

MARTIN MARIETTA MATERIALS INC

Form 10-Q

May 01, 2019

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srt:MinimumMember 2019-03-31 0000916076 srt:MaximumMember 2019-03-31 0000916076 2018-01-01  
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2018-01-01 2018-03-31

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 March 31, 2019

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-12744

MARTIN MARIETTA MATERIALS, INC.

(Exact name of registrant as specified in its charter)

**North Carolina** 56-1848578  
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification Number)

2710 Wycliff Road, Raleigh, NC 27607-3033

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(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 919-781-4550

Former name: None

Former name, former address and former fiscal year, if changes 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 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 (§ 232.405 of this chapter) 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, a 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 Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

| Class                          | Outstanding as of April 25, 2019 |
|--------------------------------|----------------------------------|
| Common Stock, \$0.01 par value | 62,594,087                       |

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2019

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## (UNAUDITED) CONSOLIDATED BALANCE SHEETS

|   | March 31,<br>2019      | December<br>31,<br>2018 |
|---|------------------------|-------------------------|
|   | (Dollars in Thousands) |                         |
| <b>ASSETS</b>   |                        |                         |
| Current Assets:   |                        |                         |
| Cash and cash equivalents                               | \$37,357               | \$44,892                |
| Accounts receivable, net                                | 550,607                | 523,276                 |
| Inventories, net  | 646,176                | 663,035                 |
| Other current assets                                    | 135,971                | 134,613                 |
| Total Current Assets                                    | 1,370,111              | 1,365,816               |
| Property, plant and equipment                           | 8,339,050              | 8,294,962               |
| Allowances for depreciation, depletion and amortization | (3,192,368 )           | (3,137,733 )            |
| Net property, plant and equipment                       | 5,146,682              | 5,157,229               |
| Goodwill  | 2,397,483              | 2,399,118               |
| Other intangibles, net                                  | 498,195                | 501,282                 |
| Operating lease right-of-use assets                     | 498,233                | —                       |
| Other noncurrent assets                                 | 137,703                | 127,974                 |
| Total Assets  | \$10,048,407           | \$9,551,419             |
| <b>LIABILITIES AND EQUITY</b>                           |                        |                         |
| Current Liabilities:                                    |                        |                         |
| Accounts payable  | \$184,844              | \$210,808               |
| Accrued salaries, benefits and payroll taxes            | 27,313                 | 51,434                  |
| Pension and postretirement benefits                     | 9,923                  | 9,942                   |
| Accrued insurance and other taxes                       | 52,895                 | 63,543                  |
| Current maturities of long-term debt and short-term     |                        |                         |
| facilities  | 360,056                | 390,042                 |
| Accrued interest  | 31,844                 | 17,176                  |
| Operating lease liabilities                             | 50,776                 | —                       |
| Other current liabilities                               | 39,986                 | 43,805                  |
| Total Current Liabilities                               | 757,637                | 786,750                 |
| Long-term debt  | 2,801,228              | 2,730,439               |
| Pension, postretirement and postemployment benefits     | 138,049                | 134,469                 |
| Deferred income taxes, net                              | 695,771                | 705,564                 |
| Noncurrent operating lease liabilities                  | 446,128                | —                       |
| Other noncurrent liabilities                            | 234,098                | 244,785                 |
| Total Liabilities                                       | 5,072,911              | 4,602,007               |

Equity:

|   |              |             |
|---|--------------|-------------|
| Common stock, par value \$0.01 per share    | 625          | 624         |
| Preferred stock, par value \$0.01 per share | —            | —           |
| Additional paid-in capital                  | 3,406,456    | 3,396,059   |
| Accumulated other comprehensive loss        | (140,324 )   | (143,579 )  |
| Retained earnings                           | 1,705,717    | 1,693,259   |
| Total Shareholders' Equity                  | 4,972,474    | 4,946,363   |
| Noncontrolling interests                    | 3,022        | 3,049       |
| Total Equity                                | 4,975,496    | 4,949,412   |
| Total Liabilities and Equity                | \$10,048,407 | \$9,551,419 |

See accompanying notes to the consolidated financial statements.

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## (UNAUDITED) CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS

|  | Three Months Ended<br>March 31,             |           |
|--|---|-----------|
|  | 2019  | 2018      |
|  | (In Thousands,<br>Except Per Share<br>Data) |           |
| Products and services revenues                               | \$878,305                                   | \$753,305 |
| Freight revenues   | 60,650                                      | 48,699    |
| Total Revenues   | 938,955                                     | 802,004   |
| Cost of revenues - products and services                     | 734,168                                     | 641,620   |
| Cost of revenues - freight                                   | 61,880                                      | 49,992    |
| Total Cost of Revenues                                       | 796,048                                     | 691,612   |
| Gross Profit   | 142,907                                     | 110,392   |
| Selling, general & administrative expenses                   | 78,292                                      | 70,121    |
| Acquisition-related expenses, net                            | 144   | 711       |
| Other operating (income) expenses, net                       | (4,750 )                                    | 479       |
| Earnings from Operations                                     | 69,221                                      | 39,081    |
| Interest expense   | 32,948                                      | 35,087    |
| Other nonoperating income, net                               | (1,562 )                                    | (8,503 )  |
| Earnings before income tax expense                           | 37,835                                      | 12,497    |
| Income tax (benefit) expense                                 | (4,991 )                                    | 2,457     |
| Consolidated net earnings                                    | 42,826                                      | 10,040    |
| Less: Net (loss) earnings attributable to noncontrolling     |   |           |
| interests  | (27 )                                       | 17        |
| Net Earnings Attributable to Martin Marietta Materials, Inc. | \$42,853                                    | \$10,023  |
| Consolidated Comprehensive Earnings:                         |   |           |
| Earnings attributable to Martin Marietta Materials, Inc.     | \$46,108                                    | \$11,642  |
| (Loss) Earnings attributable to noncontrolling interests     | (27 )                                       | 17        |
|  | \$46,081                                    | \$11,659  |
| Net Earnings Attributable to Martin Marietta Materials, Inc. |   |           |
| Per Common Share:  |   |           |
| Basic attributable to common shareholders                    | \$0.68                                      | \$0.16    |
| Diluted attributable to common shareholders                  | \$0.68                                      | \$0.16    |
| Weighted-Average Common Shares Outstanding:                  |   |           |
| Basic  | 62,584                                      | 62,957    |
| Diluted  | 62,777                                      | 63,222    |

See accompanying notes to the consolidated financial statements.

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## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## (UNAUDITED) CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | March 31,              |           |
|---|------------------------|-----------|
|   | 2019                   | 2018      |
|   | (Dollars in Thousands) |           |
| Cash Flows from Operating Activities:                                       |                        |           |
| Consolidated net earnings   | \$42,826               | \$10,040  |
| Adjustments to reconcile consolidated net earnings to net cash              |                        |           |
| provided by operating activities:   |                        |           |
| Depreciation, depletion and amortization                                    | 89,211                 | 76,821    |
| Stock-based compensation expense  | 13,552                 | 9,760     |
| Gain on divestitures and sales of assets                                    | (2,413 )               | (951 )    |
| Deferred income taxes   | 4,781                  | 2,029     |
| Other items, net  | 495                    | (2,269 )  |
| Changes in operating assets and liabilities, net of effects of acquisitions |                        |           |
| and divestitures:   |                        |           |
| Accounts receivable, net  | (26,059 )              | 20,951    |
| Inventories, net  | 16,416                 | (8,873 )  |
| Accounts payable  | 20,393                 | 7,925     |
| Other assets and liabilities, net   | (41,338 )              | (10,421 ) |
| Net Cash Provided by Operating Activities                                   | 117,864                | 105,012   |
| Cash Flows from Investing Activities:                                       |                        |           |
| Additions to property, plant and equipment                                  | (130,056 )             | (96,259 ) |
| Proceeds from divestitures and sales of assets                              | 2,927                  | 2,528     |
| Payment of railcar construction advances                                    | —                      | (8,430 )  |
| Reimbursement of railcar construction advances                              | —                      | 8,430     |
| Investments in life insurance contracts, net                                | 193                    | 99        |
| Other investing activities, net   | (600 )                 | —         |
| Net Cash Used for Investing Activities                                      | (127,536 )             | (93,632 ) |
| Cash Flows from Financing Activities:                                       |                        |           |
| Borrowings of debt  | 125,000                | —         |
| Repayments of debt  | (85,000 )              | (13 )     |
| Payments on finance leases  | (951 )                 | —         |
| Payments on capital lease   | —                      | (829 )    |
| Debt issuance costs   | —                      | (3,194 )  |
| Contributions by owners of noncontrolling interest                          | —                      | 129       |
| Dividends paid  | (30,395 )              | (27,885 ) |
| Proceeds from exercise of stock options                                     | 611                    | 2,801     |
| Shares withheld for employees' income tax obligations                       | (7,128 )               | (6,380 )  |
| Net Cash Provided by (Used for) Financing Activities                        | 2,137                  | (35,371 ) |
| Net Decrease in Cash and Cash Equivalents                                   | (7,535 )               | (23,991 ) |

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|  |          |             |
|--|----------|-------------|
| Cash and Cash Equivalents, beginning of period | 44,892   | 1,446,364   |
| Cash and Cash Equivalents, end of period       | \$37,357 | \$1,422,373 |

See accompanying notes to the consolidated financial statements.

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## (UNAUDITED) CONSOLIDATED STATEMENTS OF TOTAL EQUITY

| (in thousands)  | Shares<br>of<br>Common<br>Stock | Common<br>Stock | Additional<br>Paid-in Capital | Accumulated<br>Comprehensive<br>Losses | Retained<br>Earnings | Total<br>Shareholders'<br>Equity | Noncontrol<br>Interests | Total<br>Equity |
|---|---------------------------------|-----------------|-------------------------------|--|----------------------|----------------------------------|-------------------------|-----------------|
| Balance at<br>December 31,<br>2017                            | 62,873                          | \$ 628          | \$ 3,368,007                  | \$ (129,104 )                          | \$ 1,440,069         | \$ 4,679,600                     | \$ 2,877                | \$ 4,682,477    |
| Consolidated net<br>earnings                                  | —                               | —               | —                             | —                                      | 10,023               | 10,023                           | 17                      | 10,040          |
| Other<br>comprehensive<br>earnings,<br><br>net of tax         | —                               | —               | —                             | 1,619                                  | —                    | 1,619                            | —                       | 1,619           |
| Dividends<br>declared (\$0.44<br>per share)                   | —                               | —               | —                             | —                                      | (27,885 )            | (27,885 )                        | —                       | (27,885 )       |
| Issuances of<br>common stock<br>for stock<br><br>award plans  | 75                              | —               | 9,893                         | —                                      | —                    | 9,893                            | —                       | 9,893           |
| Shares withheld<br>for employees'<br>income                   | —                               | —               | (6,380 )                      | —                                      | —                    | (6,380 )                         | —                       | (6,380 )        |
| Stock-based<br>compensation<br>expense                        | —                               | —               | 9,760                         | —                                      | —                    | 9,760                            | —                       | 9,760           |
| Contributions<br>from owners of<br>noncontrolling<br>interest | —                               | —               | —                             | —                                      | —                    | —                                | 306                     | 306             |
| Balance at<br>March 31, 2018                                  | 62,948                          | \$ 628          | \$ 3,381,280                  | \$ (127,485 )                          | \$ 1,422,207         | \$ 4,676,630                     | \$ 3,200                | \$ 4,679,830    |
| Balance at<br>December 31,<br>2018                            | 62,515                          | \$ 624          | \$ 3,396,059                  | \$ (143,579 )                          | \$ 1,693,259         | \$ 4,946,363                     | \$ 3,049                | \$ 4,949,412    |
| Consolidated net<br>earnings                                  | —                               | —               | —                             | —                                      | 42,853               | 42,853                           | (27 )                   | 42,826          |
|   | —                               | —               | —                             | 3,255                                  | —                    | 3,255                            | —                       | 3,255           |

|                                       |        |     |           |            |           |           |       |             |  |
|---------------------------------------|--------|-----|-----------|------------|-----------|-----------|-------|-------------|--|
| Other comprehensive earnings,         |        |     |           |            |           |           |       |             |  |
| net of tax                            |        |     |           |            |           |           |       |             |  |
| Dividends declared (\$0.48 per share) | —      | —   | —         | —          | (30,395 ) | (30,395 ) | —     | (30,395 )   |  |
| Issuances of common stock for stock   |        |     |           |            |           |           |       |             |  |
| award plans                           | 78     | 1   | 3,973     | —          | —         | 3,974     | —     | 3,974       |  |
| Shares withheld for employees' income |        |     |           |            |           |           |       |             |  |
| tax obligations                       | —      | —   | (7,128 )  | —          | —         | (7,128 )  | —     | (7,128 )    |  |
| Stock-based compensation expense      | —      | —   | 13,552    | —          | —         | 13,552    | —     | 13,552      |  |
| Balance at March 31, 2019             | 62,593 | 625 | 3,406,456 | (140,324 ) | 1,705,717 | 4,972,474 | 3,022 | \$4,975,496 |  |

See accompanying notes to the consolidated financial statements.



MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Organization

Martin Marietta Materials, Inc. (the Company or Martin Marietta) is a natural resource-based building materials company. The Company supplies aggregates (crushed stone, sand and gravel) through its network of more than 300 quarries, mines and distribution yards to its customers in 31 states, Canada, the Bahamas and the Caribbean Islands. In the western United States, Martin Marietta also provides cement and downstream products, namely, ready mixed concrete, asphalt and paving services, in vertically-integrated structured markets where the Company has a leading aggregates position. The Company's heavy-side building materials are used in infrastructure, nonresidential and residential construction projects. Aggregates are also used in agricultural, utility and environmental applications and as railroad ballast. The aggregates, cement, ready mixed concrete and asphalt and paving product lines are reported collectively as the "Building Materials" business.

The Company's Building Materials business includes three reportable segments: the Mid-America Group, the Southeast Group and the West Group.

BUILDING MATERIALS BUSINESS

Reportable

| Segments            | Mid-America Group   | Southeast Group   | West Group  |
|---------------------|---|---|---|
| Operating Locations | Indiana, Iowa, northern Kansas, Kentucky, Maryland, Minnesota, Missouri, eastern Nebraska, North Carolina, Ohio, Pennsylvania, South Carolina, Virginia, Washington and West Virginia | Alabama, Florida, Georgia, Tennessee, Nova Scotia and the Bahamas | Arkansas, Colorado, southern Kansas, Louisiana, western Nebraska, Nevada, Oklahoma, Texas, Utah and Wyoming |

|               |            |            |  |
|---------------|------------|------------|--|
| Product Lines | Aggregates | Aggregates | Aggregates, Cement, Ready Mixed Concrete, Asphalt and Paving |
|---------------|------------|------------|--|

The Company has a Magnesia Specialties business with manufacturing facilities in Manistee, Michigan, and Woodville, Ohio. The Magnesia Specialties business produces magnesia-based chemicals products used in industrial, agricultural and environmental applications, and dolomitic lime sold primarily to customers in the steel and mining industries.

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and in Article 10 of Regulation S-X. Other than the required adoption of *Accounting Standards Codification 842 – Leases* (ASC 842), the Company has continued to follow the accounting policies set forth in the audited consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. In the opinion of management, the interim consolidated financial information provided herein reflects all adjustments, consisting of normal recurring accruals, necessary for a fair statement of the results of operations, financial position and cash flows for the interim periods. The consolidated results of operations for the three months ended March 31, 2019 are not indicative of the results expected for other interim periods or the full year. The consolidated balance sheet at

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

December 31, 2018 has been derived from the audited consolidated financial statements at that date but does not include all of the information and notes required by U.S. GAAP for complete financial statements. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

New Accounting Pronouncement

Leases

Effective January 1, 2019, the Company adopted ASC 842, which requires virtually all leases, excluding mineral interest leases, to be recorded as right-of-use (ROU) assets and lease liabilities on the balance sheet and provides guidance on the recognition of lease expense and income. ASC 842 requires the modified retrospective transition approach, applying the new standard to all leases existing at the date of initial application. It further states that an entity may use either 1) its effective date or 2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The Company used the effective date as the date of initial application. As such, financial information and disclosures required under ASC 842 will not be provided for dates and periods prior to January 1, 2019.

The new standard provides a number of practical expedients for transition and policy elections for ongoing accounting. The Company elected the "package of practical expedients", which permits the Company to not reassess its prior conclusions about lease identification, lease classification and initial direct costs. The Company elected the practical expedients pertaining to the use of hindsight and to land easements. Applying the hindsight practical expedient resulted in longer lease terms for many leases. The standard provides policy election options for recognition exemption for short-term leases and separation of lease and non-lease components. The Company elected the short-term lease recognition exemption and elected not to separate lease and non-lease components for all underlying asset classes with the exceptions of railcars and fleet vehicle leases. The Company determines lease and non-lease components based on observable information, including rates provided by the lessor.

The adoption of ASC 842 resulted in the recognition of ROU assets and lease liabilities of \$502.5 million and \$501.6 million, respectively, for operating leases and \$10.9 million and \$12.1 million, respectively, for finance leases. The adoption did not have a material impact on the Company's consolidated statement of earnings or consolidated statement of cash flows.

Subsequent to the date of adoption, the Company determines if a contract is or contains a lease at inception of the agreement. Operating and finance leases are recognized as ROU assets and the related obligations are recognized as current or noncurrent liabilities on the Company's consolidated balance sheets. Leases with an initial lease term of one year or less are not recorded on the balance sheet.

ROU assets, which represent the Company's right to use an underlying asset, and lease liabilities, which represent the Company's obligation to make lease payments arising from the lease, are recognized based on the present value of the future lease payments over the lease term at commencement date. The ROU asset also includes any lease payments made at or before commencement date and any initial direct costs incurred and excludes lease incentives. Certain of the Company's leases contain renewal and/or termination options. The Company recognizes renewal or termination options as part of its ROU assets and lease liabilities when the Company has the unilateral right to renew or terminate and it is reasonably certain these options will be exercised. The Company determines the present value of lease payments based on the implicit rate, which may be explicitly stated in the lease if available or the Company's estimated collateralized incremental borrowing rate based on the term of the lease. For operating leases, lease expense is recognized on a straight-line basis over the lease term.

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended March 31, 2019

## (UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Some leases require the Company pay non-lease components, which may include taxes, maintenance, insurance and certain other expenses applicable to the leased property, and are primarily considered variable costs. The Company generally accounts for lease and non-lease components as a single amount. However, for railcars and fleet vehicle leases, the Company separately accounts for the lease and non-lease components.

## Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss

Consolidated comprehensive earnings/loss and accumulated other comprehensive loss consist of consolidated net earnings or loss; adjustments for the funded status of pension and postretirement benefit plans; foreign currency translation adjustments; and the amortization of the value of terminated forward starting interest rate swap agreements into interest expense, and are presented in the Company's consolidated statements of earnings and comprehensive earnings.

Comprehensive earnings attributable to Martin Marietta is as follows:

|   | Three Months<br>Ended<br>March 31,<br>2019    2018<br>(Dollars in<br>Thousands) |          |
|---|---|----------|
| Net earnings attributable to Martin Marietta Materials, Inc.              | \$42,853  | \$10,023 |
| Other comprehensive earnings, net of tax                                  | 3,255   | 1,619    |
| Comprehensive earnings attributable to Martin Marietta<br>Materials, Inc. | \$46,108  | \$11,642 |

Comprehensive earnings attributable to noncontrolling interests consist of net earnings and adjustments for the funded status of pension and postretirement benefit plans. For the three months ended March 31, 2019 and 2018, there were no other comprehensive earnings attributable to noncontrolling interests.

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2019

## (UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Changes in accumulated other comprehensive earnings, net of tax, are as follows:

|   | (Dollars in Thousands)                               |                     |  |   |
|---|--|---------------------|--|---|
|   | Pension<br>and<br>Postretirement<br>Benefit<br>Plans | Foreign<br>Currency | Unamortized<br>Value of<br>Terminated<br>Forward Starting<br>Interest Rate<br>Swap | Accumulated<br>Other<br>Comprehensive<br>Loss |
|   | Three Months Ended March 31, 2019                    |                     |  |   |
| Balance at beginning of period                  | \$ (141,505 )  | \$ (2,074 )         | \$ —   | \$ (143,579 )                                 |
| Other comprehensive earnings before             |  |                     |  |   |
| reclassifications, net of tax                   | —  | 497                 | —  | 497   |
| Amounts reclassified from accumulated           |  |                     |  |   |
| other comprehensive loss, net of tax            | 2,758  | —                   | —  | 2,758   |
| Other comprehensive earnings, net of tax        | 2,758  | 497                 | —  | 3,255   |
| Balance at end of period                        | \$ (138,747 )  | \$ (1,577 )         | \$ —   | \$ (140,324 )                                 |
|   | Three Months Ended March 31, 2018                    |                     |  |   |
| Balance at beginning of period                  | \$ (128,802 )  | \$ (22 )            | \$ (280 )  | \$ (129,104 )                                 |
| Other comprehensive loss before                 |  |                     |  |   |
| reclassifications, net of tax                   | —  | (587 )              | —  | (587 )  |
| Amounts reclassified from accumulated           |  |                     |  |   |
| other comprehensive loss, net of tax            | 1,996  | —                   | 210  | 2,206   |
| Other comprehensive earnings (loss), net of tax | 1,996  | (587 )              | 210  | 1,619   |
| Balance at end of period                        | \$ (126,806 )  | \$ (609 )           | \$ (70 )   | \$ (127,485 )                                 |

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Changes in net noncurrent deferred tax assets recorded in accumulated other comprehensive loss are as follows:

|  | (Dollars in Thousands)            |               |                |
|--|-----------------------------------|---------------|----------------|
|  | Unamortized                       |               |                |
|  | Value of                          |               |                |
|  | Terminated                        |               |                |
|  | Pension                           | Forward       | Net Noncurrent |
|  | and                               | Starting      | Deferred Tax   |
|  | Postretirement                    | Interest Rate | Assets         |
|  | Benefit                           | Swap          |                |
|  | Plans                             |               |                |
|  | Three Months Ended March 31, 2019 |               |                |
| Balance at beginning of period             | \$84,207                          | \$ —          | \$ 84,207      |
| Tax effect of other comprehensive earnings | (868 )                            | —             | (868 )         |
| Balance at end of period                   | \$83,339                          | \$ —          | \$ 83,339      |
|  | Three Months Ended March 31, 2018 |               |                |
| Balance at beginning of period             | \$79,938                          | \$ 178        | \$ 80,116      |
| Tax effect of other comprehensive earnings | (658 )                            | (137 )        | (795 )         |
| Balance at end of period                   | \$79,280                          | \$ 41         | \$ 79,321      |

Reclassifications out of accumulated other comprehensive loss are as follows:

|  | Three Months Ended     | Affected line items in the |
|--|------------------------|----------------------------|
|  | March 31,              | consolidated               |
|  | 2019                   | statements of earnings     |
|  | 2018                   | and                        |
|  | (Dollars in Thousands) | comprehensive earnings     |
| Pension and postretirement benefit plans |                        |                            |

|                      |           |           |                                   |
|----------------------|-----------|-----------|-----------------------------------|
| Amortization of:     |           |           |                                   |
| Prior service credit | \$ (188 ) | \$ (585 ) |                                   |
| Actuarial loss       | 3,814     | 3,239     |                                   |
|                      | 3,626     | 2,654     | Other nonoperating<br>income, net |
| Tax benefit          | (868 )    | (658 )    | Income tax (benefit)<br>expense   |
|                      | \$ 2,758  | \$ 1,996  |                                   |

Unamortized value of terminated

|                                     |      |        |                                 |
|-------------------------------------|------|--------|---------------------------------|
| forward starting interest rate swap |      |        |                                 |
| Additional interest expense         | \$ — | \$ 347 | Interest expense                |
| Tax benefit                         | —    | (137 ) | Income tax (benefit)<br>expense |
|                                     | \$ — | \$ 210 |                                 |

Earnings per Common Share

The numerator for basic and diluted earnings per common share is net earnings attributable to Martin Marietta Materials, Inc. reduced by dividends and undistributed earnings attributable to certain of the Company's stock-based compensation. If there is a net loss, no amount of the undistributed loss is attributed to unvested



## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended March 31, 2019

## (UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

participating securities. The denominator for basic earnings per common share is the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are computed assuming that the weighted-average number of common shares is increased by the conversion, using the treasury stock method, of awards to be issued to employees and nonemployee members of the Company's Board of Directors under certain stock-based compensation arrangements if the conversion is dilutive. For the three months ended March 31, 2019 and 2018, the diluted per-share computations reflect the number of common shares outstanding to include the number of additional shares that would have been outstanding if the potentially dilutive common shares had been issued.

The following table reconciles the numerator and denominator for basic and diluted earnings per common share:

|  | Three Months<br>Ended<br>March 31,<br>2019      2018<br>(In Thousands) |          |
|--|--|----------|
| Net earnings attributable to Martin Marietta       |  |          |
| Materials, Inc.                                    | \$42,853   | \$10,023 |
| Less: Distributed and undistributed earnings       |  |          |
| attributable to unvested awards                    | 86   | 63       |
| Basic and diluted net earnings available to common |  |          |
| shareholders attributable to Martin Marietta       |  |          |
| Materials, Inc.                                    | \$42,767   | \$9,960  |
| Basic weighted-average common shares outstanding   | 62,584   | 62,957   |
| Effect of dilutive employee and director awards    | 193  | 265      |
| Diluted weighted-average common shares outstanding | 62,777   | 63,222   |

**2. Revenue Recognition**

Total revenues include sales of products and services to customers, net of any discounts or allowances, and freight revenues. Product revenues are recognized when control of the promised good is transferred to the customer, typically when finished products are shipped. Intersegment and interproduct revenues are eliminated in consolidation. Service revenues are derived from the paving business and recognized using the percentage-of-completion method under the

revenue-cost approach. Freight revenues reflect delivery arranged by the Company using a third party on behalf of the customer and are recognized consistent with the timing of the product revenues.

**Performance Obligations.** Performance obligations are contractual promises to transfer or provide a distinct good or service for a stated price. The Company's product sales agreements are single-performance obligations that are satisfied at a point in time. Performance obligations within paving service agreements are satisfied over time, primarily ranging from one day to 20 months. For product revenues and freight revenues, customer payment terms are generally 30 days from invoice date. Customer payments for the paving operations are based on a contractual billing schedule and are due 30 days from invoice date.

Future revenues from unsatisfied performance obligations at March 31, 2019 and 2018 were \$149.4 million and \$88.1 million, respectively, where the remaining periods to complete these obligations ranged from one month to 21 months and one month to 20 months, respectively.

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended March 31, 2019

## (UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**Revenue by Category.** The following table presents the Company's total revenues by category for each reportable segment:

| (Dollars in Thousands)            | Three Months Ended<br>March 31, 2019 |          |           |
|-----------------------------------|--------------------------------------|----------|-----------|
|                                   | Products<br>and<br>Services          | Freight  | Total     |
| Mid-America Group                 | \$230,308                            | \$18,505 | \$248,813 |
| Southeast Group                   | 115,312                              | 3,925    | 119,237   |
| West Group                        | 463,511                              | 33,320   | 496,831   |
| Total Building Materials Business | 809,131                              | 55,750   | 864,881   |
| Magnesia Specialties              | 69,174                               | 4,900    | 74,074    |
| Total                             | \$878,305                            | \$60,650 | \$938,955 |

| (Dollars in Thousands)            | Three Months Ended<br>March 31, 2018 |          |           |
|-----------------------------------|--------------------------------------|----------|-----------|
|                                   | Products<br>and<br>Services          | Freight  | Total     |
| Mid-America Group                 | \$167,890                            | \$10,891 | \$178,781 |
| Southeast Group                   | 77,563                               | 2,676    | 80,239    |
| West Group                        | 442,983                              | 30,739   | 473,722   |
| Total Building Materials Business | 688,436                              | 44,306   | 732,742   |
| Magnesia Specialties              | 64,869                               | 4,393    | 69,262    |
| Total                             | \$753,305                            | \$48,699 | \$802,004 |

Service revenues, which include paving operations located in Colorado, were \$9.9 million and \$11.1 million for the three months ended March 31, 2019 and 2018, respectively.

**Contract Balances.** Costs in excess of billings relate to the conditional right to consideration for completed contractual performance and are contract assets on the consolidated balance sheets. Costs in excess of billings are reclassified to accounts receivable when the right to consideration becomes unconditional. Billings in excess of costs relate to customers invoiced in advance of contractual performance and are contract liabilities on the consolidated balance sheets. The following table presents information about the Company's contract balances:

|                             | March 31, December 31, |          |
|-----------------------------|------------------------|----------|
| (Dollars in Thousands)      | 2019                   | 2018     |
| Costs in excess of billings | \$ 2,238               | \$ 1,975 |
| Billings in excess of costs | \$ 5,814               | \$ 6,743 |

Revenues recognized from the beginning balance of contract liabilities for the three months ended March 31, 2019 and 2018 were \$3.8 million and \$4.2 million, respectively.

Retainage, which primarily relates to the paving services, represents amounts that have been billed to customers but payment withheld until final acceptance of the performance obligation by the customer. Included on the Company's consolidated balance sheets, retainage was \$5.4 million and \$7.5 million at March 31, 2019 and December 31, 2018.

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Warranties. The Company's construction contracts generally contain warranty provisions typically for a period of nine months to one year after project completion and cover materials, design or workmanship defects. Historically, the Company has not experienced material costs for warranties. The ready mixed concrete product line carries longer warranty periods, for which the Company has accrued an estimate of warranty cost based on experience with the type of work and any known risks relative to the project. In total, warranty costs were not material to the Company's consolidated results of operations for the three months ended March 31, 2019 and March 31, 2018.

Policy Elections. When the Company arranges third party freight to deliver products to customers, the Company has elected the delivery to be a fulfillment activity rather than a separate performance obligation. Further, the Company acts as a principal in the delivery arrangements and, as required by the accounting standard, the related revenues and costs are presented gross and are included in the consolidated statements of earnings.

**3. Inventories, Net**

|                                       | March 31,<br>2019      | December 31,<br>2018 |
|---------------------------------------|------------------------|----------------------|
|                                       | (Dollars in Thousands) |                      |
| Finished products                     | \$605,785              | \$ 615,719           |
| Products in process and raw materials | 63,114                 | 66,920               |
| Supplies and expendable parts         | 136,792                | 139,566              |
|                                       | 805,691                | 822,205              |
| Less: Allowances                      | (159,515)              | (159,170)            |
| Total                                 | \$646,176              | \$ 663,035           |

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## 4. Long-Term Debt

|  | March 31,<br>2019      | December 31,<br>2018 |
|--|------------------------|----------------------|
|  | (Dollars in Thousands) |                      |
| 4.25% Senior Notes, due 2024   | \$396,547              | \$ 396,398           |
| 7% Debentures, due 2025  | 124,296                | 124,272              |
| 3.450% Senior Notes, due 2027  | 297,019                | 296,939              |
| 3.500% Senior Notes, due 2027  | 494,888                | 494,765              |
| 6.25% Senior Notes, due 2037   | 228,110                | 228,094              |
| 4.250% Senior Notes, due 2047  | 591,583                | 591,541              |
| Floating Rate Notes, due 2019, interest rate of 3.13%,<br>3.29% and 2.70% at March 31, 2019 and December 31, 2018,<br>respectively | 299,446                | 299,260              |
| Floating Rate Notes, due 2020, interest rate of 3.31%, 3.30%<br>and 2.55% at March 31, 2019 and December 31, 2018, respectively    | 299,139                | 298,956              |
| 6.60% Senior Notes, due 2018   | —                      | —                    |
| Revolving Facility, due 2023, interest rate of 3.59% at<br>March 31, 2019  | 70,000                 | —                    |
| Trade Receivable Facility, interest rate of 3.21% and 3.07% at<br>March 31, 2019 and December 31, 2018, respectively               | 360,000                | 390,000              |
| Other notes  | 256                    | 256                  |
| Total debt   | 3,161,284              | 3,120,481            |
| Less: Current maturities of long-term debt and short-term<br>facilities  | (360,056 )             | (390,042 )           |
| Long-term debt   | \$2,801,228            | \$ 2,730,439         |

The Company, through a wholly-owned special-purpose subsidiary, has a \$400 million trade receivable securitization facility (the Trade Receivable Facility). The Trade Receivable Facility, with SunTrust Bank, Regions Bank, PNC Bank, N.A., The Bank of Tokyo-Mitsubishi UFJ, LTD. (New York Branch), and certain other lenders that may become a party to the facility from time to time, is backed by eligible trade receivables, as defined, and is limited to

the lesser of the facility limit or the borrowing base, as defined. These receivables are originated by the Company and then sold to the wholly-owned special-purpose subsidiary by the Company. The Company continues to be responsible for the servicing and administration of the receivables purchased by the wholly-owned special-purpose subsidiary. Borrowings under the Trade Receivable Facility bear interest at a rate equal to one-month London Interbank Offered Rate, or LIBOR, plus 0.725%, subject to change in the event that this rate no longer reflects the lender's cost of lending. The Trade Receivable Facility, which contains a cross-default provision to the Company's other debt agreements, matures on September 25, 2019.

The Company has a \$700 million five-year senior unsecured revolving facility (the Revolving Facility), which expires on December 5, 2023, with JPMorgan Chase Bank, N.A., as Administrative Agent, Branch Banking and Trust Company (BB&T), Deutsche Bank Securities, Inc., SunTrust Bank and Wells Fargo Bank, N.A., as Co-Syndication Agents, and the lenders party thereto. Borrowings under the Revolving Facility bear interest, at the Company's option, at rates based upon LIBOR or a base rate, plus, for each rate, a margin determined in accordance with a ratings-based pricing grid. The Revolving Facility requires the Company's ratio of consolidated debt-to-consolidated earnings before interest, taxes, depreciation and amortization (EBITDA), as defined by the Revolving Facility, for the trailing-twelve

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(Continued)

months (the Ratio) to not exceed 3.50x as of the end of any fiscal quarter, provided that the Company may exclude from the Ratio debt incurred in connection with certain acquisitions during such quarter or the three preceding quarters so long as the Ratio calculated without such exclusion does not exceed 3.75x. Additionally, if no amounts are outstanding under both the Revolving Facility and the Trade Receivable Facility, consolidated debt, including debt for which the Company is a co-borrower, may be reduced by the Company's unrestricted cash and cash equivalents in excess of \$50 million, such reduction not to exceed \$200 million, for purposes of the covenant calculation. The Company was in compliance with this Ratio at March 31, 2019.

Available borrowings under the Revolving Facility are reduced by any outstanding letters of credit issued by the Company under the Revolving Facility. The Company had \$2.3 million of outstanding letters of credit issued under the Revolving Facility at March 31, 2019 and December 31, 2018.

The Floating Senior Rate Notes due 2019 are classified as noncurrent long-term debt on the consolidated balance sheets as of March 31, 2019 and December 31, 2018 as the Company has the ability and intent to refinance the notes on a long-term basis.

##### 5. Financial Instruments

The Company's financial instruments include cash equivalents, accounts receivable, notes receivable, accounts payable, publicly-registered long-term notes, debentures and other long-term debt.

Cash equivalents are placed primarily in money market funds, money market demand deposit accounts and Eurodollar time deposits. The Company's cash equivalents have original maturities of less than three months. Due to the short maturity of these investments, they are carried on the consolidated balance sheets at cost, which approximates fair value.

Accounts receivable are due from a large number of customers, primarily in the construction industry, and are dispersed across wide geographic and economic regions. No single customer accounted for 10% or more of consolidated total revenues. The estimated fair values of accounts receivable approximate their carrying amounts due to the short-term nature of the receivables.

Notes receivable are not publicly traded. Management estimates that the fair value of notes receivable approximates the carrying amount due to the short-term nature of the receivables.

Accounts payable represent amounts owed to suppliers and vendors. The estimated fair value of accounts payable approximates its carrying amount due to the short-term nature of the payables.

The carrying values and fair values of the Company's long-term debt were \$3.16 billion and \$3.13 billion, respectively, at March 31, 2019 and \$3.12 billion and \$3.01 billion, respectively, at December 31, 2018. The estimated fair value of the publicly-registered long-term notes was estimated based on Level 2 of the fair value hierarchy using quoted



market prices. The estimated fair value of other borrowings approximate their carrying amounts as the interest rates reset periodically.

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(Continued)

**6. Income Taxes**

The effective income tax rate reflects the effect of federal and state income taxes on earnings and the impact of differences in book and tax accounting arising from the net permanent tax benefits associated with the statutory depletion deduction for mineral reserves. Additionally, for the three months ended March 31, 2019, the effective income tax rate includes a \$13.2 million discrete benefit from a change in the tax status of a subsidiary from a partnership to a corporation, contributing to an overall tax benefit of \$5.0 million.

The Company records interest accrued in relation to unrecognized tax benefits as income tax expense. Penalties, if incurred, are recorded as operating expenses in the consolidated statements of earnings and comprehensive earnings.

**7. Pension and Postretirement Benefits**

The estimated components of the recorded net periodic benefit cost (credit) for pension and postretirement benefits are as follows:

|                                    | Pension                      |          | Postretirement Benefits |         |
|------------------------------------|------------------------------|----------|-------------------------|---------|
|                                    | Three Months Ended March 31, |          |                         |         |
|                                    | 2019                         | 2018     | 2019                    | 2018    |
|                                    | (Dollars in Thousands)       |          |                         |         |
| Service cost                       | \$7,872                      | \$8,148  | \$15                    | \$22    |
| Interest cost                      | 9,395                        | 8,361    | 131                     | 125     |
| Expected return on assets          | (11,966)                     | (10,629) | —                       | —       |
| Amortization of:                   |                              |          |                         |         |
| Prior service cost (credit)        | 2                            | 26       | (190)                   | (611)   |
| Actuarial loss (gain)              | 3,932                        | 3,296    | (118)                   | (57)    |
| Net periodic benefit cost (credit) | \$9,235                      | \$9,202  | \$(162)                 | \$(521) |

The service cost component of net periodic benefit cost (credit) is included in cost of revenues – products and services and selling, general and administrative expenses. All other components are included in other nonoperating income, net, in the consolidated statements of earnings and comprehensive earnings.

**8. Commitments and Contingencies****Legal and Administrative Proceedings**

The Company is engaged in certain legal and administrative proceedings incidental to its normal business activities. In the opinion of management and counsel, based upon currently-available facts, it is remote that the ultimate outcome of any litigation and other proceedings, including those pertaining to environmental matters, relating to the Company and its subsidiaries, will have a material adverse effect on the overall results of the Company's operations, its cash flows or

its financial position.

Borrowing Arrangements with Affiliate

The Company is a co-borrower with an unconsolidated affiliate for a \$15.5 million revolving line of credit agreement with BB&T, of which \$12.8 million was outstanding as of March 31, 2019 and has a maturity date of March 2020. The affiliate has agreed to reimburse and indemnify the Company for any payments and expenses the Company may

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incur from this agreement. The Company holds a lien on the affiliate's membership interest in a joint venture as collateral for payment under the revolving line of credit.

In addition, the Company has a \$6.0 million interest-only loan, due December 31, 2022, outstanding from this unconsolidated affiliate as of March 31, 2019 and December 31, 2018. The interest rate is one-month LIBOR plus a current spread of 1.75%.

Letters of Credit

In the normal course of business, the Company provides certain third parties with standby letter of credit agreements guaranteeing its payment for certain insurance claims, contract performance and permit requirements. At March 31, 2019, the Company was contingently liable for \$36.1 million in letters of credit, of which \$2.3 million were issued under the Company's Revolving Facility.

Employees

The Company maintains collective bargaining agreements relating to the union employees within the Building Materials business and Magnesia Specialties segment. Of the Magnesia Specialties segment, 100% of its hourly employees are represented by labor unions. The Manistee collective bargaining agreement expires in August 2019. The Woodville collective bargaining agreement expires June 2022.

**9. Business Segments**

The Building Materials business contains three reportable business segments: Mid-America Group, Southeast Group and West Group. The Company also has a Magnesia Specialties segment. The Company's evaluation of performance and allocation of resources are based primarily on earnings from operations. Consolidated earnings from operations include total revenues less cost of revenues; selling, general and administrative expenses; acquisition-related expenses, net; other operating income and expenses, net; and exclude interest expense; other nonoperating income and expenses, net; and taxes on income. Corporate loss from operations primarily includes depreciation on capitalized interest; unallocated expenses for corporate administrative functions; acquisition-related expenses, net; and other nonrecurring income and expenses excluded from the Company's evaluation of business segment performance and resource allocation. All debt and related interest expense are held at Corporate.

The following table displays selected financial data for the Company's reportable business segments. The Bluegrass Materials Company (Bluegrass) operations, acquired in April 2018, are located in the Mid-America Group and Southeast Group. Total revenues, as well as the consolidated statements of earnings and comprehensive earnings, exclude intersegment revenues which represent sales from one segment to another segment, which are eliminated.



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|   | Three Months Ended     |              |
|---|------------------------|--------------|
|   | March 31,              | 2018         |
|   | 2019                   |              |
|   | (Dollars in Thousands) |              |
| <u>Total revenues:</u>                  |                        |              |
| Mid-America Group                       | \$248,813              | \$178,781    |
| Southeast Group                         | 119,237                | 80,239       |
| West Group                              | 496,831                | 473,722      |
| Total Building Materials Business       | 864,881                | 732,742      |
| Magnesia Specialties                    | 74,074                 | 69,262       |
| Total                                   | \$938,955              | \$802,004    |
| <u>Products and services revenues:</u>  |                        |              |
| Mid-America Group                       | \$230,308              | \$167,890    |
| Southeast Group                         | 115,312                | 77,563       |
| West Group                              | 463,511                | 442,983      |
| Total Building Materials Business       | 809,131                | 688,436      |
| Magnesia Specialties                    | 69,174                 | 64,869       |
| Total                                   | \$878,305              | \$753,305    |
| <u>Earnings (Loss) from operations:</u> |                        |              |
| Mid-America Group                       | \$30,955               | \$6,167      |
| Southeast Group                         | 21,134                 | 2,041        |
| West Group                              | 19,936                 | 34,951       |
| Total Building Materials Business       | 72,025                 | 43,159       |
| Magnesia Specialties                    | 22,642                 | 21,237       |
| Corporate                               | (25,446 )              | (25,315 )    |
| Total                                   | \$69,221               | \$39,081     |
| <br>                                    |                        |              |
|   | March 31,              | December 31, |
|   | 2019                   | 2018         |
|   | (Dollars in thousands) |              |
| <u>Assets employed:</u>                 |                        |              |
| Mid-America Group                       | \$2,848,652            | \$2,788,454  |
| Southeast Group                         | 1,443,597              | 1,299,469    |
| West Group                              | 5,280,109              | 4,989,639    |
| Total Building Materials Business       | 9,572,358              | 9,077,562    |
| Magnesia Specialties                    | 170,833                | 156,106      |

|           |              |             |
|-----------|--------------|-------------|
| Corporate | 305,216      | 317,751     |
| Total     | \$10,048,407 | \$9,551,419 |

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**10. Revenues and Gross Profit**

The Building Materials business includes the aggregates, cement, ready mixed concrete and asphalt and paving product lines. All cement, ready mixed concrete and asphalt and paving product lines reside in the West Group. The following table, which is reconciled to consolidated amounts, provides total revenues and gross profit by product line.

|                                   | Three Months Ended        |           |
|-----------------------------------|---------------------------|-----------|
|                                   | March 31,                 |           |
|                                   | 2019                      | 2018      |
|                                   | (Dollars in<br>Thousands) |           |
| <u>Total revenues:</u>            |                           |           |
| Building Materials Business:      |                           |           |
| Products and services:            |                           |           |
| Aggregates                        | \$541,473                 | \$425,016 |
| Cement                            | 99,017                    | 89,183    |
| Ready mixed concrete              | 211,156                   | 218,537   |
| Asphalt and paving services       | 15,846                    | 16,365    |
| Less: interproduct revenues       | (58,361 )                 | (60,665 ) |
| Products and services             | 809,131                   | 688,436   |
| Freight                           | 55,750                    | 44,306    |
| Total Building Materials Business | 864,881                   | 732,742   |
| Magnesia Specialties:             |                           |           |
| Products and services             | 69,174                    | 64,869    |
| Freight                           | 4,900                     | 4,393     |
| Total Magnesia Specialties        | 74,074                    | 69,262    |
| Total                             | \$938,955                 | \$802,004 |
| <u>Gross profit (loss):</u>       |                           |           |
| Building Materials Business:      |                           |           |
| Products and services:            |                           |           |
| Aggregates                        | \$97,562                  | \$53,002  |
| Cement                            | 13,779                    | 23,734    |
| Ready mixed concrete              | 14,492                    | 15,641    |
| Asphalt and paving services       | (7,829 )                  | (7,639 )  |
| Products and services             | 118,004                   | 84,738    |
| Freight                           | (165 )                    | (119 )    |



|                                   |           |           |
|-----------------------------------|-----------|-----------|
| Total Building Materials Business | 117,839   | 84,619    |
| Magnesia Specialties:             |           |           |
| Products and services             | 26,607    | 25,063    |
| Freight                           | (1,065 )  | (1,174 )  |
| Total Magnesia Specialties        | 25,542    | 23,889    |
| Corporate                         | (474 )    | 1,884     |
| Total                             | \$142,907 | \$110,392 |

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**11. Leases**

The Company has leases primarily for equipment, railcars, fleet vehicles, office space, land and information technology equipment and software. The Company's leases have remaining lease terms of one year to 54 years, some of which may include options to extend the leases for up to 30 years, and some of which may include options to terminate the leases within one year.

Certain of the Company's lease agreements include payments based upon variable rates, including but not limited to hours used, tonnage processed and factors related to indices. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of lease cost are as follows:

|                                     | Three<br>Months<br>Ended<br>March 31,<br>2019<br>(Dollars in<br>Thousands) |
|-------------------------------------|--|
| Operating lease cost                | \$ 19,966  |
| Finance lease cost:                 |  |
| Amortization of right-of-use assets | 935  |
| Interest on lease liabilities       | 148  |
| Variable lease cost                 | 4,667  |
| Short-term lease cost               | 8,118  |
| Total lease cost                    | \$ 33,834  |

The balance sheet classifications of operating and finance leases are as follows:

Three  
Months  
Ended

March 31,  
2019  
(Dollars in  
Thousands)

Operating Leases:

Operating lease right-of-use assets \$ 498,233

Current operating lease liabilities \$ 50,776

Noncurrent operating lease liabilities 446,128

Total operating lease liabilities \$ 496,904

Finance Leases:

Property, plant and equipment \$ 11,143

Accumulated depreciation (935 )

Property, plant and equipment, net \$ 10,208

Other current liabilities \$ 3,456

Other noncurrent liabilities 7,862

Total finance lease liabilities \$ 11,318

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The estimated incremental borrowing rate range used was 3.5% to 5.5%. Weighted-average remaining lease terms and discount rates are as follows:

|  | March 31,<br>2019 |   |
|--|-------------------|---|
| Weighted-average remaining lease term (years): |                   |   |
| Operating leases                               | 15.0              |   |
| Finance leases                                 | 8.2               |   |
| Weighted-average discount rate:                |                   |   |
| Operating leases                               | 4.3               | % |
| Finance leases                                 | 5.1               | % |

Future lease payments under leases as of March 31, 2019 are as follows:

|                                   | Operating<br>Leases       | Finance<br>Leases |
|-----------------------------------|---------------------------|-------------------|
|                                   | (Dollars in<br>Thousands) |                   |
| 2019                              | \$53,014                  | \$2,956           |
| 2020                              | 63,870                    | 3,243             |
| 2021                              | 52,674                    | 1,951             |
| 2022                              | 48,376                    | 1,094             |
| 2023                              | 45,912                    | 779               |
| Thereafter                        | 429,013                   | 4,176             |
| Total lease payments              | 692,859                   | 14,199            |
| Less: imputed interest            | (195,593 )                | (2,881 )          |
| Present value of lease payments   | 497,266                   | 11,318            |
| Less: current lease obligations   | (50,776 )                 | (3,456 )          |
| Total long-term lease obligations | \$446,490                 | \$7,862           |

As of March 31, 2019, the Company has additional operating leases, primarily for equipment and land, that have not yet commenced of \$1.7 million. These operating leases will commence in fiscal year 2019 with lease terms of two

years to ten years. These leases are included in the preceding table.

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## (UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Other lease information is as follows:

|   | Three<br>Months<br>Ended<br>March 31,<br>2019<br>(Dollars in<br>Thousands) |
|---|--|
| Cash paid for amounts included in the measurement |  |
| of lease liabilities:                             |  |
| Operating cash flows used for operating leases    | \$ 19,512  |
| Operating cash flows used for finance leases      | \$ 148   |
| Financing cash flows used for finance leases      | \$ 951   |
| Right-of-use assets obtained in exchange for new  |  |
| operating lease liabilities                       | \$ 16,924  |
| Right-of-use assets obtained in exchange for      |  |
| new finance lease liabilities                     | \$ 217   |

Lease disclosures for the full year December 31, 2018, as reported:

Total lease expense for operating leases was \$122.5 million for the year ended December 31, 2018. Total royalties, principally for leased properties, were \$52.5 million, for the year ended December 31, 2018. The Company also has capital lease obligations for machinery and equipment. Future minimum lease and royalty commitments for all noncancelable agreements and capital lease obligations as of December 31, 2018 were as follows:

|      | Capital<br>Leases      | Operating<br>Leases | Royalty<br>Commitments |
|------|------------------------|---------------------|------------------------|
|      | (Dollars in Thousands) |                     |                        |
| 2019 | \$3,718                | \$105,955           | \$ 14,614              |
| 2020 | 2,695                  | 70,478              | 11,364                 |
| 2021 | 1,735                  | 60,382              | 10,335                 |

|   |          |           |            |
|---|----------|-----------|------------|
| 2022                                    | 1,004    | 57,531    | 9,545      |
| 2023                                    | 713      | 56,511    | 8,109      |
| Thereafter                              | 3,893    | 318,147   | 65,981     |
| Total                                   | 13,758   | \$669,004 | \$ 119,948 |
| Less: imputed interest                  | (2,879 ) |           |            |
| Present value of minimum lease payments | 10,879   |           |            |
| Less: current capital lease obligations | (3,249 ) |           |            |
| Long-term capital lease obligations     | \$7,630  |           |            |

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## (UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

**12. Supplemental Cash Flow Information**

Noncash investing and financing activities are as follows:

|  | March 31,<br>2019      2018<br>(Dollars in Thousands) |           |
|--|---|-----------|
| Noncash investing and financing activities:  |   |           |
| Accrued liabilities for purchases of property, plant and equipment                     | \$ 20,629   | \$ 35,639 |
| Acquisition of assets through swap   | \$ 1,114  | \$ —      |
| Note receivable issued in connection with sale of property,<br><br>plant and equipment | \$ 1,272  | \$ —      |
| Acquisition of assets through capital lease  | \$ —  | \$ 192    |

Supplemental disclosures of cash flow information are as follows:

|  | March 31,<br>2019      2018<br>(Dollars in Thousands) |             |
|--|---|-------------|
| Cash paid for interest                 | \$ 17,750   | \$ 12,458   |
| Cash paid for (refund of) income taxes | \$ 3,905  | \$ (7,527 ) |

**13. Bluegrass Acquisition**

In April 2018, the Company acquired Bluegrass, the largest privately-held, pure-play aggregates company in the United States for \$1.62 billion. These operations complement the Company's existing southeastern footprint in its Mid-America and Southeast Groups and provide new growth platforms within Maryland and Kentucky.

The Company determined fair values of the assets acquired and liabilities assumed. Although initial accounting for the business combination has been recorded, these amounts are subject to change during the measurement period which extends no longer than one year from the consummation date based on additional reviews, such as completion of deferred tax estimates based on the determination of the historic tax basis in assets acquired. Specific accounts subject to ongoing purchase accounting adjustments include goodwill and deferred income tax liabilities, net. Therefore, the measurement period remains open as of March 31, 2019. The following is a summary of the preliminary estimated fair



values of the assets acquired and the liabilities assumed (dollars in thousands):

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## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter Ended March 31, 2019

## (UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

|  |             |
|--|-------------|
| Assets:                                |             |
| Cash                                   | \$1,159     |
| Receivables                            | 25,479      |
| Inventory                              | 46,635      |
| Other current assets                   | 1,029       |
| Property, plant and equipment          | 1,519,289   |
| Intangible assets, other than goodwill | 20,150      |
| Goodwill                               | 242,981     |
| Total assets                           | 1,856,722   |
| Liabilities:                           |             |
| Accounts payable and accrued expenses  | 17,978      |
| Deferred income tax liabilities, net   | 212,386     |
| Noncontrolling interest                | 9,001       |
| Total liabilities                      | 239,365     |
| Total consideration                    | \$1,617,357 |

The unaudited pro forma financial information summarizes the combined results of operations for the Company and Bluegrass as though the companies were combined as of January 1, 2017. The pro forma earnings does not reflect any cost savings or associated costs to achieve such savings from operating efficiencies or synergies that result from the combination. Consistent with the assumed acquisition date of January 1, 2017, expenses related to the acquisition would be reflected in the pro forma results for the year ended December 31, 2017. The pro forma financial information does not purport to project the future financial position or operating results of the combined company. The pro forma financial information as presented below is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of 2017.

The following presents pro forma results for the quarter ended March 31, 2018:

|   |           |
|---|-----------|
| (Dollars in Thousands, except per share data) |           |
| Total revenues                                | \$840,909 |
| Net earnings attributable to Martin Marietta  | \$2,988   |
| Diluted EPS                                   | \$0.05    |



MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

First Quarter Ended March 31, 2019

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

Martin Marietta Materials, Inc. (the Company or Martin Marietta) is a natural resource-based building materials company. The Company supplies aggregates (crushed stone, sand and gravel) through its network of more than 300 quarries, mines and distribution yards to its customers in 31 states, Canada, the Bahamas and the Caribbean Islands. In the western United States, Martin Marietta also provides cement and downstream products, namely, ready mixed concrete, asphalt and paving services, in vertically-integrated structured markets where the Company has a leading aggregates position. The Company’s heavy-side building materials are used in infrastructure, nonresidential and residential construction projects. Aggregates are also used in agricultural, utility and environmental applications and as railroad ballast. The aggregates, cement, ready mixed concrete and asphalt and paving product lines are reported collectively as the “Building Materials” business.

The Company conducts its Building Materials business through three reportable business segments: Mid-America Group, Southeast Group and West Group.

BUILDING MATERIALS BUSINESS

| Reportable Segments | Mid-America Group   | Southeast Group   | West Group  |
|---------------------|---|---|---|
| Operating Locations | Indiana, Iowa, northern Kansas, Kentucky, Maryland, Minnesota, Missouri, eastern Nebraska, North Carolina, Ohio, Pennsylvania, South Carolina, Virginia, Washington and West Virginia | Alabama, Florida, Georgia, Tennessee, Nova Scotia and the Bahamas | Arkansas, Colorado, southern Kansas, Louisiana, western Nebraska, Nevada, Oklahoma, Texas, Utah and Wyoming |
| Product Lines       | Aggregates  | Aggregates  | Aggregates, Cement, Ready Mixed Concrete, Asphalt and Paving  |
| Plant Types         | Quarries, Mines and Distribution Facilities   | Quarries, Mines and Distribution Facilities                       | Quarries, Mines, Plants and Distribution Facilities   |
|                     | Truck and Railcar   |   | Truck and Railcar   |

Modes of  
Transportation

Truck, Railcar and  
Ship

The Company also has a Magnesia Specialties business that produces magnesia-based chemicals products used in industrial, agricultural and environmental applications and dolomitic lime sold primarily to customers in the steel and mining industry.

#### CRITICAL ACCOUNTING POLICIES

The Company outlined its critical accounting policies in its Annual Report on Form 10-K for the year ended December 31, 2018. There were no changes to the Company's critical accounting policies during the three months ended March 31, 2019.

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter March 31, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

First Quarter Ended March 31, 2019

(Continued)

## RESULTS OF OPERATIONS

The Building Materials business is significantly affected by weather patterns and seasonal changes. Production and shipment levels for aggregates, cement, ready mixed concrete and asphalt and paving materials correlate with general construction activity levels, most of which occur in the spring, summer and fall. Thus, production and shipment levels vary by quarter. Operations concentrated in the northern and midwestern United States generally experience more severe winter weather conditions than operations in the southeast and southwest. Excessive rainfall, and conversely excessive drought, can also jeopardize production, shipments and profitability in all markets served by the Company. Due to the potentially significant impact of weather on the Company's operations, current period and year-to-date results are not indicative of expected performance for other interim periods or the full year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA) is a widely accepted financial indicator of a company's ability to service and/or incur indebtedness. EBITDA is not defined by generally accepted accounting principles and, as such, should not be construed as an alternative to net earnings, operating earnings or operating cash flow. However, the Company's management believes that EBITDA may provide additional information with respect to the Company's performance or ability to meet its future debt service, capital expenditures or working capital requirements. Because EBITDA excludes some, but not all, items that affect net earnings and may vary among companies, EBITDA as presented by the Company may not be comparable to similarly titled measures of other companies.

A reconciliation of net earnings attributable to Martin Marietta Materials, Inc. to consolidated EBITDA is as follows:

|  | Three Months Ended<br>March 31,<br>2019      2018 |           |
|--|---|-----------|
|  | (Dollars in<br>thousands)                         |           |
| Net Earnings Attributable to Martin Marietta Materials, Inc. | \$42,853  | \$10,023  |
| Add back:  |   |           |
| Interest expense   | 32,846  | 35,087    |
| Income tax (benefit) expense for controlling interests       | (5,001 )  | 2,438     |
| Depreciation, depletion and amortization expense             | 88,187  | 75,714    |
| Consolidated EBITDA  | \$158,885   | \$123,262 |

Significant items for the quarter ended March 31, 2019 (unless noted, all comparisons are versus the prior-year quarter):

Consolidated total revenues of \$939.0 million compared with \$802.0 million, an increase of 17%  
Building Materials business products and services revenues of \$809.1 million compared with \$688.4 million and  
Magnesia Specialties products revenue of \$69.2 million compared with \$64.9 million  
Consolidated gross profit of \$142.9 million compared with \$110.4 million, an increase of 30%  
Consolidated earnings from operations of \$69.2 million compared with \$39.1 million, an increase of 77%  
Net earnings attributable to Martin Marietta of \$42.9 million compared with \$10.0 million  
EBITDA of \$158.9 million compared with \$123.3 million, an increase of 29%  
Earnings per diluted share of \$0.68 compared with \$0.16

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## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter March 31, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

## RESULTS OF OPERATIONS

First Quarter Ended March 31, 2019

(Continued)

The following table presents total revenues, gross profit (loss), selling, general and administrative (SG&A) expenses and earnings (loss) from operations data for the Company and its reportable segments by product line for the three months ended March 31, 2019 and 2018. In each case, the data is stated as a percentage of revenues of the Company or the relevant segment or product line, as the case may be.

|                                     | Three Months Ended March 31, |          |           |          |
|-------------------------------------|------------------------------|----------|-----------|----------|
|                                     | 2019                         | % of     | 2018      | % of     |
|                                     | Amount                       | Revenues | Amount    | Revenues |
|                                     | (Dollars in Thousands)       |          |           |          |
| Total revenues:                     |                              |          |           |          |
| Building Materials Business:        |                              |          |           |          |
| Products and services               |                              |          |           |          |
| Mid-America Group                   |                              |          |           |          |
| Aggregates                          | \$230,308                    | 100.0    | \$167,890 | 100.0    |
| Southeast Group                     |                              |          |           |          |
| Aggregates                          | 115,312                      | 100.0    | 77,563    | 100.0    |
| West Group                          |                              |          |           |          |
| Aggregates                          | 195,853                      | 100.0    | 179,563   | 100.0    |
| Cement                              | 99,017                       | 100.0    | 89,183    | 100.0    |
| Ready mixed concrete                | 211,156                      | 100.0    | 218,537   | 100.0    |
| Asphalt and paving                  | 15,846                       | 100.0    | 16,365    | 100.0    |
| Less: Interproduct revenues         | (58,361 )                    |          | (60,665 ) |          |
| Products and services               | 809,131                      | 100.0    | 688,436   | 100.0    |
| Freight                             | 55,750                       |          | 44,306    |          |
| Total Building Materials Business   | 864,881                      | 100.0    | 732,742   | 100.0    |
| Magnesia Specialties Business:      |                              |          |           |          |
| Products                            | 69,174                       | 100.0    | 64,869    | 100.0    |
| Freight                             | 4,900                        |          | 4,393     |          |
| Total Magnesia Specialties Business | 74,074                       | 100.0    | 69,262    | 100.0    |
| Total                               | \$938,955                    | 100.0    | \$802,004 | 100.0    |





## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter March 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS

First Quarter Ended March 31, 2019

(Continued)

|                                     | Three Months Ended March 31,<br>2019 |                  | 2018      |                  |
|-------------------------------------|--------------------------------------|------------------|-----------|------------------|
|                                     | Amount                               | % of<br>Revenues | Amount    | % of<br>Revenues |
|                                     | (Dollars in Thousands)               |                  |           |                  |
| Gross profit (loss):                |                                      |                  |           |                  |
| Building Materials Business:        |                                      |                  |           |                  |
| Products and services               |                                      |                  |           |                  |
| Mid-America Group                   |                                      |                  |           |                  |
| Aggregates                          | \$45,254                             | 19.6             | \$18,379  | 10.9             |
| Southeast Group                     |                                      |                  |           |                  |
| Aggregates                          | 26,562                               | 23.0             | 6,573     | 8.5              |
| West Group                          |                                      |                  |           |                  |
| Aggregates                          | 25,746                               | 13.1             | 28,050    | 15.6             |
| Cement                              | 13,779                               | 13.9             | 23,734    | 26.6             |
| Ready mixed concrete                | 14,492                               | 6.9              | 15,641    | 7.2              |
| Asphalt and paving                  | (7,829 )                             | (49.4 )          | (7,639 )  | (46.7 )          |
| Products and services               | 118,004                              | 14.6             | 84,738    | 12.3             |
| Freight                             | (165 )                               |                  | (119 )    |                  |
| Total Building Materials Business   | 117,839                              | 13.6             | 84,619    | 11.5             |
| Magnesia Specialties Business:      |                                      |                  |           |                  |
| Products                            | 26,607                               | 38.5             | 25,063    | 38.6             |
| Freight                             | (1,065 )                             |                  | (1,174 )  |                  |
| Total Magnesia Specialties Business | 25,542                               | 34.5             | 23,889    | 34.5             |
| Corporate                           | (474 )                               |                  | 1,884     |                  |
| Total                               | \$142,907                            | 15.2             | \$110,392 | 13.8             |

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS

First Quarter Ended March 31, 2019

(Continued)

|   | Three Months Ended March 31, |           |          |          |
|---|------------------------------|-----------|----------|----------|
|   | 2019                         | 2018      |          |          |
|   |                              |           | % of     | % of     |
|   | Amount                       | Amount    | Revenues | Revenues |
|   | (Dollars in Thousands)       |           |          |          |
| Selling, general & administrative expenses: |                              |           |          |          |
| Building Materials Business:                |                              |           |          |          |
| Mid-America Group                           | \$ 15,593                    | \$ 13,130 |          |          |
| Southeast Group                             | 5,377                        | 4,416     |          |          |
| West Group                                  | 29,278                       | 26,132    |          |          |
| Total Building Materials Business           | 50,248                       | 43,678    |          |          |
| Magnesia Specialties                        | 2,865                        | 2,602     |          |          |
| Corporate                                   | 25,179                       | 23,841    |          |          |
| Total                                       | \$ 78,292                    | \$ 70,121 | 8.3      | 8.7      |
| Earnings (Loss) from operations:            |                              |           |          |          |
| Building Materials Business:                |                              |           |          |          |
| Mid-America Group                           | \$ 30,955                    | \$ 6,167  |          |          |
| Southeast Group                             | 21,134                       | 2,041     |          |          |
| West Group                                  | 19,936                       | 34,951    |          |          |
| Total Building Materials Business           | 72,025                       | 43,159    |          |          |
| Magnesia Specialties                        | 22,642                       | 21,237    |          |          |
| Corporate                                   | (25,446)                     | (25,315)  |          |          |
| Total                                       | \$ 69,221                    | \$ 39,081 | 7.4      | 4.9      |

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## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter March 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS

First Quarter Ended March 31, 2019

(Continued)

*Building Materials Business*

The following tables present aggregates products volume and pricing variance data and shipments data by segment:

|  | Three Months<br>Ended<br>March 31, 2019<br>Volume Pricing |     |   |
|--|---|-----|---|
| Volume/Pricing variance <sup>(1)</sup>     |   |     |   |
| Heritage Operations: <sup>(2)</sup>        |   |     |   |
| Mid-America Group                          | 18.4%   | 3.1 | % |
| Southeast Group                            | 16.7%   | 6.2 | % |
| West Group                                 | 6.3 %   | 2.7 | % |
| Total Heritage Aggregates Operations       | 12.5%   | 4.0 | % |
| Total Aggregates Operations <sup>(4)</sup> | 24.2%   | 2.3 | % |

|  | Three Months<br>Ended<br>March 31,<br>2019 2018<br>(Tons in<br>Thousands) |        |
|--|---|--------|
| Shipments                                  |   |        |
| Heritage Operations: <sup>(2)</sup>        |   |        |
| Mid-America Group                          | 13,585  | 11,473 |
| Southeast Group <sup>(3)</sup>             | 5,141   | 4,405  |
| West Group                                 | 15,036  | 14,142 |
| Heritage Aggregates Operations             | 33,762  | 30,020 |
| Acquisitions                               | 3,524   | —      |
| Total Aggregates Operations <sup>(4)</sup> | 37,286  | 30,020 |

<sup>(1)</sup> Volume/pricing variances reflect the percentage increase/(decrease) from the comparable period in the prior year.

(2) Heritage aggregates operations exclude acquisitions that have not been included in prior-year operations for the comparable period.

(3) 2018 shipments include the Forsyth, Georgia operation, which was divested in April 2018.

(4) Total aggregates operations include acquisitions from the date of acquisition and divestitures through the date of disposal.

First-quarter operating results demonstrate the robust underlying demand that was masked in 2018 by weather, contractor capacity and logistics disruptions. While winter weather traditionally limits the ability of outdoor contractors to perform work, the Company experienced relatively better weather during the first three months of 2019. This allowed contractors to begin addressing backlogs with an earlier-than-normal start to the construction season. The notable exception was in the Company's second-largest state by revenues, Colorado, which experienced one of its harshest winters on record, delaying the onset of meaningful construction activity.

Aggregates shipments to the infrastructure market increased 2% as modestly improved weather, particularly in the Southeast, allowed contractors to advance transportation-related projects earlier in the construction season. Following more than a decade of underinvestment, management remains confident that infrastructure demand is poised for meaningful growth. Funding provided by the Fixing America's Surface Transportation Act (FAST Act), combined with

## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

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For the Quarter March 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
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First Quarter Ended March 31, 2019

(Continued)

numerous state and local transportation initiatives, has resulted in an acceleration in lettings and contract awards in key states, including Texas, Colorado, North Carolina, Georgia and Florida. For the quarter, the infrastructure market represented 33% of aggregates shipments, which is below the Company's most recent ten-year average of 46% but consistent with first-quarter historical trends.

Aggregates shipments to the nonresidential market increased 33%, driven by both commercial and heavy industrial construction activity. The Company continued to benefit from robust distribution center, warehouse, data center and wind turbine projects in key geographies, including Texas, the Carolinas, Georgia and Iowa. The nonresidential market represented 37% of first-quarter aggregates shipments.

Aggregates shipments to the residential market increased 8%, driven by weather-deferred homebuilding activity in the Carolinas, Georgia and Florida. Despite the recent slowdown in housing unit starts at the national level, the residential construction outlook across the Company's geographic footprint remains positive for both single- and multi-family housing, driven by favorable demographics, job growth, land availability, steady interest rates and efficient permitting. On a national level, housing starts remain below the 50-year annual average of 1.5 million despite notable population gains. The residential market accounted for 23% of first-quarter aggregates shipments.

The ChemRock/Rail market accounted for the remaining 7% of first-quarter aggregates shipments. Volumes to this sector decreased 9%, driven by reduced agricultural lime shipments from a depressed farm economy. Additionally, ballast shipments declined due to lower maintenance spending by western Class I railroads.

The average selling price by product line for the Building Materials business is as follows:

|                                       | Three Months Ended |          |        |   |
|---------------------------------------|--------------------|----------|--------|---|
|                                       | March 31,          |          |        |   |
|                                       | 2019               | 2018     | %      |   |
|                                       |                    |          | Change |   |
| Aggregates - heritage (per ton)       | \$14.61            | \$14.04  | 4.0    | % |
| Aggregates - acquisition (per ton)    | \$12.02            | \$—      |        |   |
| Cement (per ton)                      | \$110.93           | \$106.86 | 3.8    | % |
| Ready Mixed Concrete (per cubic yard) | \$106.84           | \$106.34 | 0.5    | % |
| Asphalt (per ton)                     | \$41.12            | \$42.81  | (3.9)  | % |



## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter March 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
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First Quarter Ended March 31, 2019

(Continued)

The following table presents shipments data for the Building Materials business by product line.

|  | Three Months<br>Ended<br>March 31,<br>2019    2018 |        |
|--|--|--------|
| Shipments  |  |        |
| Aggregates (in thousands):                         |  |        |
| Heritage:  |  |        |
| Tons to external customers                         | 31,732   | 27,877 |
| Internal tons used in other product lines          | 2,030  | 2,143  |
| Total heritage aggregates tons                     | 33,762   | 30,020 |
| Acquisitions:                                      |  |        |
| Tons to external customers                         | 3,524  | —      |
| Internal tons used in other product lines          | —  | —      |
| Total acquisition aggregates tons                  | 3,524  | —      |
| Cement (in thousands):                             |  |        |
| Tons to external customers                         | 589  | 527    |
| Internal tons used in ready mixed concrete         | 296  | 298    |
| Total cement tons                                  | 885  | 825    |
| Ready Mixed Concrete (in thousands of cubic yards) | 1,932  | 2,009  |
| Asphalt (in thousands):                            |  |        |
| Tons to external customers                         | 142  | 116    |
| Internal tons used in paving business              | 51   | 76     |
| Total asphalt tons                                 | 193  | 192    |

Cement shipments and pricing increased 7.3% and 3.8%, respectively, as these operations benefitted from solid underlying demand in Texas, a new Houston-area sales yard and enhanced product line. Extended maintenance outages, including the acceleration of maintenance activities originally planned for later in the year, and higher



transportation costs contributed to the 1,270-basis-point reduction in product gross margin to 13.9%.

Ready mixed concrete shipments decreased 3.8%, driven by cold and wet winter weather in Colorado. Overall, ready mixed concrete prices improved 0.5% for the quarter, led by a 3.0% increase in Colorado. Restructuring initiatives implemented in 2018 have improved profitability for the Southwest ready mixed concrete business despite relatively flat shipments. Colorado asphalt shipments declined while pricing improved 3.9%.

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## MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

## FORM 10-Q

For the Quarter March 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
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First Quarter Ended March 31, 2019

(Continued)

*Magnesia Specialties Business*

Magnesia Specialties reported record first-quarter total products revenue of \$69.2 million, an increase of 6.6%, compared with \$64.9 million, attributable to continued benefit from strong domestic steel production and increased global demand for magnesia chemical products. Products gross profit was \$26.6 million compared with \$25.1 million. Product gross margin was relatively flat at 38.5% as pricing gains and production efficiencies were offset by higher costs for supplies and contract services. Earnings from operations were \$22.6 million compared with \$21.2 million.

## Gross Profit

The following presents a rollforward of consolidated gross profit (dollars in thousands):

|   |            |
|---|------------|
| Consolidated gross profit, quarter ended March 31, 2018 | \$ 110,392 |
| Aggregates products:                                    |            |
| Volume  | 33,022     |
| Pricing   | 11,935     |
| Operational performance <sup>(1)</sup>                  | (397 )     |
| Change in aggregates products gross profit              | 44,560     |
| Cement products and downstream products and services    | (11,294 )  |
| Magnesia Specialties products                           | 1,544      |
| Corporate   | (2,358 )   |
| Freight   | 63         |
| Change in consolidated gross profit                     | 32,515     |
| Consolidated gross profit, quarter ended March 31, 2019 | \$ 142,907 |

<sup>(1)</sup>Inclusive of cost increases/decreases, product and geographic mix and other operating impacts

Aggregates product gross margin increased 550 basis points to 18.0%, reflecting improved operating leverage from increased shipment and production levels. Extended cement maintenance outages, including the acceleration of maintenance activities originally planned for later in the year, and higher rail freight costs contributed to the 1,270-basis-point reduction in product gross margin to 13.9%.

## Consolidated Operating Results

Consolidated SG&A was 8.3% of total revenues compared with 8.7% in the prior-year quarter. Earnings from operations for the quarter were \$69.2 million in 2019 compared with \$39.1 million in 2018.

Among other items, other operating income (expenses), net, includes gains and losses on the sale of assets; recoveries and writeoffs related to customer accounts receivable; rental, royalty and services income; accretion expense, depreciation expense and gains and losses related to asset retirement obligations. For the first quarter, consolidated other operating income (expenses), net, was income of \$4.8 million in 2019 and expense of \$0.5 million in 2018. The 2019 amount reflects the reversal of a \$4.2 million purchase accounting accrual related to the Texas Industries, Inc. acquisition and higher gains on the sales of assets.

Other nonoperating income, net, includes interest income; pension and postretirement benefit cost, excluding service cost; foreign currency transaction gains and losses; equity in earnings or losses of nonconsolidated affiliates and other miscellaneous income. For the first quarter, other nonoperating income, net, was \$1.6 million and \$8.5 million in 2019 and 2018, respectively. The decrease in 2019 is primarily due to higher interest income in 2018.

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MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
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First Quarter Ended March 31, 2019

(Continued)

*Income Tax Benefit*

For the three months ended March 31, 2019, the effective income tax rate includes a \$13.2 million discrete benefit from a change in the tax status of a subsidiary from a partnership to a corporation,

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities for the three months ended March 31 was \$117.9 million in 2019 compared with \$105.0 million in 2018. Operating cash flow is primarily derived from consolidated net earnings before deducting depreciation, depletion and amortization, and the impact of changes in working capital. Depreciation, depletion and amortization were as follows:

|              | Three Months<br>Ended<br>March 31,<br>2019      2018<br>(Dollars in<br>Thousands) |          |
|--------------|---|----------|
| Depreciation | \$78,069  | \$69,151 |
| Depletion    | 5,925   | 3,141    |
| Amortization | 5,217   | 4,529    |
|              | \$89,211  | \$76,821 |

The seasonal nature of construction activity impacts the Company’s quarterly operating cash flow when compared with the full year. Full-year 2018 net cash provided by operating activities was \$705.1 million.

During the three months ended March 31, 2019, the Company paid \$130.1 million for capital investments. Full-year capital spending is expected to range from \$350 million to \$400 million.

The Company can repurchase its common stock through open-market purchases pursuant to authority granted by its Board of Directors or through private transactions at such prices and upon such terms as the Chief Executive Officer

deems appropriate. The Company did not repurchase any shares of common stock during the first three months of 2019. At March 31, 2019, 14,147,751 shares of common stock were remaining under the Company's repurchase authorization.

The \$700 million Revolving Facility requires the Company's ratio of consolidated debt-to-consolidated EBITDA, as defined, for the trailing-twelve-month period (the Ratio) to not exceed 3.50x as of the end of any fiscal quarter, provided that the Company may exclude from the Ratio debt incurred in connection with certain acquisitions during the quarter or the three preceding quarters so long as the Ratio calculated without such exclusion does not exceed 3.75x. Additionally, if there are no amounts outstanding under the Revolving Facility and the \$400 million Trade Receivable Facility, consolidated debt, including debt for which the Company is a co-borrower, may be reduced by the Company's unrestricted cash and cash equivalents in excess of \$50 million, such reduction not to exceed \$200 million, for purposes of the covenant calculation.

The Ratio is calculated as debt, including debt for which the Company is a co-borrower, divided by consolidated EBITDA, as defined by the Company's Revolving Facility, for the trailing-twelve months. Consolidated EBITDA is generally defined as earnings before interest expense, income tax expense, and depreciation and amortization expense for continuing

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operations. Additionally, stock-based compensation expense is added back and interest income is deducted in the calculation of consolidated EBITDA. During periods that include an acquisition, pre-acquisition adjusted EBITDA of the acquired company is added to consolidated EBITDA as if the acquisition occurred on the first day of the calculation period. Certain other nonrecurring items, if they occur, can affect the calculation of consolidated EBITDA.

At March 31, 2019, the Company's ratio of consolidated debt-to-consolidated EBITDA, as defined by the Company's Revolving Facility, for the trailing-twelve months was 2.71 times and was calculated as follows:

|   | April 1,<br>2018 to<br>March 31,<br>2019<br>(Dollars in<br>thousands) |
|---|---|
| Earnings from continuing operations attributable to Martin Marietta   | \$502,828   |
| Add back:   |   |
| Income tax expense  | 98,197  |
| Interest expense  | 134,930   |
| Depreciation, depletion and amortization expense                      | 352,336   |
| Stock-based compensation expense                                      | 33,044  |
| Acquisition-related expenses, net                                     | 46,218  |
| Bluegrass EBITDA - Pre-Acquisition (April 1, 2018 - April 27, 2018)   | 7,858   |
| Noncash portion of restructuring expenses                             | 16,970  |
| Deduct:   |   |
| Interest income   | (1,853 )  |
| Gain on divestiture   | (14,785 )   |
| Consolidated EBITDA, as defined by the Company's Revolving Facility   | \$1,175,743   |
| Consolidated net debt, as defined and including debt for which the    |   |
| Company is a co-borrower, at March 31, 2019                           | \$3,185,353   |
| Consolidated debt-to-consolidated EBITDA, as defined by the Company's | 2.71 times  |

Revolving Facility, at March 31, 2019 for the trailing-twelve  
months EBITDA

The Trade Receivable Facility contains a cross-default provision to the Company's other debt agreements. In the event of a default on the Ratio, the lenders can terminate the Revolving Facility and Trade Receivable Facility and declare any outstanding balances as immediately due. Outstanding amounts on the Trade Receivable Facility have been classified as a current liability on the Company's consolidated balance sheet.

Cash on hand, along with the Company's projected internal cash flows and availability of financing resources, including its access to debt and equity capital markets, is expected to continue to be sufficient to provide the capital resources necessary to support anticipated operating needs, cover debt service requirements, address near-term debt maturities, meet capital expenditures and discretionary investment needs, fund certain acquisition opportunities that may arise, allow the repurchase of shares of the Company's common stock and allow for payment of dividends for the foreseeable future. Any future significant strategic acquisition for cash would likely require an appropriate balance of newly-issued equity with debt in order to maintain a composite investment-grade credit rating. At March 31, 2019, the Company had

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\$667.7 million of unused borrowing capacity under its Revolving Facility and Trade Receivable Facility, subject to complying with the related leverage covenant. The Revolving Facility and Trade Receivable Facility expire on December 5, 2023 and September 25, 2019, respectively.

TRENDS AND RISKS

The Company outlined the risks associated with its business in its Annual Report on Form 10-K for the year ended December 31, 2018. Management continues to evaluate its exposure to all operating risks on an ongoing basis.

OUTLOOK

The Company remains confident in its previously announced full-year outlook. The Company's geographic footprint has attractive underlying market fundamentals, including notable employment gains, population growth and superior state fiscal health – all attributes promoting steady and sustainable construction growth. Supported by robust underlying demand and third-party forecasts, the Company believes the current construction cycle will continue for the foreseeable future and expand further this year for each of the Company's three primary construction end-use markets.

Based on current trends and expectations, management has reaffirmed its full-year guidance. Aggregates shipments by end-use market compared with 2018 levels are as follows:

- ◆ Infrastructure shipments to increase in the high-single digits.
- ◆ Nonresidential shipments to increase in the mid- to high-single digits.
- ◆ Residential shipments to increase in the mid-single digits.
- ◆ ChemRock/Rail shipments to be up slightly.

OTHER MATTERS

If you are interested in Martin Marietta stock, management recommends that, at a minimum, you read the Company's current annual report and Forms 10-K, 10-Q and 8-K reports to the Securities and Exchange Commission (SEC) over the past year. The Company's recent proxy statement for the annual meeting of shareholders also contains important information. These and other materials that have been filed with the SEC are accessible through the Company's website at [www.martinmarietta.com](http://www.martinmarietta.com) and are also available at the SEC's website at [www.sec.gov](http://www.sec.gov). You may also write or call the Company's Corporate Secretary, who will provide copies of such reports.



Investors are cautioned that all statements in this Form 10-Q that relate to the future involve risks and uncertainties, and are based on assumptions that the Company believes in good faith are reasonable but which may be materially different from actual results. These statements, which are forward-looking statements under the Private Securities Litigation Reform Act of 1995, give the investor the Company's expectations or forecasts of future events. You can identify these statements by the fact that they do not relate only to historical or current facts. They may use words such as "anticipate," "expect," "should be," "believe," "will," and other words of similar meaning in connection with future events or future operating or financial performance. Any or all of management's forward-looking statements here and in other publications may turn out to be wrong.

The Company's outlook is subject to various risks and uncertainties, and is based on assumptions that the Company believes in good faith are reasonable but which may be materially different from actual results. Factors that the Company currently believes could cause actual results to differ materially from the forward-looking statements in this Form 10-Q (including the outlook) include, but are not limited to: the performance of the United States economy;

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shipment declines resulting from economic events beyond the Company's control; a widespread decline in aggregates pricing, including a decline in aggregates volume negatively affecting aggregates price; the history of both cement and ready mixed concrete being subject to significant changes in supply, demand and price fluctuations; the termination, capping and/or reduction or suspension of the federal and/or state gasoline tax(es) or other revenue related to infrastructure construction; the level and timing of federal, state or local transportation or infrastructure projects funding, most particularly in Texas, Colorado, North Carolina, Georgia, Iowa and Maryland; the United States Congress' inability to reach agreement among themselves or with the current Administration on policy issues that impact the federal budget; the ability of states and/or other entities to finance approved projects either with tax revenues or alternative financing structures; levels of construction spending in the markets the Company serves; a reduction in defense spending and the subsequent impact on construction activity on or near military bases; a decline in the commercial component of the nonresidential construction market, notably office and retail space; a decline in energy-related construction activity resulting from a sustained period of low global oil prices or changes in oil production patterns in response to this decline, particularly in Texas; a slowdown in residential construction recovery; unfavorable weather conditions, particularly Atlantic Ocean and Gulf Coast hurricane activity, the late start to spring or the early onset of winter and the impact of a drought or excessive rainfall in the markets served by the Company, any of which can significantly affect production schedules, volumes, product and/or geographic mix and profitability; the volatility of fuel costs, particularly diesel fuel, and the impact on the cost, or the availability generally, of other consumables, namely steel, explosives, tires and conveyor belts, and with respect to the Company's Magnesia Specialties business, natural gas; continued increases in the cost of other repair and supply parts; construction labor shortages and/or supply chain challenges; unexpected equipment failures, unscheduled maintenance, industrial accident or other prolonged and/or significant disruption to production facilities; increasing governmental regulation, including environmental laws; transportation availability or a sustained reduction in capital investment by the railroads, notably the availability of railcars, locomotive power and the condition of rail infrastructure to move trains to supply the Company's Texas, Colorado, Florida, North Carolina and the Gulf Coast markets, including the movement of essential dolomitic lime for magnesia chemicals to the Company's plant in Manistee, Michigan and its customers; increased transportation costs, including increases from higher or fluctuating passed-through energy costs or fuel surcharges, and other costs to comply with tightening regulations, as well as higher volumes of rail and water shipments; availability of trucks and licensed drivers for transport of the Company's materials; availability and cost of construction equipment in the United States; weakening in the steel industry markets served by the Company's dolomitic lime products; a trade dispute with one or more nations impacting the U.S. economy, including the impact of tariffs on the steel industry; unplanned changes in costs or realignment of customers that introduce volatility to earnings, including that of the Magnesia Specialties business that is running at capacity; proper functioning of information technology and automated operating systems to manage or support operations; inflation and its effect on both production and interest costs; the concentration of customers in construction markets and the increased risk of potential losses on customer receivables; the impact of the level of demand in the Company's end-use markets,

production levels and management of production costs on the operating leverage and therefore profitability of the Company; the possibility that the expected synergies from acquisitions will not be realized or will not be realized within the expected time period, including achieving anticipated profitability to maintain compliance with the Company's leverage ratio debt covenant; changes in tax laws, the interpretation of such laws and/or administrative practices that would increase the Company's tax rate; violation of the Company's debt covenant if price and/or volumes return to previous levels of instability; continued downward pressure on the Company's common stock price and its impact on goodwill impairment evaluations; reduction of the Company's credit rating to non-investment grade; and other risk factors listed from time to time found in the Company's filings with the SEC.

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You should consider these forward-looking statements in light of risk factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and other periodic filings made with the SEC. All of the Company's forward-looking statements should be considered in light of these factors. In addition, other risks and uncertainties not presently known to the Company or that the Company considers immaterial could affect the accuracy of its forward-looking statements, or adversely affect or be material to the Company. The Company assumes no obligation to update any such forward-looking statements.

INVESTOR ACCESS TO COMPANY FILINGS

Shareholders may obtain, without charge, a copy of Martin Marietta's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2018, by writing to:

Martin Marietta

Attn: Corporate Secretary

2710 Wycliff Road

Raleigh, North Carolina 27607-3033

Additionally, Martin Marietta's Annual Report, press releases and filings with the Securities and Exchange Commission, including Forms 10-K, 10-Q, 8-K and 11-K, can generally be accessed via the Company's website. Filings with the Securities and Exchange Commission accessed via the website are available through a link with the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. Accordingly, access to such filings is available upon EDGAR placing the related document in its database. Investor relations contact information is as follows:

Telephone: (919) 510-4776

Website address: [www.martinmarietta.com](http://www.martinmarietta.com)

Information included on the Company's website is not incorporated into, or otherwise create a part of, this report.



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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company's operations are highly dependent upon the interest rate-sensitive construction and steelmaking industries. Consequently, these marketplaces could experience lower levels of economic activity in an environment of rising interest rates or escalating costs.

Management has considered the current economic environment and its potential impact to the Company's business. Demand for aggregates products, particularly in the infrastructure construction market, is affected by federal and state budget and deficit issues. Further, delays or cancellations of capital projects in the nonresidential and residential construction markets could occur if companies and consumers are unable to obtain financing for construction projects or if consumer confidence continues to be eroded by economic uncertainty.

Demand in the residential construction market is affected by interest rates. The Federal Reserve did not change interest rates during the quarter ended March 31, 2019. The federal funds rate at March 31, 2019 was 2.4%. The residential construction market accounted for 22% of the Company's aggregates product line shipments in 2018.

Aside from these inherent risks from within its operations, the Company's earnings are also affected by changes in short-term interest rates. However, rising interest rates are not necessarily predictive of weaker operating results. Historically, the Company's profitability increased during periods of rising interest rates. In essence, the Company's underlying business generally serves as a natural hedge to rising interest rates.

**Variable-Rate Borrowing Facilities.** At March 31, 2019, the Company had a \$700 million Revolving Facility and a \$400 million Trade Receivable Facility. The Company also has \$600 million variable-rate senior notes. Borrowings under these facilities bear interest at a variable interest rate. A hypothetical 100-basis-point increase in interest rates on borrowings of \$1.03 billion, which was the collective outstanding balance at March 31, 2019, would increase interest expense by \$10.3 million on an annual basis.

**Pension Expense.** The Company's results of operations are affected by its pension expense. Assumptions that affect pension expense include the discount rate and, for the qualified defined benefit pension plan only, the expected long-term rate of return on assets. Therefore, the Company has interest rate risk associated with these factors. The impact of hypothetical changes in these assumptions on the Company's annual pension expense is discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

**Energy Costs.** Energy costs, including diesel fuel, natural gas, coal and liquid asphalt, represent significant production costs of the Company. The cement operations and Magnesia Specialties business have fixed price agreements covering 100% of its 2019 coal requirements. Energy costs for the three months ended March 31, 2019 increased approximately 6% over the prior-year period. A hypothetical 6% change in the Company's energy prices for the full year 2019 as compared with 2018, assuming constant volumes, would change full year 2019 energy expense by \$17.0 million.

**Commodity Risk.** Cement is a commodity and competition is based principally on price, which is highly sensitive to changes in supply and demand. Prices are often subject to material changes in response to relatively minor fluctuations in supply and demand, general economic conditions and other market conditions beyond the Company's

control. Increases in the production capacity of industry participants or increases in cement imports tend to create an oversupply of such products leading to an imbalance between supply and demand, which can have a negative impact on product prices. There can be no assurance that prices for products sold will not decline in the future or that such declines will not have a material adverse effect on the Company's business, financial condition and results of operations. Assuming total revenues for cement for full-year 2019 of \$420 million to \$450 million, a hypothetical 10% change in sales price would impact net sales by \$42.0 million to \$45.0 million.

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Item 4. Controls and Procedures

**Evaluation of Disclosure Controls and Procedures.** As of March 31, 2019, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and the operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of March 31, 2019.

**Changes in Internal Control Over Financial Reporting.** Beginning January 1, 2019, the Company implemented Accounting Standard Codification 842, Leases (ASC 842). Although the adoption of the new accounting standard did not materially impact its Consolidated Statement of Earnings and Comprehensive Earnings or Consolidated Statement of Cash Flows for the three months ended March 31, 2019, the Company implemented changes to its internal controls related to the implementation of ASC 842. These changes included a comprehensive lease scoping analysis to identify and evaluate each of its leases and an implementation of a new lease accounting application to calculate values for its right-of-use assets and lease liabilities. There were no other changes in the Company's internal control over financial reporting during the most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



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## PART II- OTHER INFORMATION

Item 1. Legal Proceedings.

Reference is made to *Part I. Item 3. Legal Proceedings* of the Martin Marietta Annual Report on Form 10-K for the year ended December 31, 2018.

Item 1A. Risk Factors.

Reference is made to *Part I. Item 1A. Risk Factors and Forward-Looking Statements* of the Martin Marietta Annual Report on Form 10-K for the year ended December 31, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

## ISSUER PURCHASES OF EQUITY SECURITIES

| Period                                  | Total Number of<br>Shares Purchased | Average<br>Price<br>Paid per Share | Total Number of Shares<br>Purchased as Part of<br>Publicly Announced<br>Plans or Programs | Maximum Number of<br>Shares that May Yet<br>be Purchased Under<br>the Plans or Programs |
|---|-------------------------------------|------------------------------------|---|---|
| January 1, 2019 - January 31, 2019      | —                                   | \$ —                               | —   | 14,147,751  |
| February 1, 2019 - February 28,<br>2019 | —                                   | \$ —                               | —   | 14,147,751  |
| March 1, 2019 - March 31, 2019          | —                                   | \$ —                               | —   | 14,147,751  |

Reference is made to the press release dated February 10, 2015 for the December 31, 2014 fourth-quarter and full-year results and announcement of the share repurchase program. The Company's Board of Directors authorized a maximum of 20 million shares to be repurchased under the program. The program does not have an expiration date.

Item 4. Mine Safety Disclosures.

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is

included in Exhibit 95 to this Quarterly Report on Form 10-Q.

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PART II- OTHER INFORMATION

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Item 6. Exhibits.

| Exhibit<br>No. | Document  |
|----------------|---|
| <u>31.01</u>   | Certification dated May 1, 2019 of Chief Executive Officer pursuant to Securities and Exchange Act of 1934 rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| <u>31.02</u>   | Certification dated May 1, 2019 of Chief Financial Officer pursuant to Securities and Exchange Act of 1934 rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| <u>32.01</u>   | Written Statement dated May 1, 2019 of Chief Executive Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                             |
| <u>32.02</u>   | Written Statement dated May 1, 2019 of Chief Financial Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                             |
| <u>95</u>      | Mine Safety Disclosures   |
| 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        | XBRL Taxonomy Extension Schema Document   |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase Document   |
| 101.LAB        | XBRL Taxonomy Extension Label Linkbase Document   |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase Document  |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase   |



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.

MARTIN MARIETTA MATERIALS, INC.  
(Registrant)

Date: May 1, 2019 By: /s/ James A. J. Nickolas  
James A. J. Nickolas  
Sr. Vice President and  
Chief Financial Officer