $100.56.

95% confidence band, low estimate and mean

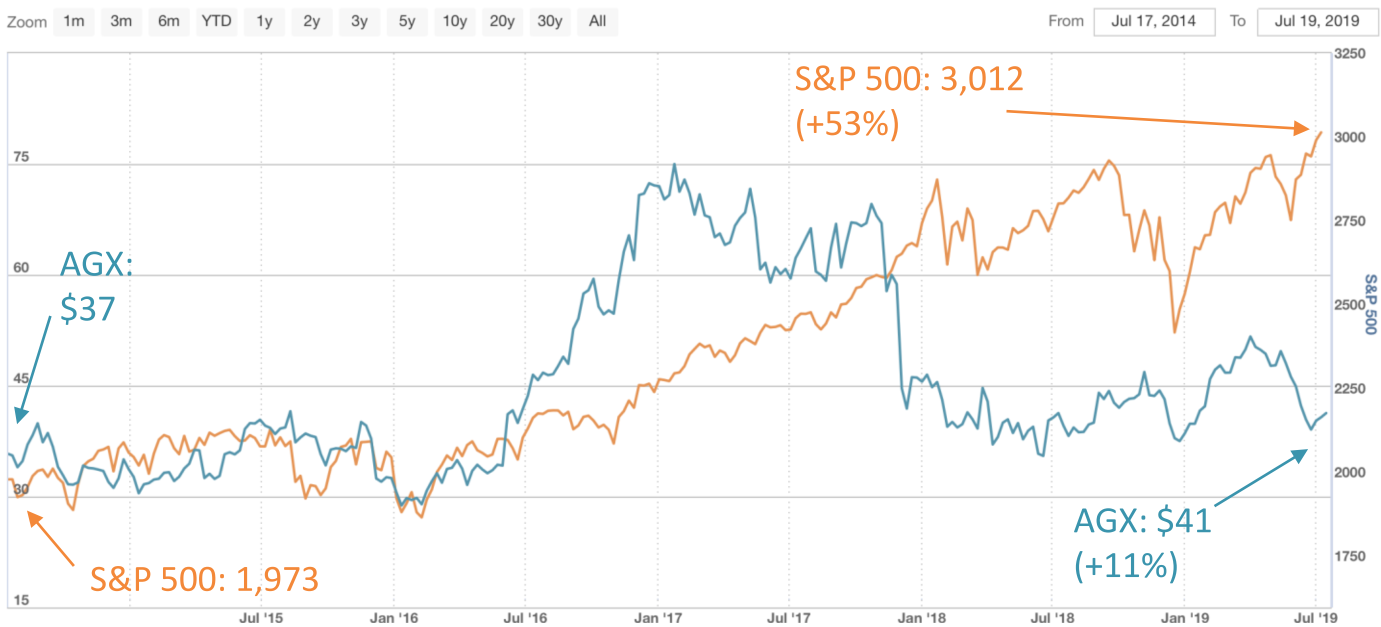
Source: AGX Annual Report FY 2019; 8-K Filing, 10-Q Filing FY20 Q1

Argan, Inc.

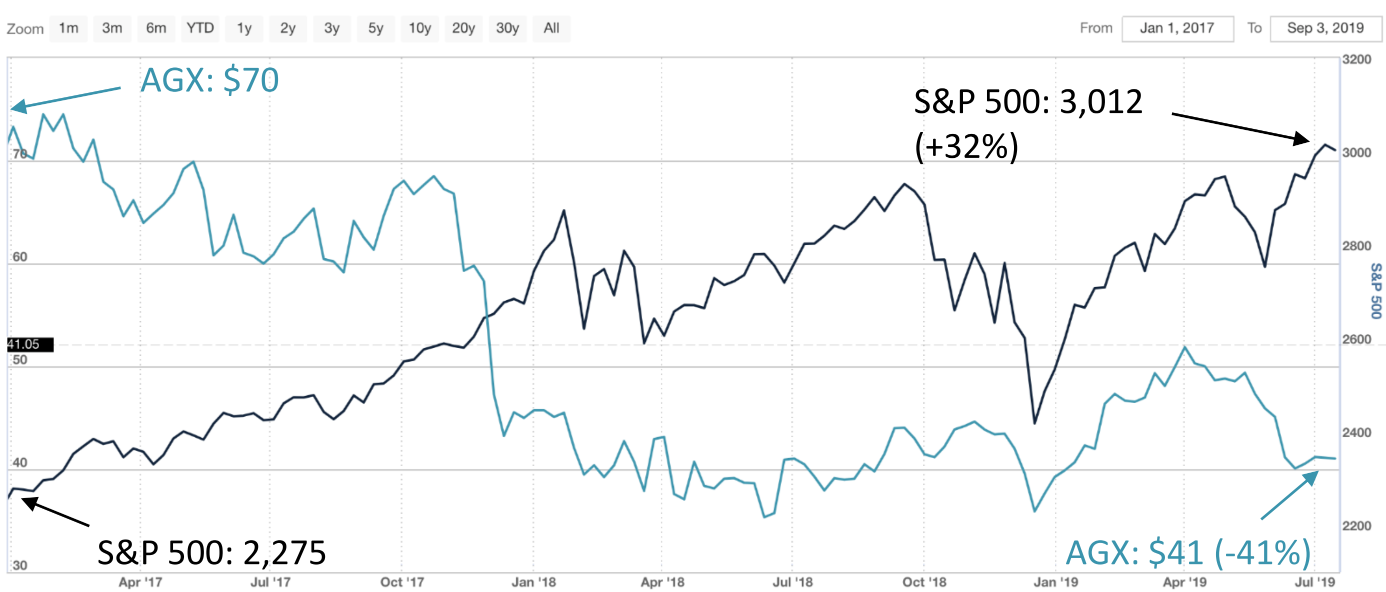
Recent Performance

AGX Underperformance vs. S&P 500

5 Year performance



Performance since 1/1/2017



Source: Sentieo

Comparable Analysis

Tickers	Company Name	Market Cap (Yesterday) (USD, mn)	Enterprise Value (Yesterday) (USD, mn)	NTM EV/EBITDA (Yesterday) (x)	Cash as a Percentage of Enterprise Value (Most Recent FY)
FLR*	FLUOR CORP	4,494	4,442	5.9x	29%
JEC	Jacobs Engineering Group Inc.	11,576	13,833	13.0x	6%
MDR	MCDERMOTT INTERNATIONAL INC	1,897	5,324	4.4x	12%
MYRG	MYR GROUP INC.	603	715	6.6x	1%
PRIM	Primoris Services Corp	1,019	1,323	5.7x	13%
PWR	Quanta Services Inc	5,378	6,683	6.9x	1%
Average		4,161	5,387	7.1x	10%
Median		3,195	4,833	6.3x	9%
Max		11,576	6,683	13.0x	29%
Min		603	715	4.4x	1%
AGX	ARGAN INC	638	382	5.3x**	82%

Compared to its competitors, Argan has the strongest cash position as a percentage of enterprise value.

*FLR has recently been punished by the market because of mistakes in their project bidding process.

**We adjusted the recent EBITDA in order to normalize the ratio using the last two quarters of FY2018 and first two quarters of FY2019.

Source: Sentieo

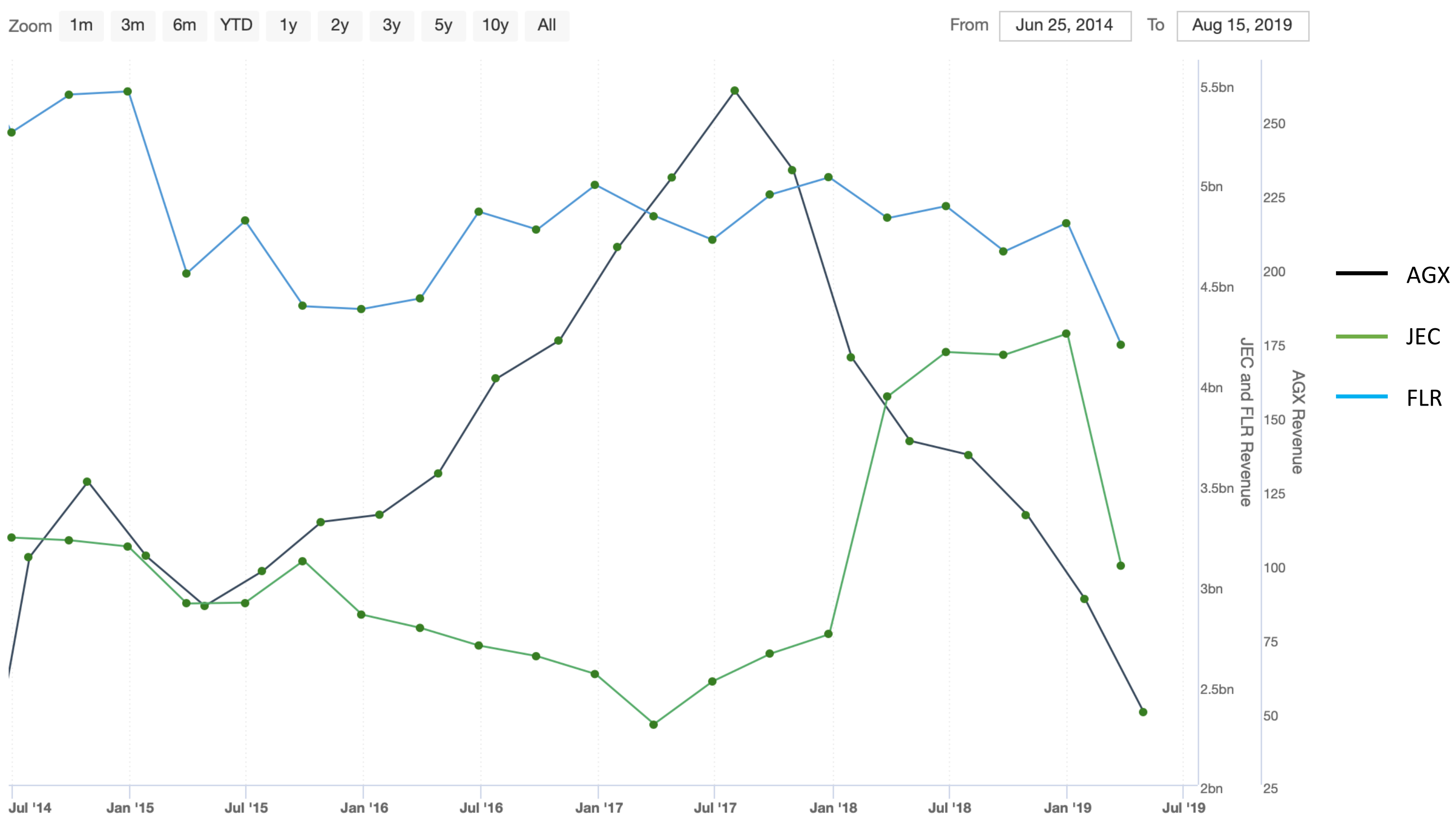
Argan, Inc.

Reasons for Market Discount

AGX Revenue is Volatile Compared to Competitors

- Since AGX is smaller than its competitors and derives its revenue from a limited number of large contracts, its revenue is more volatile than other companies in the industry.
- This "lumpiness" could be unattractive to investors who prefer more predictable sales patterns.

Quarterly Revenue for AGX vs. Competitors Since 2014



Source: Sentieo

Labor Issues Related to APC

- APC is facing significant difficulties completing its TeesREP project, in which it won subcontract for a 299 MW biomass boiler. APC received a full notice to proceed in May 2017 with a scheduled completion year of 2019.
- In November 2018, almost the entire on-site workforce, approximately 400 employees, went on strike citing safety concerns.
  - Workers on the site claimed there had been “at least 12 drop incidents where various objects including steel, metal and concrete have fallen, potentially putting peoples’ lives at risk.”
  - One protestor said, “people are angry, it’s close to Christmas and nobody wants to lose any money. We all want to work at the end of the day – but we want to work safely.”
- In its annual report filed on April 10, 2019, Argan disclosed that APC has encountered “significant and escalating operational and contractual challenges in completing a project in the United Kingdom.”
- Later, in an 8-K filed on May 16, 2019, Argan disclosed that the difficulties associated with the project, the Tees Renewable Energy Plant (“TeesREP”) facility, have increased significantly and that project costs will now substantially exceed revenues. Argan stated:

  “APC conducted a comprehensive review of the remaining contract work, prepared a new timeline for the completion of the project and assessed other factors. Management has not completed its analysis of the new information, but it now realizes that the costs for APC to complete the work that remains for the project will exceed projected revenues and that the resulting loss for this project will most likely be substantial. The Company expects that the amount of the loss to be recorded will adversely affect the Company’s consolidated operating results for the quarterly period ended April 30, 2019 in a material manner.”

- Additionally, APC has historically done a poor job of bidding on projects. Similarly to FLR, it seems that the market has penalized Argan because of this fact: another contributing factor to why we believe the stock has recently been suppressed.

Source: “The Gazette” gazettelive.co.uk/news; Argan 8-K filing

Labor Issues Related to APC

- Additionally, in May 2019, 200 workers went on strike again, citing another safety incident with a boiler. The strike started after workers refused to continue after a "suspended load moved during installation." A spokesperson for the strikers said that health and safety issues have "been ongoing for a year on and off and it is believed that we are now in a situation that the lads feel it is unsafe for them to go to work."
- Argan further discusses the issues but fails to explicitly state specific actions they plan on taking to mitigate their losses. "We are disappointed with our results for the quarter, especially as it relates to the loss we recorded on our APC project in the United Kingdom. We are working hard to mitigate this loss." – Rainer Bosselmann, 8-K Earnings, filed June 10, 2019.
- Per the same report, Argan estimates **that the costs for APC to complete the work for the failed project will substantially exceed revenues, and booked a quarterly loss of $27.6 million.** As a result of the higher costs associated with the project in conjunction with lower revenues, Argan reported a **$29.8 million** net loss for the quarter, or $1.91 loss per diluted share.
- If we remove APC from this calculation, Argan would have only reported a loss of $2.2 million, a significant improvement over current performance. This also comes approximately one year after the project backlog was near recent lows of $524 million. We believe that both the APC issues and the weakened performance due to a smaller backlog have suppressed the stock.
- Despite a backlog that is expected to grow to over $2 billion, investors remain cautious as a result of the issues at APC and management's lack of a response. Because of a lack of transparency, investors have **assumed the worst.** Yet while we know GPS does not suffer from the same illnesses as APC, **investor sentiment shows how the risks are perceived. The market cap has suffered $125 million since the disclosure of the APC debacle.**

Source: "The Canary" thecanary.co/uk; Argan 8-K filing

AGX Short Interest

- AGX was not transparent with investors about the APC strikes, which caused the short interest to increase.
- As of June 30th, 2019 short interest totaled 673,600 shares, an increase of 10.4% from the May 30th total of 609,900 shares. The current short interest as a percent of free float is 5%.
- The only public statement Argan has made for the strikes is:

> *"Subsequent to the release of the Company's consolidated financial statements for the fiscal year ended January 31, 2019, APC's estimates of the unfavorable financial impacts of the difficulties on this particular project, including work stoppages due to labor strikes, escalated substantially." -10-Q FY 2020 Q1*

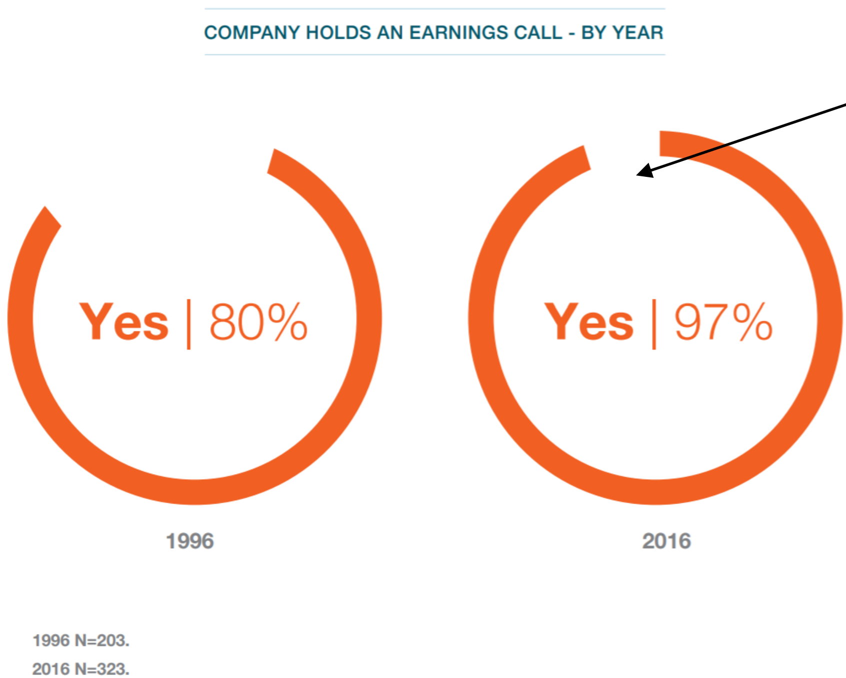
- With this message, Argan fails to mention:
  - The parent is not at risk for the losses;
  - Whether the damages are limited; and
  - That they are exploring options and that their losses on this one project will not exceed a certain amount.

Source: AGX 10-Q filing, FY 2020 Q1; "Trent Times" trentdailytimes.com

Lack of Effort in Communicating with Investors

- A 2016 study conducted by the National Investor Relations Institute found that **97% of companies hold earnings calls**, up from 80% two decades earlier.

Argan? <u>**NO**</u>



- **Argan has failed to engage with investors via a conference call, webcast, or any other means of communication to explicitly discuss company earnings.**
- Engagement through annual investor presentations, which are merely posted online, does not sufficiently keep investors abreast of key company information and performance.

Source: National Investor Relations Institute

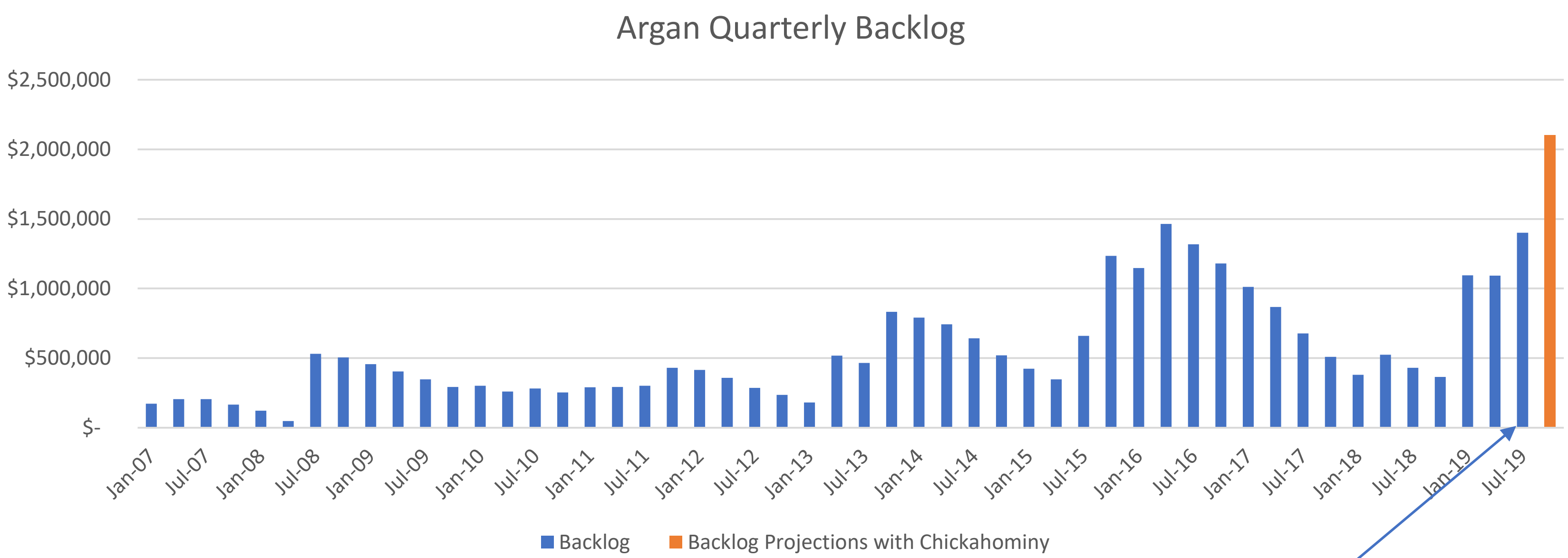
Lack of Effort in Communicating with Investors

- There is a lack of communication with Argan and its investors creating a large disconnect – this leads to overreactions with investors since the company does not directly communicate to shut down any controversy. Additionally, a lack of liquidity creates large swings in the price.
- Rainer Bosselmann has prohibited investors from speaking with the head of GPS, William F. Griffin, Jr., which is Argan's most profitable wholly owned subsidiary.
- There has been **no conversation** about the path of succession and the future of the Company if and when Rainer retires.
- We have identified only two Wall Street firms, Lake Street Capital Markets and CJS Securities, that cover Argan. Despite favorable price targets of $60 and $62, the reports are not publicly available. These proprietary reports are only distributed to clients of these boutique investment firms.
- Because of the lack of analyst coverage we believe there is asymmetric information; investors are not fully aware of significant and bullish news, and often fear the worst due to the lack of communication (discussed previously on slide 18).
- If analyst information was more readily available, we believe markets would react positively, and Argan's stock would appreciate significantly.
- **We believe these are key contributing factors as to why the Company's stock trades at a discount to its fair value.**

Argan, Inc.

Argan's Project Backlog Analysis – Now is the Time to Act

- Argan's backlog is an important component of the firm's success, because the backlog has a significant impact on future performance.
- Argan's backlog recently increased to $1.4 billion after GPS announced that it had won a contract to construct a 625 MW natural gas-fired power plant in Harrison County, West Virginia.
- This is the highest backlog level at the Company since April 2016.
- **This will rise to over $2 billion due to the addition of the Chickahominy Power Station.**



It is important to note that even though Argan's most recent 10-Q announced a project backlog of $1.093 billion, the filing also announced that because of the Harrison County Power Station, the backlog increased to $1.4 billion after the end of the reporting period but before the filing date. To keep our data consistent, we have kept the most recent quarterly backlog at $1.093 billion, but anticipate next quarter's backlog to be $1.4 billion.

Source: AGX Quarterly and Annual Financial Reports

Argan Backlog and Analysis

- In June 2018, GPS was awarded the EPC services contract for the Chickahominy Power Station, a 1,600 MW gas-fired power plant in Charles City County, Virginia. The value of this project is not included in Argan's backlog, but the project will be included in the backlog once "this project is closer to its commencement date."
- On June 21, 2019, Virginia's State Air Pollution Control Board approved a permit for the plant, a critical milestone in the project's development.
- We value this project at approximately $650-750 million. When the project is added to Argan's backlog, the backlog will reach a value of over $2.1 billion at our low estimate, a level never seen before at Argan.
- Further, 1-2 additional project wins can increase this figure potentially to $2.5 billion. As reference, Argan traded at around $75 when the backlog was less than $1.1 billion back at the end of January 2017.
- We expect Argan's financial performance to improve as a result of the increase in the project backlog, led by projects such as the Guernsey Power Station (1,875 MW), Harrison County Power Station (625 MW) and Chickahominy Power Station (1,600 MW).

Source: 2019 AGX Schedule 14A; Virginia Mercury

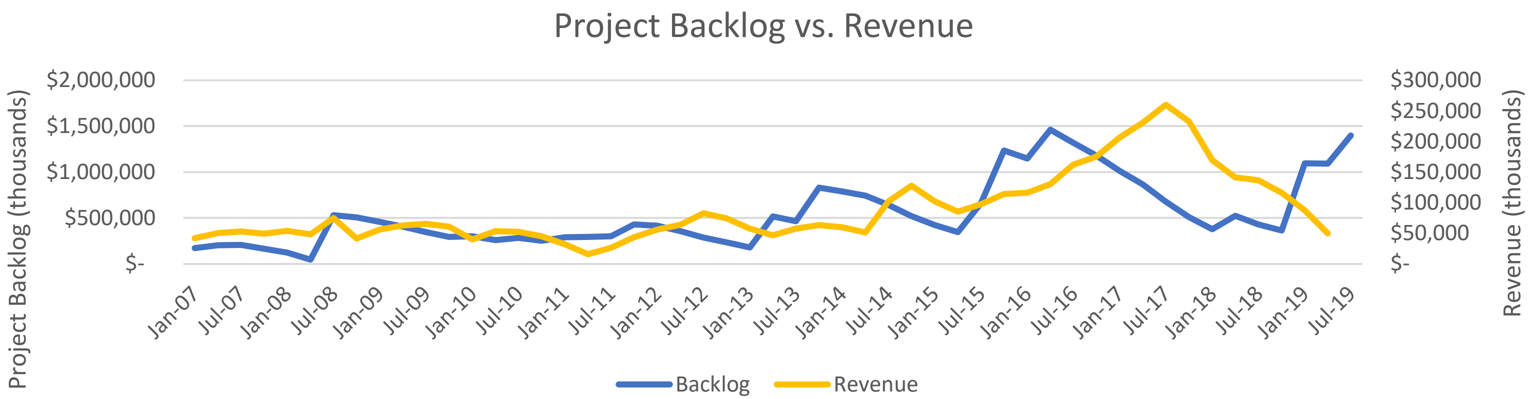
Argan Backlog and Analysis

- The size of the Argan backlog is closely tied to key financial performance metrics, such as net revenue and EBITDA. However, the backlog's impact on financial performance is typically not seen for approximately four quarters. In other words, the benefits of an improvement in the project backlog typically results in an improvement in financial performance one year later.
- A statistical regression analysis run over the past 50 quarters indicated a correlation of **88%** between the backlog level and revenues four quarters later, a very strong and statistically significant connection that we believe is indicative of the Company's future financial performance.
- As a result of our statistical analysis, **we believe that Argan's share price is undervalued and the market has significantly discounted the true value of Argan's increasing backlog.** The increase in the project backlog will translate into **increased financial performance over the next six to twelve months,** and we believe **now is the ideal time to mitigate fears related to APC, initiate a share repurchase program, and/or seek a large acquirer in an effort to unlock shareholder value.**

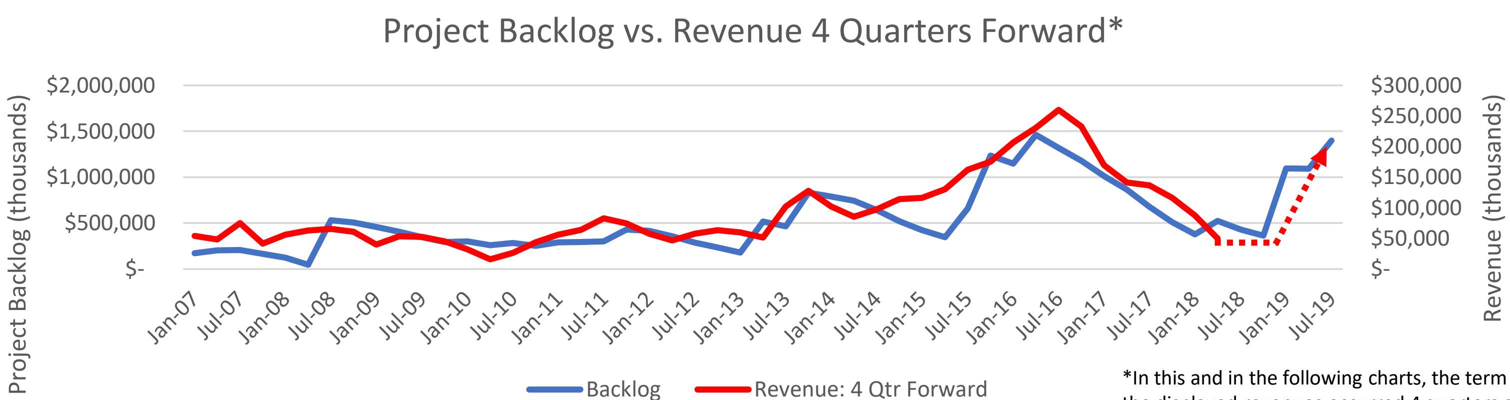
Source: AGX Quarterly and Annual Financial Reports

Argan Backlog and Analysis – Revenue

- Our analysis indicated that the size of the backlog impacts revenues four quarters later. The first chart below displays the size of the project backlog vs. quarterly revenue.



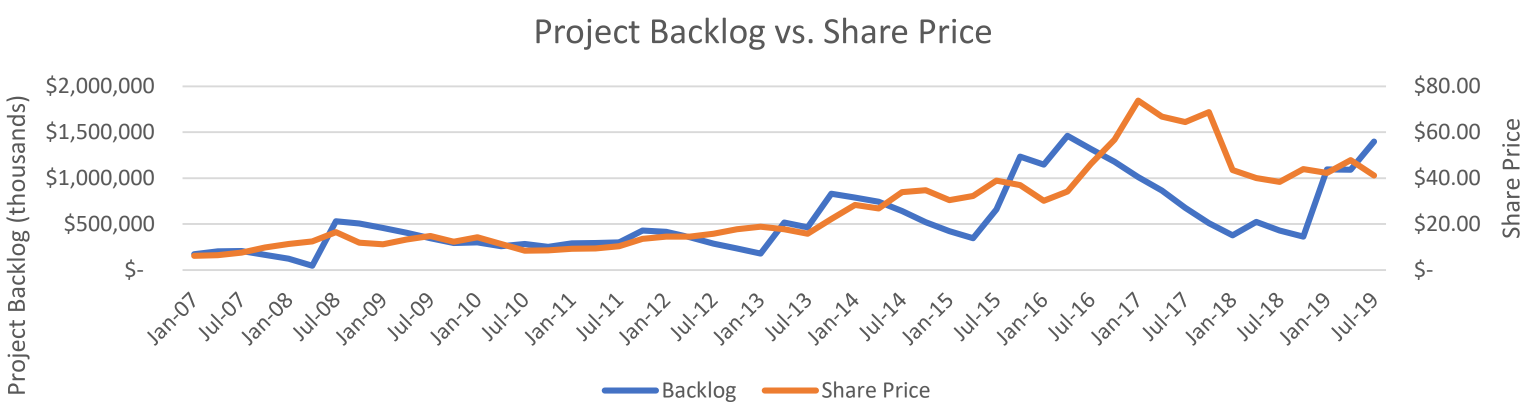
- When the revenues are shifted back four quarters from when they are recognized, the strong correlation of 88% between the size of the backlog and revenues four quarters forward becomes apparent. Our analysis predicts that a project backlog of $2.1 billion, the anticipated size of the backlog after the addition of the Chickahominy Power Plant, translates into **quarterly revenues of $332 million** four quarters after the increase. Quarterly revenues have never exceeded $260 million.



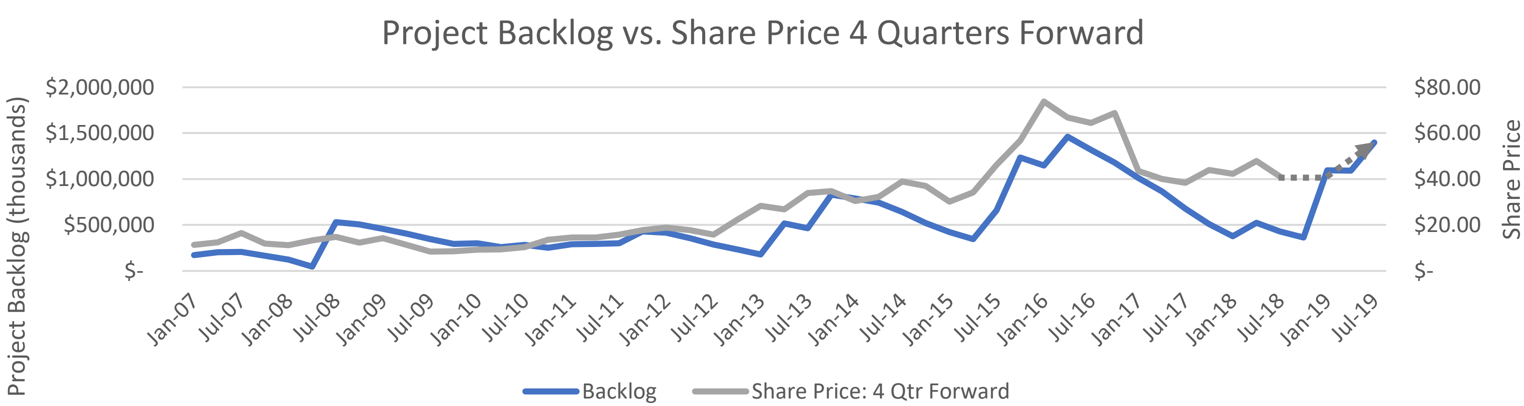
*In this and in the following charts, the term “forward” means that the displayed revenues occurred 4 quarters after they are displayed (e.g., revenues generated in April 2019 are shown in April 2018). This is done to show the correlation with the backlog.

Source: AGX Quarterly and Annual Financial Reports

- Similar connections were also noted in the project backlog vs. share price four quarters forward (85% correlation). The first chart below displays the size of the project backlog vs. share price.



- Again, when the share price shifted back four quarters from the actual date of the price, the strong correlation of 85% between the size of the backlog and share price becomes apparent. Out analysis predicts that a project backlog of $2.1 billion translates into a **share price of $100.56.** More conservatively, a backlog of $1.4 billion translates into **a share price of $68.70.**

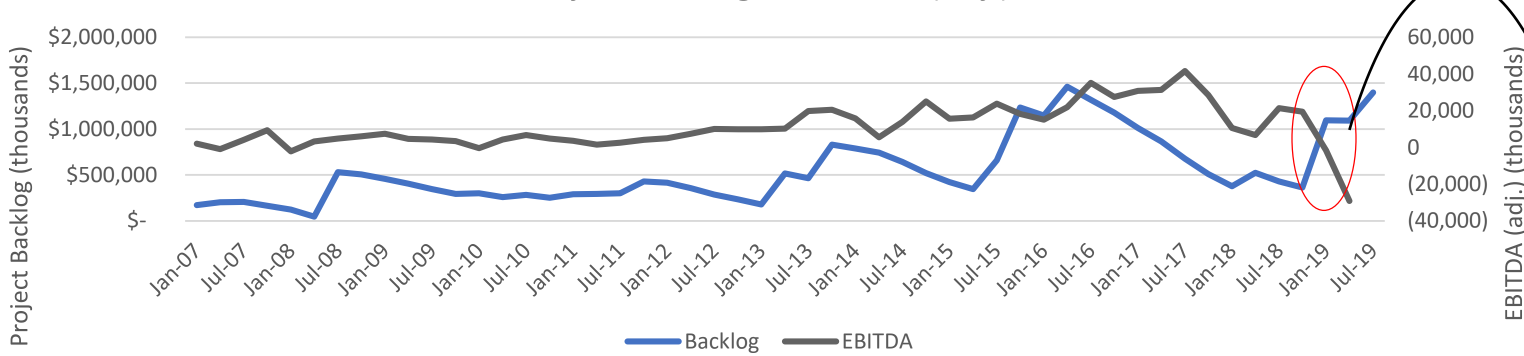


Source: AGX Quarterly and Annual Financial Reports

Argan Backlog and Analysis – EBITDA

- Similar connections were also noted in the project backlog vs. EBITDA (adj.) four quarters forward (61% correlation). Removing the Company's most recent performance due to the issues at the APC subsidiary, this correlation increases to 71%.

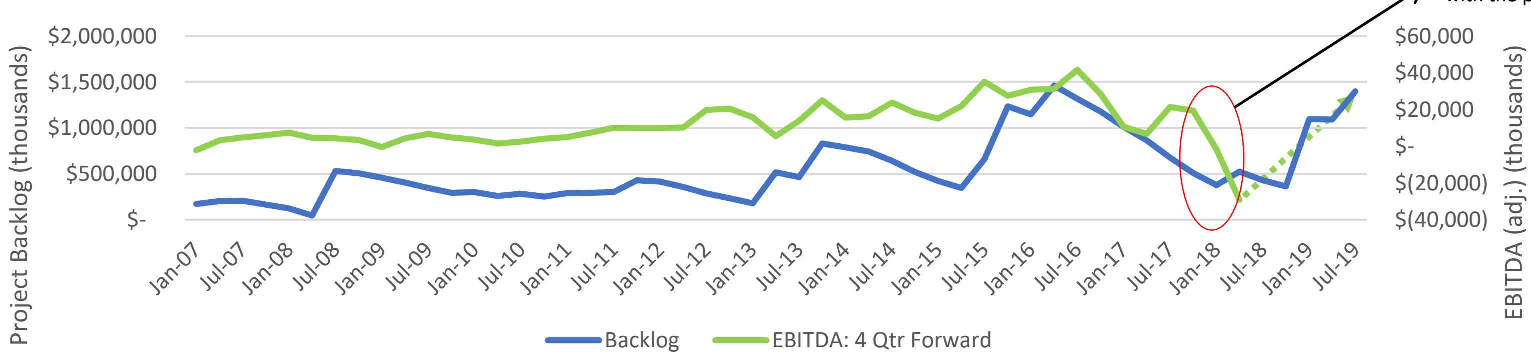
Project Backlog vs. EBITDA (Adj.)



- Again, when the EBITDA is shifted back four quarters from when it is generated, the strong correlation of 61% between the size of the backlog and EBITDA becomes apparent. Out analysis predicts that a project backlog of $2.1 billion translate into a quarterly **EBITDA of $46.64 million. Additionally, we believe that Argan can sustain these earnings well into 2021 as a result of the significant backlog increase.**

Argan's most recent quarterly EBITDA is a significant deviation from prior trends with the project backlog.

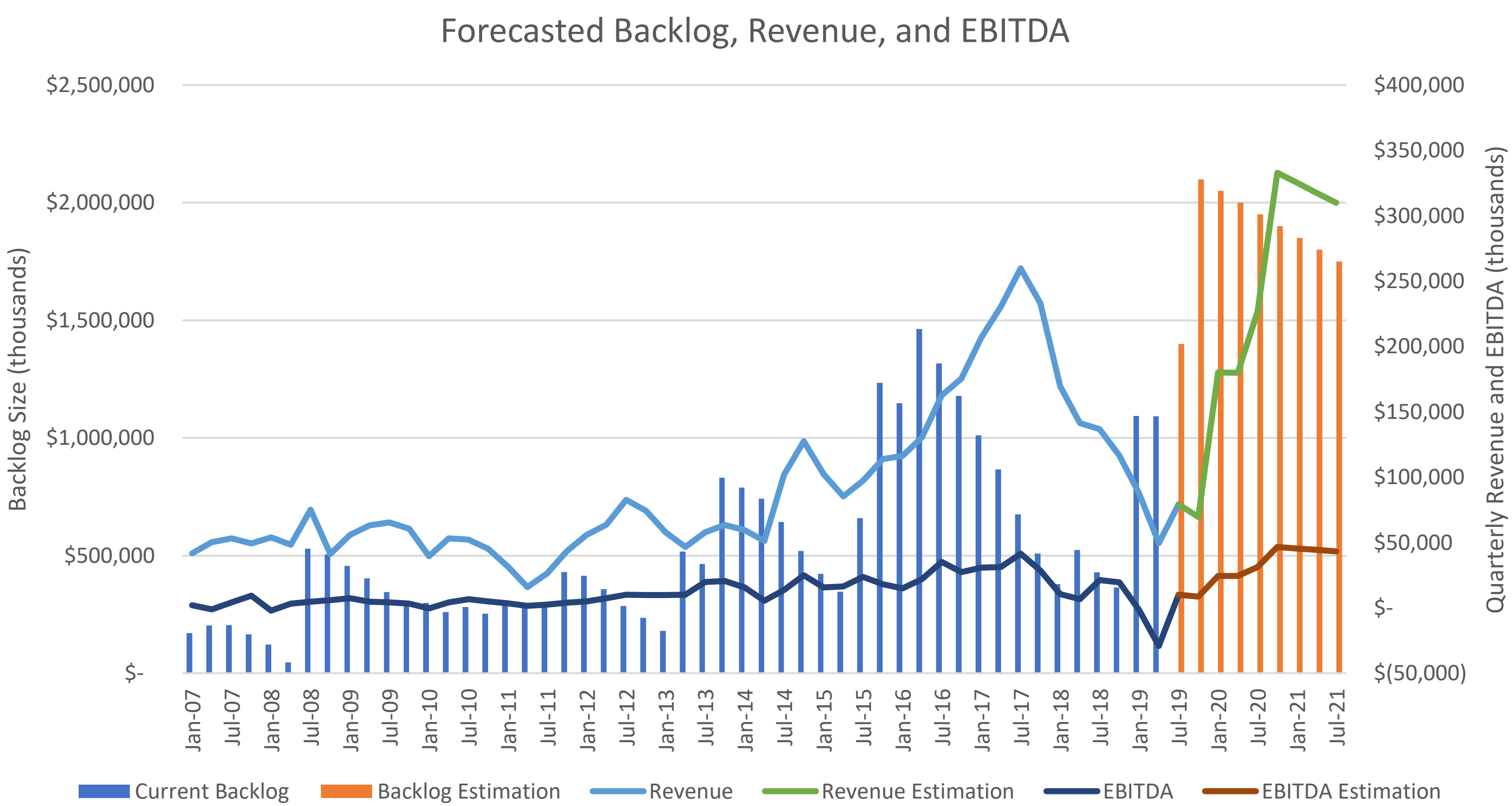
Project Backlog vs. EBITDA (Adj.) 4 Quarters Forward



Source: AGX Quarterly and Annual Financial Reports

Forward Looking Predictions

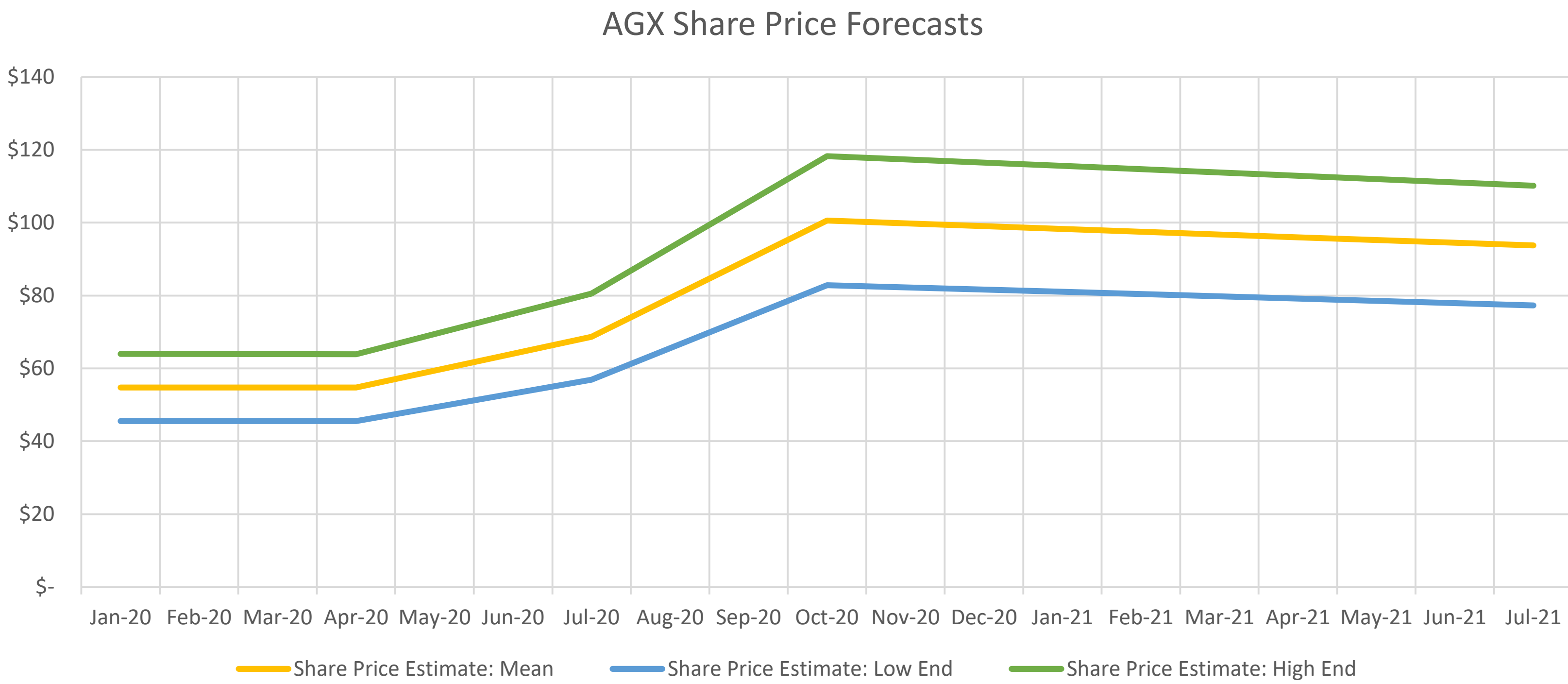
- Utilizing the predictive statistical model developed, we forecasted the quarterly revenues and EBITDA up to July 2021. To forecast the project backlog, we utilized our $2.1 billion forecast, and then assumed that the backlog would decrease at a rate of $600 million per year, as project work generates revenue from the backlog. We further assumed that $400 million would be added to the backlog (the approximate value of a medium sized project added once per year), for a net backlog decrease of $200 million per year.
- Our model predicts significant increases in revenues and EBITDA figures as a result of the anticipated increase in the backlog. Further, our model predicts that these figures will be sustained because of the slow and gradual decrease in the backlog.



Source: AGX Quarterly and Annual Financial Reports

Forward Looking Predictions

- Utilizing the same predictive statistical model developed, we also forecasted share price with the project backlog predictions through July 2021.
- Our model predicts significant increases in share price as a result of the anticipated increase in the backlog. As stated before, the project backlog and share price four quarters forward have a strong correlation of 85%. The graph below shows the projected mean, low, and high share price through July 2021 with a 95% confidence interval.
- **As a result of our findings, we believe that Argan's share price is significantly undervalued. We believe that management should mitigate fears related to APC, initiate a share repurchase program, and/or seek a large acquirer.**



Source: AGX Quarterly and Annual Financial Reports

Argan, Inc.

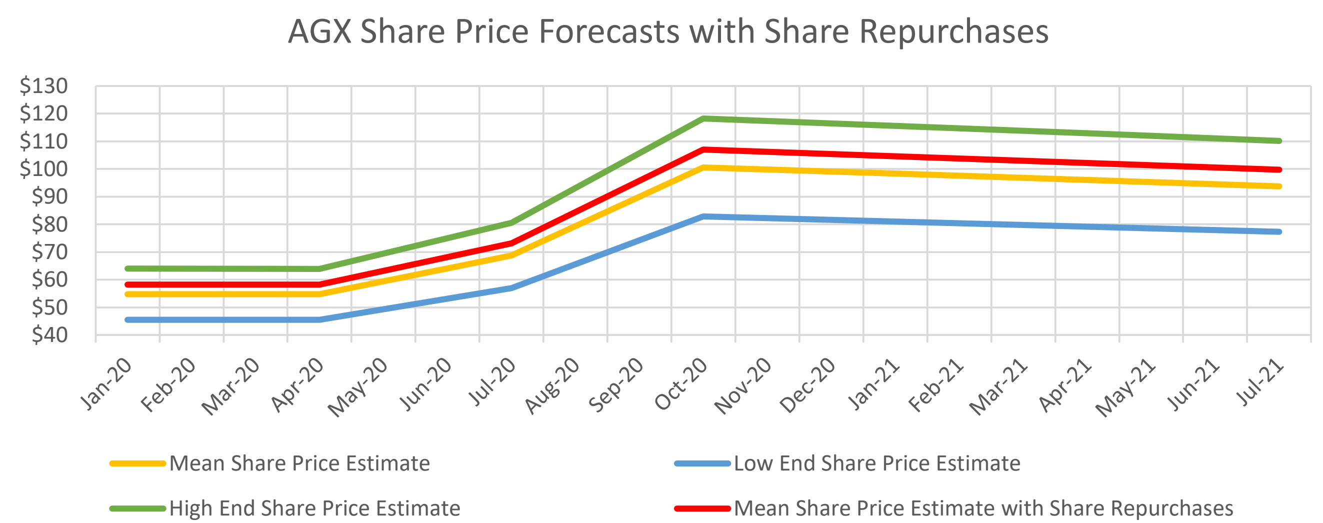
KORR's Recommendations to Unlock Value

Mitigate Fears at APC

- As discussed on slide 17, APC is facing significant difficulties completing its TeesREP project.
- We believe that based on its fiduciary duties to its shareholders, Argan must address the APC subsidiary now by taking one of the following actions:
  - Sell the APC business. As a holding company, Argan does not have any liabilities related to APC, so a sale of the business would not affect any other segments.
  - Initiate chargebacks. Argan may seek to work with their financial institution to initiate chargebacks regarding the labor strike at APC.
  - Seek legal recourse. Argan may seek legal action against the developer for the costs incurred associated with the strike and other financial costs, as the labor strike was not caused by APC.
  - Reorganize the business. Argan has the option to reorganize or shut down APC to minimize damages.
- Regardless of which action(s) the Company decides to undertake, we also believe that the Company should be clear about the issues with APC to reduce investors' concerns.

Share Repurchase Program

- Argan does not currently have a share repurchase program and insider open market purchases have been minimal over the past five years, with the most recent purchase being in July 2018 when Jeffrey John Ronald Jr., a Director, purchased 1,500 shares at an average price of $38.24, for a total of $57,360.
- KORR recommends the Company implement a share repurchase program to spend up to $50 million to repurchase one million shares, and further subject to the firm having obtained its bonds for the $2.1 billion in backlog.
- We estimate that share prices will increase at least 6% as a result of the share repurchase.
- If shares are repurchased at an average price of $45 and shares appreciate as expected as a result of the increased project backlog, we anticipate an ROI of over 40% utilizing our most conservative price target of $64.
- As stated previously, the significant increase in the project backlog suggests a corresponding share price increase in approximately four quarters, making now an ideal time to repurchase shares.



To estimate the increase in AGX's price as a result of the share repurchases, we calculated the change in market capitalization with our recommended program, and then applied that percentage change to the share price at the mean estimate of our backlog regression model prediction.

Source: Sentieo

Seek a Large Acquirer

- We believe the strategic option that is the most beneficial to Argan would be to seek a large acquirer. We believe this for the following reasons:
    - **Growing backlog.** As mentioned previously, Argan's backlog is expected to rise above $2 billion, a milestone that we predict will result in strong and sustained earnings into the near future.
    - **Argan's clean balance sheet.** Argan does not have any debt on its balance sheet, and has consistently kept a large amount of cash on hand. This will only increase as the backlog increases.
    - **Argan's best in class business.** Argan's flexible workforce allows it to consistently take on projects with higher margins than its competitors.
    - **Strong reputation.** Argan is known in the Engineering, Procurement and Construction ("EPC") space for its quality work, its ability to complete projects on time, and its safety record.
- As we have mentioned previously, management's lack of effort and inability to communicate effectively with shareholders has caused the share price to trade near its lows, and we believe the Company's assets would be better utilized under a large EPC company.
- Please see slides 44 and 45 for our valuations and corresponding price rages.

Source: Sentieo

- Argan has historically had a clean balance sheet and has not had any debt in the last five years. Due to Argan's relative size, it must keep significant amounts of cash on its balance sheet as collateral for its performance bonds on its properties, especially compared to competitors. Argan incorporates performance bonds in contracts with customers or other means of financial assurance to secure contractual performance.

- Both the increased project backlog and increased cash balance make Argan an increasingly attractive acquisition. We believe that Argan and a potential buyer could both benefit with bonding projects. If acquired, Argan could more effectively deploy its cash, receive cost savings on accounting, and benefit from more extensive sourcing, among other benefits, while the acquirer would benefit from Argan's large and growing backlog, expected to rise to over $2.1 billion.

- We anticipate that Argan's cash balance will increase in response to the increased project backlog. Changes in financial metrics such as revenue and cash typically lag four quarter behind changes in the project backlog, as a larger project backlog results in higher revenues and the Company will need to keep more cash as collateral for its performance bonds.

- As shown below, Argan has kept a significant amount of cash as a percentage of its assets. Our analysis predicts that a project backlog of $2.1 billion, the anticipated size of the backlog after the addition of the Chickahominy Power Plant, translates into **cash and short-term investments of over $700 million** four quarters after the increase. At today's market capitalization of $635.5 million, **the implied enterprise value is negative.**

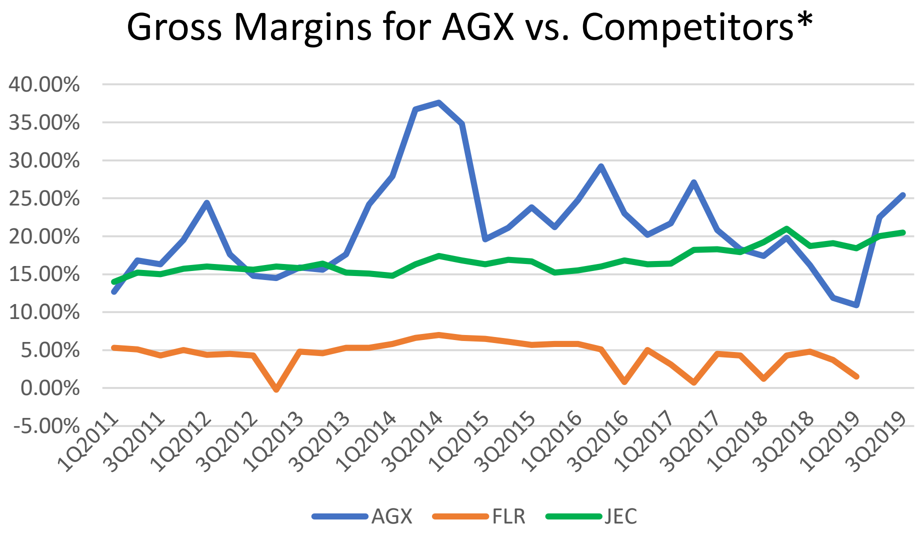
	Month Ending*	Jul-16	Oct-16	Jan-17	Apr-17	Jul-17	Oct-17	Jan-18	Apr-18	Jul-18	Oct-18	Jan-19	Apr-19
AGX	Cash ($, 000s)	383,152	446,320	522,994	563,439	557,150	483,681	434,015	365,581	361,742	314,787	296,531	255,764
AGX	Cash % of Current Assets	90%	89%	89%	88%	87%	83%	89%	79%	80%	72%	71%	69%
AGX	Cash as a % of Total Assets	80%	80%	81%	79%	79%	75%	80%	70%	70%	63%	62%	59%
JEC	Cash % of Current Assets	21%	23%	25%	24%	26%	26%	23%	19%	18%	17%	18%	14%
JEC	Cash as a % of Total Assets	8%	9%	10%	10%	10%	10%	8%	7%	7%	6%	7%	5%
FLR	Cash % of Current Assets	31%	33%	35%	37%	36%	36%	35%	32%	33%	34%	36%	36%
FLR	Cash % of Total Assets	19%	21%	21%	22%	22%	22%	21%	19%	20%	21%	22%	21%

Source: Company 10-Q Filings published 2016-2019

*Table based on Argan's fiscal calendar. "Month Ended" may be off by up to one month for competitors, depending on how they establish their fiscal year.

Best in Class – Margins Don't Lie

- Argan's flexible work force is a key off-balance sheet asset, and its operating structure would allow it to merge easily into a larger EPC player.
- As of January 31, 2019, Argan had 1,487 employees, substantially all of whom are full-time. Argan can easily increase or decrease its workforce in response to the work needed to be done, allowing Argan to produce quality work on time.
- Large players in the EPC space, such as FLR and JEC are less adaptable; they cannot keep up with modernized labor requirements like Argan can. Therefore, because they need to keep labor utilization higher, they accept lower valued projects, and their projects have margins lower than that of Argan (see chart below).
- Additionally, because of Argan's operating structure as a holding company with four reporting business units, an acquirer can easily strip businesses not needed and assimilate Argan's core businesses (i.e., GPS) into the acquiring company's business model.



*We did not include data from FY 2020 Q1 or FY 2019 Q4 because we believe that particular circumstances (APC's trouble with the TeesREP facility) disproportionately affects AGX's financial performance. By ending with FY 2019 Q3, we believe we are more accurately reflecting AGX's margins.

Source: AGX 10-Q filings FY 2011-2019

Strong Reputation

- Argan is one of the most well-respected firms in the EPC space, and its strong reputation would fit in well with many large EPC firms.
- Argan is known for its quality of work, its ability to tackle difficult engineering complexities, and for finishing projects on time. On time completion is particularly important to power companies which face tremendous penalties for failing to supply power they contract to provide.
- As of September 2018, Argan reported that in seven of the past ten years, GPS had incurred no lost time because of injuries.
- In April 2019, Argan recorded 10 million safe hours over the past seven years, and GPS's OSHA recordable injury rate is significantly below the national average.

Source: AGX Investor Presentation September 5, 2019; Investor Presentation April 10, 2019

- William F. Griffin, CEO of GPS, has an approval of 74%. This is higher than the average CEO rating of 69%.
- Because of GPS's high management ratings and quality reputation, Argan is an ideal company to acquire since GPS is its main subsidiary.
- "Gemma has a strong and growing reputation throughout the industry and we are impressed with their collaborative approach and the value of the expertise they bring to the development process," said Irfan K. Ali, Managing Member of Balico. - Press Release: Gemma Power Systems and Balico Enter Into EPC Contract for 1,600 MW Chickahominy Power Project

Gemma Power Systems Reviews

3.1 Rating Trends

62% Recommend to a friend

74% Approve of CEO

William F. Griffin, Jr.
4 Ratings

4.0

Produtive

Electrician Helper (Former Employee) – Woodville, TX – November 4, 2018

I enjoyed working with Gemma Power Systems due to positive work enviroment, safety, and potential advancement opportunities. **Management is very helpful at helping you reach desires goals in the work enviroment**

Was this review helpful?

Yes 1 No

Share Report

5.0

Great place to work

Pipefitter (Former Employee) – Cincinnati, OH – January 13, 2018

Well I was on contract for a power plant in Ohio and we worked around 80 hours a week. If you are interested in a good company and willing to work to make good money give Gemma a shot if you get the chance.

✓ **Pros**
good money, good hours, paid lunch, **good management**

× **Cons**
temporary, job security

Source: Glassdoor

Argan, Inc.

Other Options Available to Unlock Shareholder Value

Expand GPS into Renewable Energy?

- We understand that Argan has other options to increase value. One option would be to expand GPS beyond natural gas into renewable energy.
- However, we **do not** believe GPS should expand, either organically or through an acquisition, for the following reasons:
  - Argan's recent acquisitions have both been failures, and as the largest subsidiary under Argan, GPS cannot risk another filed acquisition.
  - As technological advances in the natural gas energy business increase, the subject matter expertise required for constructing a natural gas power plant is continuously exceeding that of a renewable plant, sustaining earnings from these natural gas projects. Natural gas constitutes approximately 33% of all energy produced in the U.S., and liquified natural gas is the fastest growing commodity market in the world.
  - Renewable energy technology has not and will likely not catch up to the progress that traditional fossil fuels have made.
  - GPS is ranked on Engineering News-Record's 2018 #2 in Fossil Power Contractors – it is important for Gemma stick to what they're good at and not stretch themselves too thin.
  - GPS's expertise in natural gas gives them an edge over other companies in the power and energy industry.

Wrong Choice

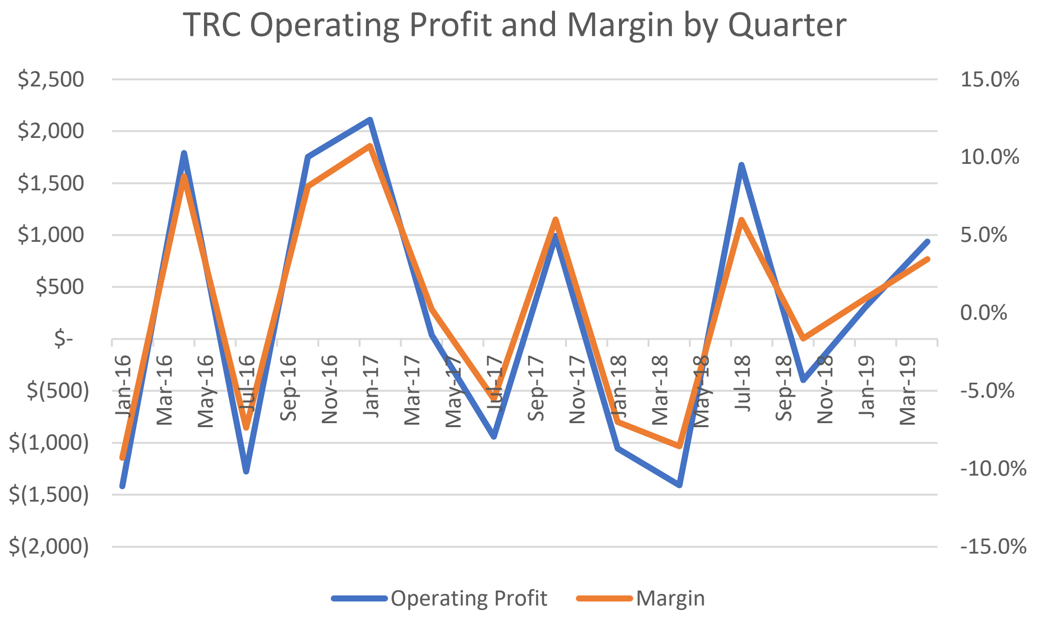
Source: Forbes

- Argan previously attempted to expand into the fabricated steel components business by acquiring The Roberts Company ("TRC").
- In December, 2015, AGX acquired TRC for $500,000 and approximately $16 million in debt obligations.
- Since the acquisition, TRC has underperformed expectations. Inconsistent margins and operating profits (with numerous quarters of operating losses) have led to an **ROI of -81%.**

- Total Operating Profit since Acquisition: **$3.1 million**

Vs.

- Total Cost of Acquisition: **$16.5 million**



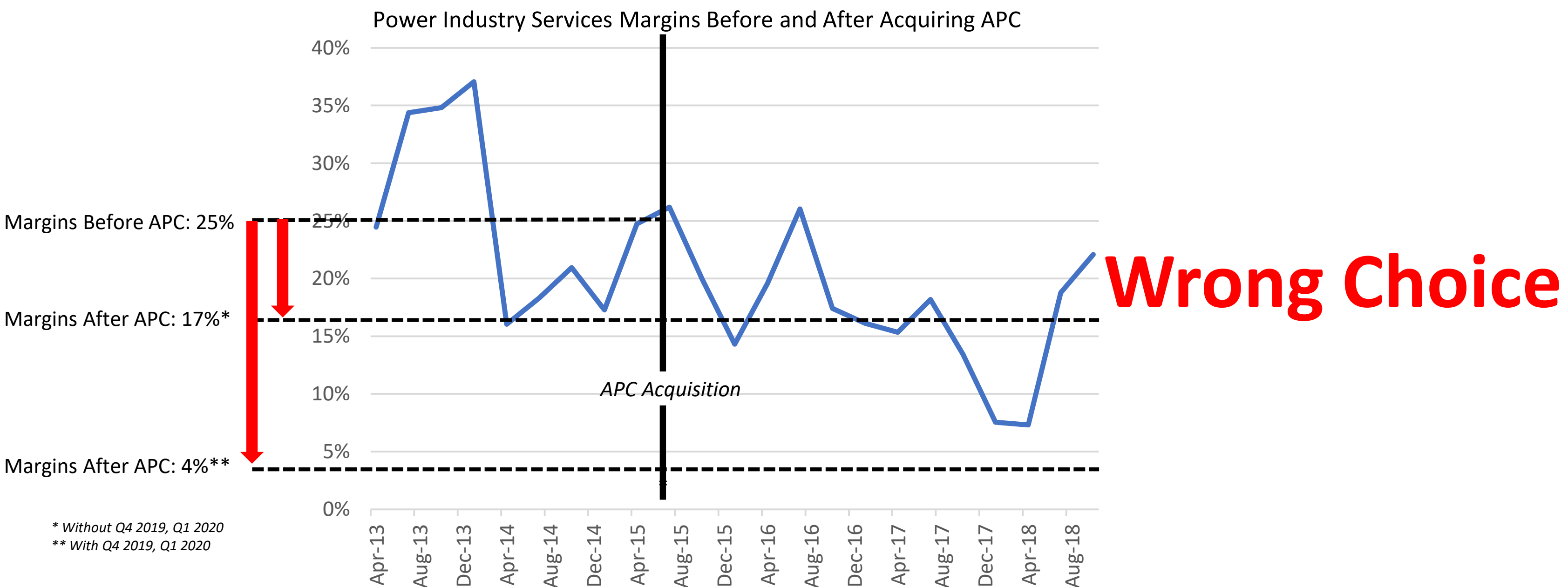
Wrong Choice

Source: AGX 10-K Filing, FY 2016-2019; 10-Q Filing FY 2020 Q1

Please read disclaimer and risk factors at the front of the presentation

Acquisitions

- Additionally, Argan attempted to expand EPC business by acquiring APC in 2015.
- Per the CFO, Argan does not disclose the financials for APC and instead combines them with GPS to form the "Power Industry Services" segment. Thus, it is difficult to calculate the ROI for the APC acquisition. However, by comparing the margins for that segment before and after the acquisition, it is evident that APC has had a negative effect on overall margins.
- The mean annual margin for the Power Industry Services segment was **25%** before the May 2015 acquisition. After the APC acquisition, the mean annual margin has been **4%**. Even if you take out the two most recent quarters where APC has significantly underperformed due to the TeesREP project (see slide 17 for more information), the mean annual margin since the acquisition is **17%**.
- Furthermore, given that APC comprises only 31% of the Power Industry Services segment by revenue, its negative impact on margins is understated when looking at the margins for the segment as a whole.
- While the difference in margins before and after the APC acquisition could potentially be due to other factors such as pricing pressure or GPS experiencing lower margins, we find this discrepancy notable, especially in the context of Argan's lack of transparency regarding APC's performance.



** Without Q4 2019, Q1 2020*
*** With Q4 2019, Q1 2020*

Source: AGX 10-Q filings, FY 2015-2020

Argan, Inc.

Acquisition Value

AGX is Undervalued According to a Comparable Acquisition

- In October 2018, WorleyParsons entered an agreement to acquire JEC's Energy, Chemicals, and Resources divisions for $3.2 billion.
- This deal garnered an **11.5x** trailing twelve month adjusted EBITDA of JEC's units.
- If we apply this multiple to AGX, it is an attractive takeover opportunity:

Method	EV (mm)	Adjusted EBITDA (mm)	EV/EBITDA Multiple	Shares Outstanding (mm)	Debt (mm)	Net Debt (mm)	New EBITDA Multiple (Normalized)	New EV	New Price Per Share
Last 12 Months*	293	58	5.05x	15.56	0	-392	**11.5x**	1,059	**$68.06**
Moving Average, **Last 36 Months***	369	98	3.78x	15.27	0	-411	**11.5x**	1,538	**$100.72**

- Compared to a current price per share of ~$41, using an 11.5x multiple of adjusted EBITDA represents an increase in price per share of between 67% and 147%, based on the two valuation methods presented above.

**We did not include data from FY 2020 Q1 or FY 2019 Q4 because we believe that particular circumstances (APC's trouble with the TeesREP facility) disproportionately affect AGX's financial performance. By ending at FY 2019 Q3, we believe we are more accurately reflecting AGX's true value.*

Source: Sentieo

AGX is Undervalued According to Statistical Analysis

- As shown previously, our regression analysis with over 50 data points predicted a quarterly EBITDA of $46.64 million, with a 95% confidence interval between $28.53 million and $64.75 million. Using the past four quarters of project backlog data, the following EBITDA estimates were found, first at the 95% lower confidence interval, and then the mean.
- Next, we then applied the same 11.5x TTM EBITDA multiple found previously from the JEC ECR sale, and then added back the expected net debt for the 95% confidence interval and then the mean.
- This valuation method results in a share price of **$63.75 at the conservative lower bound, and $93.27 at the average.** This model also conservatively keeps the cash level constant, which we are confident will increase with the project backlog.

Backlog EBITDA Estimate	TTM EBITDA Estimate (mm)	EBITDA Multiple	EV (mm)	Debt	Net Debt (mm)	Market Cap (mm)	Shares Outstanding (mm)	New Price Per Share
Lower 95% Confidence Bound	$64.38	11.5x	$740.41	-	-$256.00	$996.41	15.63	**$63.75**
Mean	$104.50	11.5x	$1,201.74	-	-$256.00	$1,457.74	15.63	**$93.27**

Source: Sentieo

Argan, Inc.

Appendix

Regression Analysis Output

- Regression analysis of backlog (independent variable) and revenue 4 quarters forward (dependent variable).

SUMMARY OUTPUT **Revenue: 4 Qtr Forward**

Regression Statistics	
Multiple R	0.88101954
R Square	0.77619543
Adjusted R Square	0.771108962
Standard Error	27966.19629
Observations	46

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	1.1935E+11	1.1935E+11	152.600096	6.7173E-16
Residual	44	34412757926	782108134.7		
Total	45	1.53763E+11			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	14184.83755	7526.150748	1.884740025	0.066080745	-983.1226266	29352.79773	-983.1226266	29352.79773
Backlog	0.151720091	0.012281904	12.35314114	6.7173E-16	0.126967541	0.176472642	0.126967541	0.176472642

Source: Sentieo

Regression Analysis Output

- Regression analysis of backlog (independent variable) and share price 4 quarters forward (dependent variable).

SUMMARY OUTPUT

Share Price: 4 Qtr Forward

Regression Statistics	
Multiple R	0.850118
R Square	0.722701
Adjusted R Square	0.716539
Standard Error	9.57618
Observations	47

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	10754.94544	10754.94544	117.2799103	4.03912E-14
Residual	45	4126.644908	91.70322017		
Total	46	14881.59034			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	4.980565	2.561395838	1.944473122	0.058105007	-0.178350675	10.13948	-0.178350675	10.1394814
Backlog	4.55E-05	4.20279E-06	10.82958496	4.03912E-14	3.70497E-05	5.4E-05	3.70497E-05	5.39794E-05

Source: Sentieo

Regression Analysis Output

- Regression analysis of backlog (independent variable) and EBITDA 4 quarters forward (dependent variable).

SUMMARY OUTPUT **EBITDA 4 Quarters Forward**

Regression Statistics	
Multiple R	0.610807586
R Square	0.373085907
Adjusted R Square	0.358837859
Standard Error	9742.908113
Observations	46

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	2485596913	2485596913	26.18505483	6.54252E-06
Residual	44	4176667374	94924258.49		
Total	45	6662264287			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	660.7348652	2621.972414	0.251999167	0.80221511	-4623.503319	5944.973049	-4623.503319	5944.973049
Backlog	0.021895136	0.004278789	5.117133458	6.54252E-06	0.013271803	0.030518469	0.013271803	0.030518469

Source: Sentieo

Source Data

- The imbedded Excel Worksheet contains all input data used in the regression analysis, as well as the outputs and predictive metrics.

Microsoft Excel Worksheet

Source: Sentieo

Phone: 516-228-8042
Email: info@korracquisitions.com
Website: www.korracquisitions.com

KORR Acquisitions Group, Inc.,
1400 Old Country Road, Suite 305,
Westbury, New York, 11590