

Northbridge Materials Corporation - Form 10-Q

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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
incorporation or organization)

(I.R.S. Employer

Identification Number)

2710 Wycliff Road, Raleigh, NC

27607-3033

(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,

December 31,

2019

2018

(Dollars in Thousands)

ASSETS

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	
LIABILITIES AND EQUITY	
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.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

(UNAUDITED) CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS

Three Months Ended

March 31,

2019

2018

(In Thousands, Except Per Share 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
)
 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.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
 (UNAUDITED) CONSOLIDATED STATEMENTS OF TOTAL EQUITY
 (in thousands)

Shares of Common Stock

Common Stock

Additional Paid-in Capital

Accumulated Other Comprehensive Loss

Retained Earnings

Total Shareholders' Equity

Noncontrolling Interests

Total Equity

Balance at December 31, 2017

62,873

\$

628

\$

3,368,007

\$

(129,104

)

\$

1,440,069

\$

4,679,600

\$

2,877

\$

4,682,477

Consolidated net earnings

-

-

-

-

10,023

10,023

17

10,040

Other comprehensive earnings,

net of tax

-

-

-

1,619

-

1,619

-

1,619

Dividends declared (\$ 0.44 per share)

-

-

-

-

(27,885

)

(27,885

)

-

(27,885

)

Issuances of common stock for stock
award plans

75

-

9,893

-

-

9,893

-

9,893

Shares withheld for employees' income
tax obligations

-

-

(6,380

)

-

-

(6,380

)

-

(6,380

)

Stock-based compensation expense

-

-

9,760

-

-

9,760

-

9,760

Contributions from owners of noncontrolling interest

-

-

-

-

-
-
306
306
Balance at March 31, 2018
62,948
\$
628
\$
3,381,280
\$
(127,485
)
\$
1,422,207
\$
4,676,630
\$
3,200
\$
4,679,830
Balance at December 31, 2018
62,515
\$
624
\$
3,396,059
\$
(143,579
)
\$
1,693,259
\$
4,946,363
\$
3,049
\$
4,949,412
Consolidated net earnings
-
-

-

-

42,853

42,853

(27

)

42,826

Other comprehensive earnings,

net of tax

-

-

-

3,255

-

3,255

-

3,255

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.

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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

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

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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)

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

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.

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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 Ended

March 31,

2019

2018

(Dollars in 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

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.

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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)

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

(Dollars in Thousands)

Pension and

Postretirement Benefit Plans

Foreign Currency

Unamortized Value of Terminated

Forward Starting Interest Rate

Swap

Accumulated

Other Comprehensive

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

)

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

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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)

Pension and

Postretirement

Benefit Plans

Unamortized

Value of

Terminated

Forward Starting

Interest Rate

Swap

Net Noncurrent

Deferred Tax

Assets

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 consolidated

March 31,

statements of earnings and

2019

2018

comprehensive earnings

(Dollars in Thousands)

Pension and postretirement benefit plans

Amortization of:

Prior service credit

\$

(188

)

\$

(585

)

Actuarial loss

3,814

3,239

3,626

2,654

Other nonoperating income, net

Tax benefit

(868

)

(658

)

Income tax (benefit) 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) 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

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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)

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 Ended

March 31,

2019

2018

(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.

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(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:

Three Months Ended

March 31, 2019

(Dollars in Thousands)

Products and 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
Three Months Ended
March 31, 2018
(Dollars in Thousands)
Products and 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:

(Dollars in Thousands)

March 31, 2019

December 31, 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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(Continued)

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,

December 31,

2019

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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(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4 .

Long-Term Debt

March 31,

December 31,

2019

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 %,

3.29 % and 2.70 % at March 31, 2019 and December 31, 2018,

respectively

299,446

299,260

Floating Rate Notes, due 2020 , interest rate of 3.31 %, 3.30 %

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

March 31, 2019

70,000

-

Trade Receivable Facility, interest rate of 3.21 % and 3.07 % at

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

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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For the Quarter Ended March 31, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

months (the Ratio) to not exceed 3.50 x 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 3.75 x. 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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(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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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(Continued)

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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(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Three Months Ended

March 31,

2019

2018

(Dollars in Thousands)

Total revenues :

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

Products and services revenues:

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	
Earnings (Loss) from operations :	
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	
March 31, 2019	
December 31, 2018	
Assets employed:	
(Dollars in thousands)	
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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(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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 Thousands)

Total revenues:

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	
Gross profit (loss) :	

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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(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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 Months Ended

March 31, 2019

(Dollars in 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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(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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, 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

Finance

Leases

Leases

(Dollars in 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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(Continued)

Other lease information is as follows:

Three Months Ended

March 31, 2019

(Dollars in 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

Leases

Operating Leases

Royalty 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)

1 2 .

Supplemental Cash Flow Information

Noncash investing and financing activities are as follows:

March 31,

2019

2018

(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,
plant and equipment

\$

1,272

\$

-

Acquisition of assets through capital lease

\$

-

\$

192

Supplemental disclosures of cash flow information are as follows:

March 31,

2019

2018

(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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(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

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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

Modes of Transportation

Truck and Railcar

Truck, Railcar and Ship

Truck and Railcar

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.

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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

March 31,

2019

2018

(Dollars in 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

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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

2018

Amount

% of Revenues

Amount

% of 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

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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)

Three Months Ended March 31,

2019

2018

Amount

% of Revenues

Amount

% of 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
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First Quarter Ended March 31, 2019

(Continued)

Three Months Ended March 31,

2019

2018

Amount

% of

Revenues

Amount

% of

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

8.3

\$

70,121

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

7.4

\$

39,081

4.9

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

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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 Ended

March 31, 2019

Volume

Pricing

Volume/Pricing variance (1)

Heritage Operations: (2)

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 (4)
 24.2
 %
 2.3
 %
 Three Months Ended
 March 31,
 2019
 2018
 (Tons in Thousands)
 Shipments
 Heritage Operations: (2)
 Mid-America Group
 13,585
 11,473
 Southeast Group (3)
 5,141
 4,405
 West Group
 15,036
 14,142
 Heritage Aggregates Operations
 33,762
 30,020
 Acquisitions
 3,524
 -
 Total Aggregates Operations (4)

37,286

30,020

(1) 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

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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

)%

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

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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 Ended

March 31,

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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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 (1)

(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

(1)

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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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, contributing to an overall tax benefit of \$5.0 million.

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 Ended

March 31,

2019

2018

(Dollars in 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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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

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First Quarter Ended March 31, 2019

(Continued)

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, 2018 to

March 31, 2019

(Dollars in 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

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

months EBITDA

2.71 times

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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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

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First Quarter Ended March 31, 2019

(Continued)

\$66 7.7 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 and are also available at the SEC's website at 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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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)

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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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)

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

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

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2019

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 Magnesita 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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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2019

(Continued)

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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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

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For the Quarter Ended March 31, 2019

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

Total Number of Shares

Maximum Number of

Purchased as Part of

Shares that May Yet

Total Number of
Average Price
Publicly Announced
be Purchased Under
Period
Shares Purchased
Paid per Share
Plans or Programs
the Plans or Programs
January 1, 2019 - January 31, 2019

-
\$

-
-

14,147,751

February 1, 2019 - February 28, 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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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2019

PART II- OTHER INFORMATION

(Continued)

Item 6. Exhibits.

Exhibit No.

Document

31.01

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

31.02

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

32.01

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

32.02

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

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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

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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

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