



Eagle Materials Reports First Quarter Results

Jul 28, 2021

DALLAS--(BUSINESS WIRE)--Jul. 28, 2021-- Eagle Materials Inc. (NYSE: EXP) today reported financial results for the first quarter of fiscal 2022 ended June 30, 2021. Notable items for the quarter are highlighted below. (Unless otherwise noted, all comparisons are with the prior year's fiscal first quarter):

First Quarter Fiscal 2022 Highlights

- Record revenue of \$476 million, up 11%
- Net earnings per diluted share of \$2.25, down 3%
 - Prior year results benefitted from a \$52.0 million, or \$0.93 per share, gain on the sale of our northern California concrete and aggregates businesses
- Eagle repurchased approximately 426,000 shares of its common stock

Commenting on the first quarter results, Michael Haack, President and CEO, said, "Fiscal 2022 is off to a good start for Eagle. In the first quarter we achieved record revenue of \$476 million and net earnings per diluted share of \$2.25. These results reflect strong market demand in both of our major business lines and exceptional operational execution by our team. Our Wallboard business continues to benefit from robust residential construction activity across our markets, and our Cement business benefited from sustained high levels of infrastructure spending. Gross margin increased to 26.6%, an improvement of 260 basis points over the prior year, in spite of heavy rainfall in our Texas markets, which resulted in lower Cement sales volume, and additional Cement maintenance costs this quarter compared with a year ago."

Mr. Haack continued, "We expect underlying market conditions to remain strong as the US economy recovers, and we are well-positioned to continue to benefit from this growth. On July 1, 2021, we completed the issuance of \$750 million of 10-year senior notes with an interest rate of 2.50%, which further strengthened our capital structure. We also restarted our share repurchase program and repurchased approximately 426,000 shares of our common stock during the quarter. With Eagle's excellent balance sheet and steadfast execution of our operating strategies, we are extremely well-positioned for a strong fiscal 2022."

Segment Financial Results

Heavy Materials: Cement, Concrete and Aggregates

Revenue in the Heavy Materials sector, which includes Cement, Concrete and Aggregates, Joint Venture and intersegment Cement revenue, was \$315.0 million, a 3% improvement. Heavy Materials operating earnings also increased 3% to \$67.9 million primarily because of improved Cement sales prices.

Cement revenue, including Joint Venture and intersegment revenue, was up 3% to \$270.3 million. Operating earnings were also up 3% to a record \$62.5 million. These increases reflect improved Cement quarterly sales prices, partially offset by lower Cement sales volume. The average net Cement sales price for the quarter was up 7% to \$116.34 per ton. Cement sales volume for the quarter was down 2% to 2.0 million tons, mainly because of heavy rainfall in Texas during the quarter.

Concrete and Aggregates revenue increased 2% to \$44.8 million, reflecting improved Concrete and Aggregates prices, partially offset by lower Aggregates sales volume. First quarter operating earnings decreased 1% to \$5.3 million, reflecting lower Aggregates sales volume partially offset by improved Concrete and Aggregates net sales prices.

Light Materials: Gypsum Wallboard and Paperboard

Revenue in the Light Materials sector, which includes Gypsum Wallboard and Paperboard, increased 25% to \$191.3 million, reflecting higher Wallboard sales volume and prices. Gypsum Wallboard sales volume increased 8% to 763 million square feet (MMSF), while the average Gypsum Wallboard net sales price increased 21% to \$176.79 per MSF.

Paperboard sales volume increased 9% to a record 84,000 tons. The average Paperboard net sales price in the quarter was \$498.49 per ton, up 8%, consistent with the pricing provisions in our long-term sales agreements.

Operating earnings were \$66.6 million in the sector, an increase of 51%, reflecting increased Wallboard sales volume and pricing.

Details of Financial Results

We conduct one of our cement plant operations through a 50/50 joint venture, Texas Lehigh Cement Company LP (the Joint Venture). We use the equity method of accounting for our 50% interest in the Joint Venture. For segment reporting purposes only,

we proportionately consolidate our 50% share of the Joint Venture's revenue and operating earnings, which is consistent with the way management organizes the segments within the Company for making operating decisions and assessing performance.

In addition, for segment reporting purposes, we report intersegment revenue as a part of a segment's total revenue. Intersegment sales are eliminated on the income statement. Refer to Attachment 3 for a reconciliation of these amounts.

On September 18, 2020, the Company sold its Oil and Gas Proppants business to Smart Sand, Inc. The prior-year financial results of the Oil and Gas Proppants segment have been classified as Discontinued Operations on the Consolidated Statement of Earnings. The assets and liabilities of the Oil and Gas Proppants segment have been reflected on separate lines for Discontinued Operations on the Consolidated Balance Sheet.

About Eagle Materials Inc.

Eagle Materials Inc. manufactures and distributes Portland Cement, Gypsum Wallboard, Recycled Gypsum Paperboard, and Concrete and Aggregates from more than 70 facilities across the US. Eagle's corporate headquarters is in Dallas, Texas.

Eagle's senior management will conduct a conference call to discuss the financial results, forward looking information and other matters at 8:30 a.m. Eastern Time (7:30 a.m. Central Time) on Wednesday, July 28, 2021. The conference call will be webcast simultaneously on the Eagle website, eaglematerials.com. A replay of the webcast and the presentation will be archived on the site for one year.

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Forward-Looking Statements. This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the context of the statement and generally arise when the Company is discussing its beliefs, estimates or expectations. These statements are not historical facts or guarantees of future performance but instead represent only the Company's belief at the time the statements were made regarding future events which are subject to certain risks, uncertainties and other factors, many of which are outside the Company's control. Actual results and outcomes may differ materially from what is expressed or forecast in such forward-looking statements. The principal risks and uncertainties that may affect the Company's actual performance include the following: the cyclical and seasonal nature of the Company's businesses; public infrastructure expenditures; adverse weather conditions; the fact that our products are commodities and that prices for our products are subject to material fluctuation due to market conditions and other factors beyond our control; availability of raw materials; changes in the costs of energy, including, without limitation, natural gas, coal and oil, and the nature of our obligations to counterparties under energy supply contracts, such as those related to market conditions (such as fluctuations in spot market prices), governmental orders and other matters; changes in the cost and availability of transportation; unexpected operational difficulties, including unexpected maintenance costs, equipment downtime and interruption of production; material nonpayment or non-performance by any of our key customers; fluctuations in or changes in the nature of activity in the oil and gas industry; inability to timely execute announced capacity expansions; difficulties and delays in the development of new business lines; governmental regulation and changes in governmental and public policy (including, without limitation, climate change and other environmental regulation); possible outcomes of pending or future litigation or arbitration proceedings; changes in economic conditions specific to any one or more of the Company's markets; severe weather conditions (such as winter storms, tornados and hurricanes) on our facilities, operations and contractual arrangements with third parties; competition; cyber-attacks or data security breaches; announced increases in capacity in the gypsum wallboard and cement industries; changes in the demand for residential housing construction or commercial construction or construction projects undertaken by state or local governments; risks related to pursuit of acquisitions, joint ventures and other transactions or the execution or implementation of such transactions, including the integration of operations acquired by the Company; general economic conditions; and interest rates. For example, increases in interest rates, decreases in demand for construction materials or increases in the cost of energy (including, without limitation, natural gas, coal and oil) could affect the revenue and operating earnings of our operations. In addition, changes in national or regional economic conditions and levels of infrastructure and construction spending could also adversely affect the Company's result of operations. Finally, any forward-looking statements made by the Company are subject to the risks and impacts associated with natural disasters, pandemics or other unforeseen events, including, without limitation, the COVID-19 pandemic and responses thereto designed to contain its spread and mitigate its public health effects, as well as their impact on economic conditions, capital and financial markets. The COVID-19 pandemic and responses thereto may disrupt our business and are likely to have an adverse effect on demand for our products, attributable to, among other things, reductions in consumer spending, increases in unemployment and decreases in revenues and construction budgets of state or local governments. These and other factors are described in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2021 and subsequent quarterly and annual reports upon filing. These reports are filed with the Securities and Exchange Commission. All forward-looking statements made herein are made as of the date hereof, and the risk that actual results will differ materially from expectations expressed herein will increase with the passage of time. The Company undertakes no duty to update any forward-looking statement to reflect future events or changes in the Company's expectations.

Attachment 1 Consolidated Statement of Earnings

Attachment 2 Revenue and Earnings by Lines of Business

Attachment 3 Sales Volume, Net Sales Prices and Intersegment and Cement Revenue

Attachment 4 Consolidated Balance Sheets

Attachment 5 Depreciation, Depletion and Amortization by Lines of Business

Attachment 1

Eagle Materials Inc.
Consolidated Statement of Earnings
(dollars in thousands, except per share data)
(unaudited)

| | Quarter Ended June 30, | |
|--|-----------------------------------|-------------|
| | 2021 | 2020 |
| Revenue | \$ 475,770 | \$ 426,989 |
| Cost of Goods Sold | 349,259 | 324,692 |
| Gross Profit | 126,511 | 102,297 |
| Equity in Earnings of Unconsolidated JV | 7,970 | 7,796 |
| Corporate General and Administrative Expenses | (9,468) | (17,789) |
| Gain on Sale of Businesses | - | 51,973 |
| Other Non-Operating Income | 3,678 | (309) |
| Earnings from Continuing Operations before Interest and Income Taxes | 128,691 | 143,968 |
| Interest Expense, net | (6,972) | (14,041) |
| Earnings from Continuing Operations before Income Taxes | 121,719 | 129,927 |
| Income Tax Expense | (26,392) | (32,836) |
| Net Earnings from Continuing Operations | \$ 95,327 | \$ 97,091 |
| Loss from Discontinued Operations, net of tax | \$ - | \$ (885) |
| Net Earnings | \$ 95,327 | \$ 96,206 |
| BASIC EARNINGS (LOSS) PER SHARE | | |
| Continuing Operations | \$ 2.27 | \$ 2.34 |
| Discontinued Operations | \$ - | \$ (0.02) |
| Net Earnings | \$ 2.27 | \$ 2.32 |
| DILUTED EARNINGS (LOSS) PER SHARE | | |
| Continuing Operations | \$ 2.25 | \$ 2.33 |
| Discontinued Operations | \$ - | \$ (0.02) |
| Net Earnings | \$ 2.25 | \$ 2.31 |
| AVERAGE SHARES OUTSTANDING | | |
| Basic | 42,028,619 | 41,410,794 |
| Diluted | 42,437,366 | 41,563,268 |

Attachment 2

Eagle Materials Inc.
Revenue and Earnings by Lines of Business
(dollars in thousands)
(unaudited)

| | Quarter Ended June 30, | |
|-------------------------|-----------------------------------|------------------|
| | 2021 | 2020 |
| Revenue* | | |
| Heavy Materials: | | |
| Cement (Wholly Owned) | \$239,731 | \$230,080 |
| Concrete and Aggregates | 44,754 | 44,084 |
| | <u>284,485</u> | <u>274,164</u> |
| Light Materials: | | |
| Gypsum Wallboard | \$166,267 | \$130,150 |
| Gypsum Paperboard | 25,018 | 22,675 |
| | <u>191,285</u> | <u>152,825</u> |
| | <u>\$475,770</u> | <u>\$426,989</u> |
| Total Revenue | | |

Segment Operating Earnings

| | | |
|--|------------------|------------------|
| Heavy Materials: | | |
| Cement (Wholly Owned) | \$ 54,577 | \$ 52,659 |
| Cement (Joint Venture) | 7,970 | 7,796 |
| Concrete and Aggregates | 5,344 | 5,418 |
| | <u>67,891</u> | <u>65,873</u> |
| Light Materials: | | |
| Gypsum Wallboard | \$ 63,253 | \$ 41,325 |
| Gypsum Paperboard | 3,337 | 2,895 |
| | <u>66,590</u> | <u>44,220</u> |
| Sub-total | <u>134,481</u> | <u>110,093</u> |
| Corporate General and Administrative Expense | (9,468) | (17,789) |
| Gain on Sale of Businesses | - | 51,973 |
| Other Non-Operating Income | 3,678 | (309) |
| Earnings from Continuing Operations before Interest and Income Taxes | <u>\$128,691</u> | <u>\$143,968</u> |

* Excluding Intersegment and Joint Venture Revenue listed on Attachment 3

Attachment 3

Eagle Materials Inc.

Sales Volume, Net Sales Prices and Intersegment and Cement Revenue (dollars in thousands, except per ton data) (unaudited)

| | Sales Volume | | |
|--------------------------|---------------------------|--------------|------------|
| | Quarter Ended June 30, | | |
| | 2021 | 2020 | Change |
| Cement (M Tons): | | | |
| Wholly Owned | 1,852 | 1,866 | -1% |
| Joint Venture | 184 | 219 | -16% |
| | <u>2,036</u> | <u>2,085</u> | <u>-2%</u> |
| Concrete (M Cubic Yards) | 348 | 348 | -% |

| | | | |
|--------------------------|-----------|-----------|------------|
| Aggregates (M Tons) | 361 | 475 | -24% |
| Gypsum Wallboard (MMSFs) | 763 | 704 | +8% |
| Paperboard (M Tons): | | | |
| Internal | 36 | 30 | +20% |
| External | 48 | 47 | +2% |
| | <u>84</u> | <u>77</u> | <u>+9%</u> |

Average Net Sales Price*

| | Quarter Ended | | |
|------------------------|---------------|-----------|--------|
| | June 30, | | |
| | 2021 | 2020 | Change |
| Cement (Ton) | \$ 116.34 | \$ 109.10 | +7% |
| Concrete (Cubic Yard) | \$ 118.19 | \$ 113.61 | +4% |
| Aggregates (Ton) | \$ 9.93 | \$ 9.77 | +2% |
| Gypsum Wallboard (MSF) | \$ 176.79 | \$ 146.28 | +21% |
| Paperboard (Ton) | \$ 498.49 | \$ 461.87 | +8% |

*Net of freight and delivery costs billed to customers

Intersegment and Cement Revenue

| | Quarter Ended | |
|-------------------------|-------------------|-------------------|
| | June 30, | |
| | 2021 | 2020 |
| Intersegment Revenue: | | |
| Cement | \$ 7,833 | \$ 6,031 |
| Concrete and Aggregates | - | 106 |
| Paperboard | 18,249 | 14,069 |
| | <u>\$ 26,082</u> | <u>\$ 20,206</u> |
| Cement Revenue: | | |
| Wholly Owned | \$ 239,731 | \$ 230,080 |
| Joint Venture | 22,691 | 25,300 |
| | <u>\$ 262,422</u> | <u>\$ 255,380</u> |

Attachment 4

**Eagle Materials Inc.
Consolidated Balance Sheets
(dollars in thousands)
(unaudited)**

| | June 30, | | March 31, |
|---|----------------|----------------|----------------|
| | 2021 | 2020 | 2021* |
| ASSETS | | | |
| Current Assets – | | | |
| Cash and Cash Equivalents | \$ 306,542 | \$ 199,441 | \$ 263,520 |
| Restricted Cash | 5,000 | - | 5,000 |
| Accounts and Notes Receivable, net | 187,411 | 193,733 | 147,133 |
| Inventories | 217,052 | 242,658 | 235,749 |
| Federal Income Tax Receivable | - | 123,709 | 2,838 |
| Prepaid and Other Assets | 15,298 | 10,614 | 7,449 |
| Current Assets of Discontinued Operations | - | 1,438 | - |
| Total Current Assets | <u>731,303</u> | <u>771,593</u> | <u>661,689</u> |
| Property, Plant and Equipment, net | 1,641,063 | 1,720,791 | 1,659,100 |
| Investments in Joint Venture | 76,369 | 72,254 | 75,399 |
| Operating Lease Right-of-Use Asset | 24,776 | 28,949 | 25,811 |

| | | | |
|-------------------------------------|--------------------|--------------------|--------------------|
| Notes Receivable | 8,485 | 9,068 | 8,419 |
| Goodwill and Intangibles | 391,211 | 395,673 | 392,315 |
| Assets from Discontinued Operations | - | 6,527 | - |
| Other Assets | 17,623 | 10,309 | 15,948 |
| | <u>\$2,890,830</u> | <u>\$3,015,164</u> | <u>\$2,838,681</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | | |
|--|--------------------|--------------------|--------------------|
| Current Liabilities – | | | |
| Accounts Payable and Accrued Liabilities | \$ 171,870 | \$ 153,682 | \$ 163,011 |
| Income Taxes Payable | 11,016 | 32,130 | |
| Operating Lease Liabilities | 6,127 | 6,899 | 6,343 |
| Current Liabilities of Discontinued Operations | - | 7,322 | - |
| Total Current Liabilities | <u>189,013</u> | <u>200,033</u> | <u>169,354</u> |
| Long-term Liabilities | 73,665 | 77,597 | 75,735 |
| Bank Credit Facility | - | 485,000 | - |
| Bank Term Loan | 662,487 | 661,160 | 662,186 |
| 4.500% Senior Unsecured Notes due 2026 | 346,548 | 345,928 | 346,430 |
| Deferred Income Taxes | 227,785 | 162,940 | 225,986 |
| Liabilities from Discontinued Operations | - | 14,548 | - |
| Stockholders' Equity – | | | |
| Preferred Stock, Par Value \$0.01; Authorized 5,000,000 Shares; None Issued | - | - | - |
| Common Stock, Par Value \$0.01; Authorized 100,000,000 Shares; Issued and Outstanding 42,101,619; 41,756,684 and 42,370,878 Shares, respectively | 421 | 418 | 424 |
| Capital in Excess of Par Value | 10,035 | 14,571 | 62,497 |
| Accumulated Other Comprehensive Losses | (3,413) | (3,302) | (3,440) |
| Retained Earnings | <u>1,384,289</u> | <u>1,056,271</u> | <u>1,299,509</u> |
| Total Stockholders' Equity | <u>1,391,332</u> | <u>1,067,958</u> | <u>1,358,990</u> |
| | <u>\$2,890,830</u> | <u>\$3,015,164</u> | <u>\$2,838,681</u> |

*From audited financial statements

Attachment 5

Eagle Materials Inc.
Depreciation, Depletion and Amortization by Lines of Business
(dollars in thousands)
(unaudited)

The following table presents Depreciation, Depletion and Amortization by lines of business for the quarters ended June 30, 2021 and 2020:

| | Depreciation, Depletion and Amortization | | | |
|-------------------------|---|---------------|-----------|---------------|
| | Quarter Ended | | June 30, | |
| | 2021 | | 2020 | |
| Cement | \$ | 19,531 | \$ | 19,243 |
| Concrete and Aggregates | | 2,578 | | 2,721 |
| Gypsum Wallboard | | 5,396 | | 5,200 |
| Paperboard | | 3,668 | | 3,352 |
| Corporate and Other | | 771 | | 1,300 |
| | <u>\$</u> | <u>31,944</u> | <u>\$</u> | <u>31,816</u> |

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For additional information, contact at 214-432-2000.

Michael R. Haack
President and Chief Executive Officer

D. Craig Kesler

Executive Vice President and Chief Financial Officer

Robert S. Stewart

Executive Vice President, Strategy, Corporate Development and Communications

Source: Eagle Materials Inc.