# Martin Marietta

## FOUNDATION ♦ TRANSFORMATION ♦ VALUE

Investor Presentation

November 2016
www.martinmarietta.com

# Disclaimer

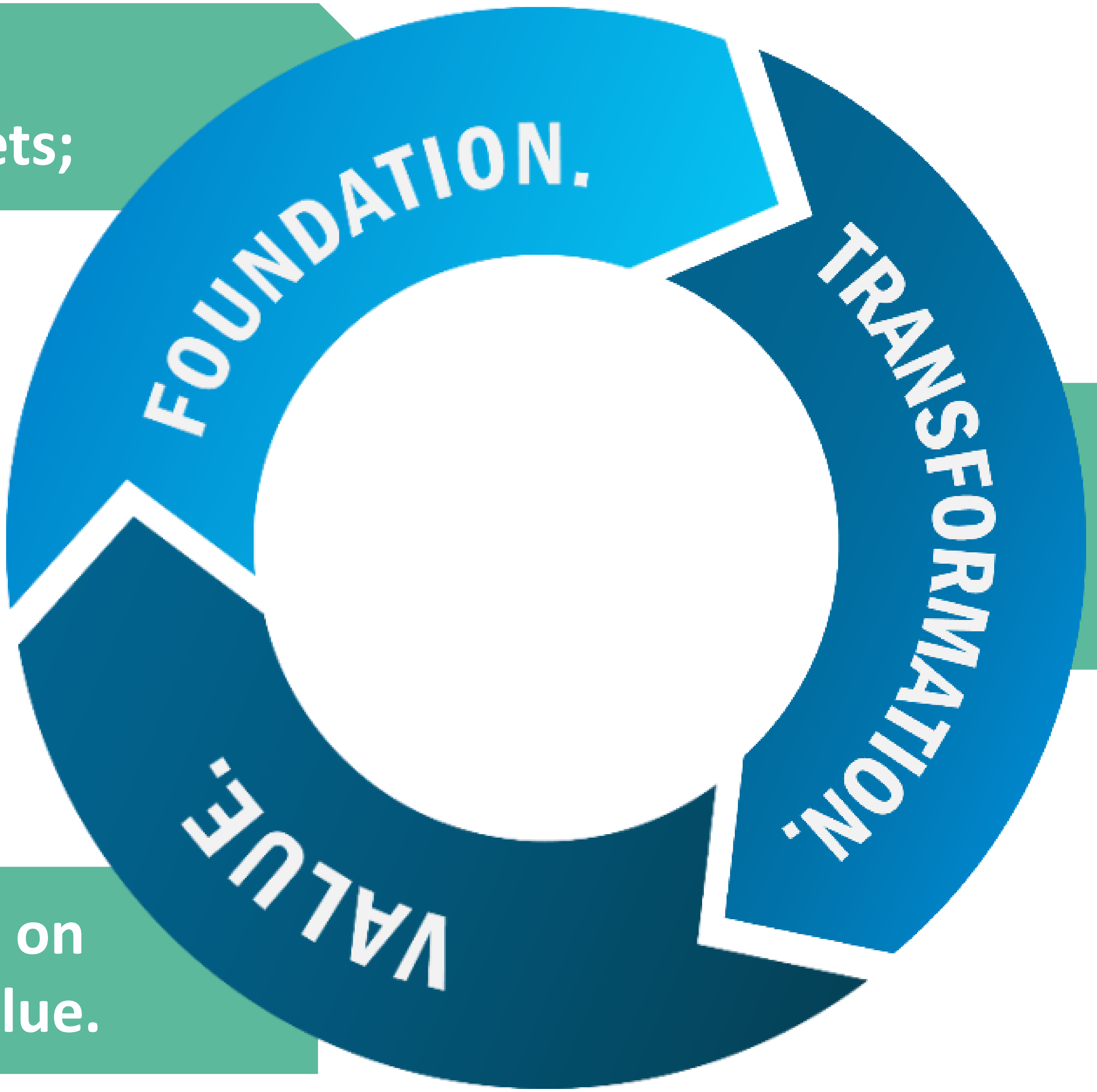
## Statement Regarding Safe Harbor for Forward-Looking Statements

This presentation may contain forward-looking statements – that is, information related to future, not past, events. Like other businesses, Martin Marietta is subject to risks and uncertainties which could cause its actual results to differ materially from its projections or that could cause forward-looking statements to prove incorrect, including the risks and uncertainties discussed in Martin Marietta's most recent Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, which have been filed with the Securities and Exchange Commission and are readily available on the Internet at www.sec.gov. Except as legally required, Martin Marietta undertakes no obligation to publicly update or revise any forward-looking statements, whether resulting from new information, future developments or otherwise.

## Non-GAAP Financial Terms

These slides contain certain "non-GAAP financial terms" which are defined in the Appendix. Reconciliations of non-GAAP terms to the closest GAAP term are also provided in the Appendix.

The right people
with the right assets;




driving operational
excellence against the
right strategic plan;

with a relentless focus on
driving shareholder value.

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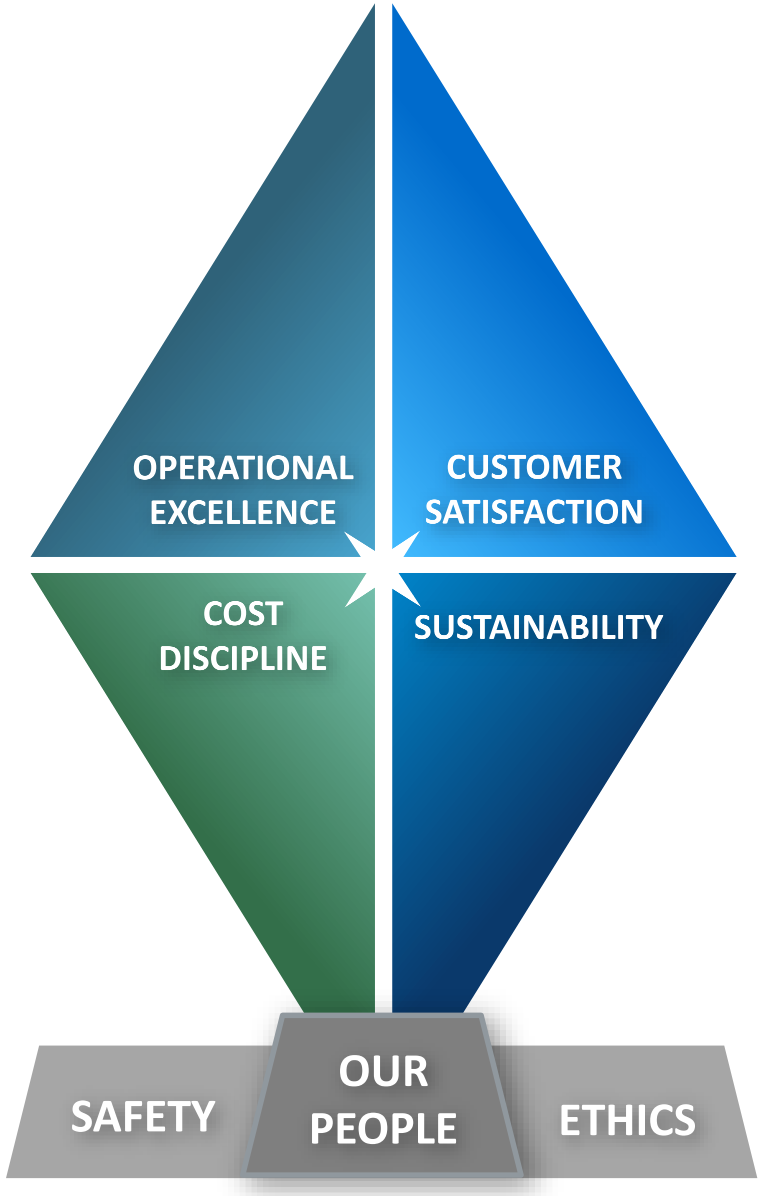
VALUE

THE PATH FORWARD

# Pillars of Shareholder Value




**SAFETY AND ETHICS**
- World-class safety
- Guardian Angel
- Annual ethics training

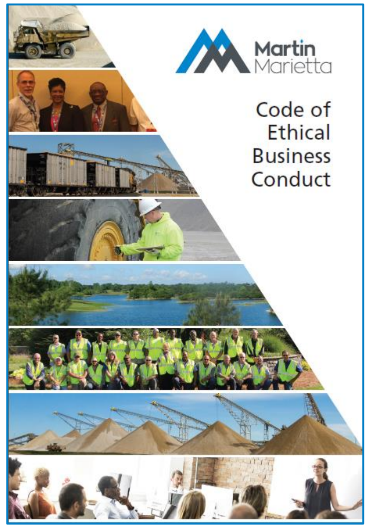
**SUSTAINABILITY**
- Community well-being
- Employee well-being
- Environmental stewardship

**OPERATIONAL EXCELLENCE**
- Strategic plan (SOAR) execution
- Sustainable competitive advantage
- Commitment to core competencies

**COST DISCIPLINE**
- Profit and earnings growth
- Capital allocation
- Portfolio optimization

**CUSTOMER SATISFACTION**
- Supplier of choice
- Customer service and relationships

# Collective Commitment to Safety and Ethics




*Safety and ethics are the foundational elements of Martin Marietta*

# World-Class Safety

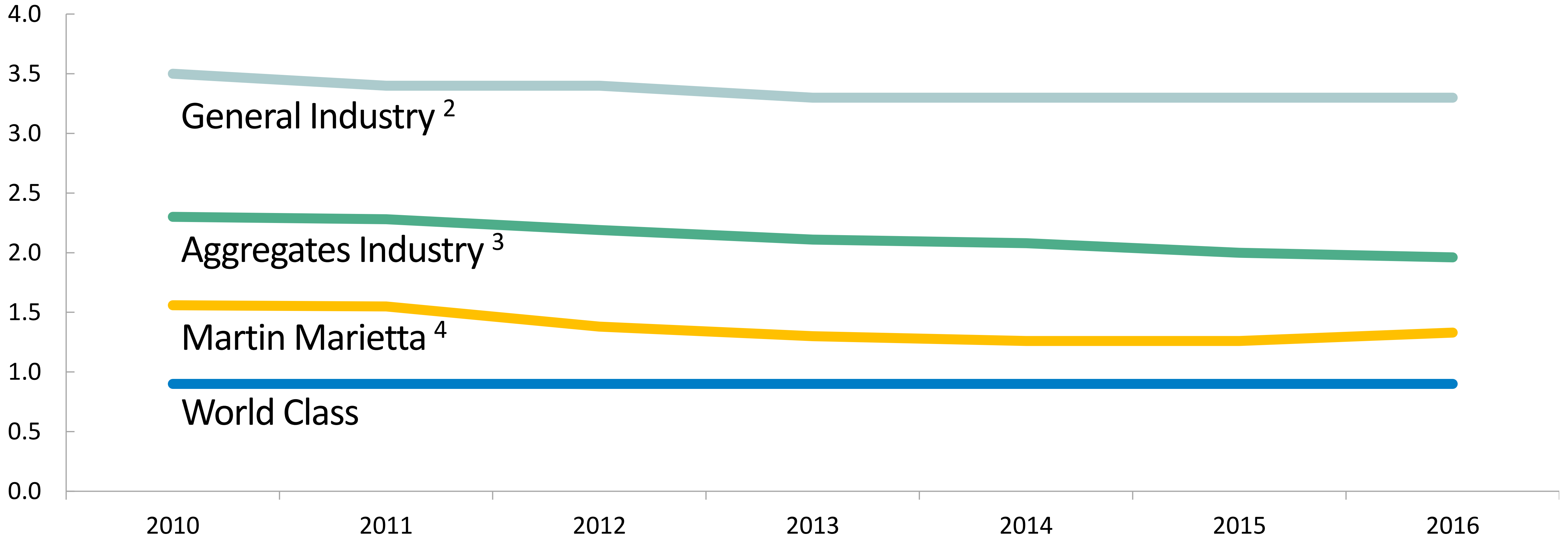
## WORLD-CLASS SAFETY DRIVES. . .

### MM GUARDIAN ANGEL

- Well-being of all we touch
- Reduced workers compensation claims and related costs

# World-Class Safety

## TOTAL INCIDENT INJURY RATE [1]




[1] Total Incident Injury Rate per 200,000 man hours worked.
[2] Reported as of 12.31.14 by BLS. Latest available data.
[3] Reported by MSHA for 2010 – 2015 and by NSSGA for YTD 06.30.16 (latest data available) for the Aggregates Industry.
[4] Reported YTD 10.31.16 for Martin Marietta.

# Sustainability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# Strategic Operations Analysis and Review (SOAR)


# SOAR 2010 Key Accomplishments

| 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| SOAR Process Launch | **Tausch Acquisition** | **New Kiln at Specialty Products** | **Atlanta Acquisition** | **Texas Industries Acquisition** |
| Port Canaveral, FL Marine Terminal | **River/Colorado Swap** | Bird Hill Trap Rock Greenfield | | Gregory Yard Expansion |
| Loamy Sand & Gravel Acquisition (SC) | **Suburban Ready Mix Acquisition** | Avard, OK Rail Yard | | **Medina Rock & Rail** |
| Kansas City Rail Yard | Texas Millet Yard | | | Boral – Davis, OK Acquisition |

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| Kansas City Rail Yard | Texas Millet Yard | | | Boral – Davis, OK Acquisition |

# Became a Leading Aggregates and Heavy Building Materials Supplier

| | 2009 | 2015 |
|---|---|---|
| **Aggregates** | | |
| Reserves (tons) [1] | 13.5 billion | **15.6 billion** |
| Years of production available[2] | 109 | **102** |
| Aggregates facilities | 289 | **272** |
| Number of production states (plus Bahamas, Nova Scotia) | 27 | **26** |
| **Ready mix and asphalt plants** | 15 | **131** |
| **Cement plants** | -- | **2** |

[1] Current probable reserves as of December 31
[2] At then current production rates

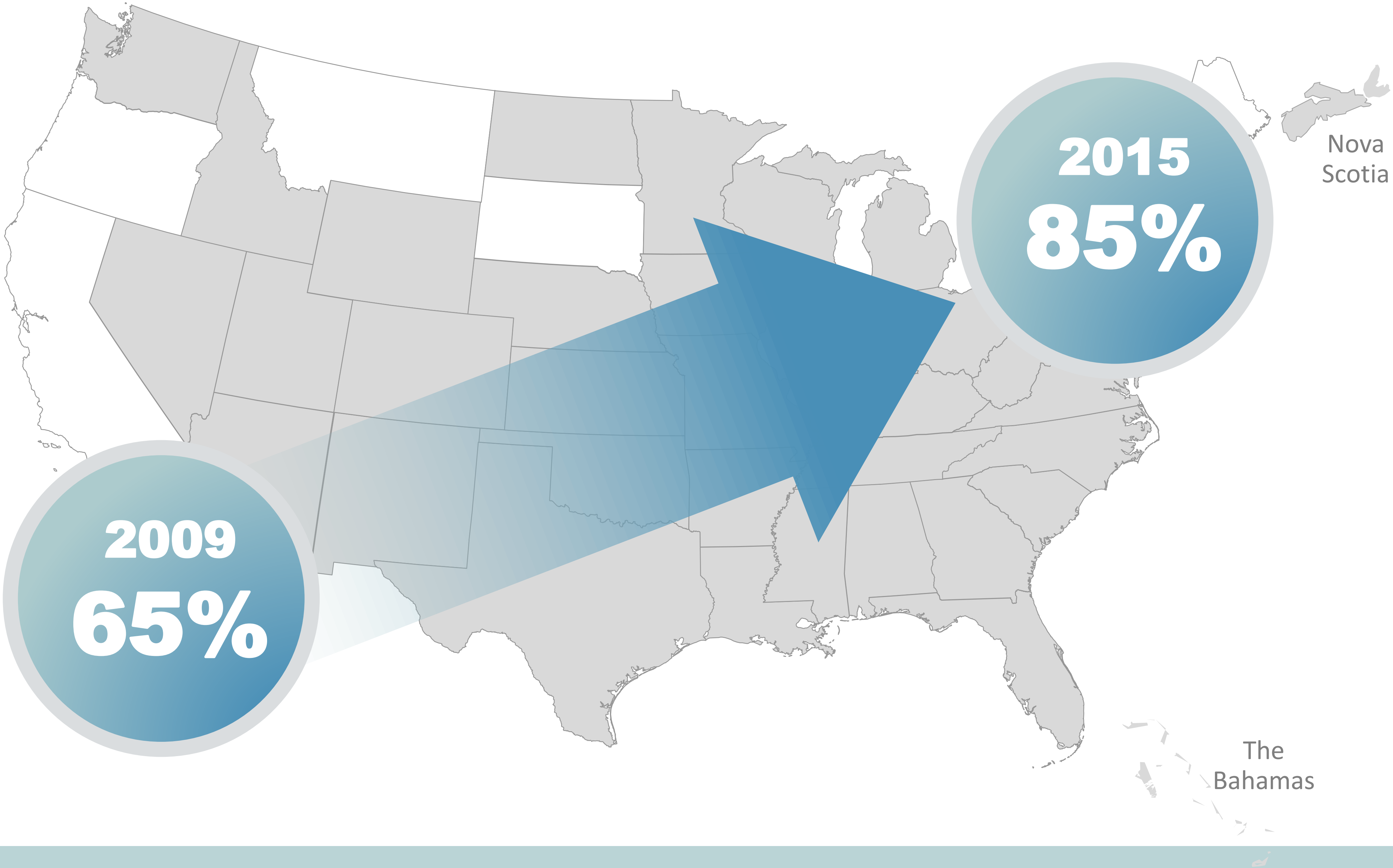
# Validated the Success of SOAR 2010

| | 2010[1] | | 2015[1] |
|---|---|---|---|
| | Martin Marietta Materials | | Martin Marietta |
| **Net Sales** | $1.6 billion | ↑ | $3.3 billion |
| **Operating Income** | $196 million | ↑ | $479 million |
| **Market Capitalization** | $4.2 billion | ↑ | $8.8 billion |
| **Earnings Per Share** | $2.10 | ↑ | $4.29 |

***$14.6 billion Market Capitalization as of November 15, 2016***

[1] As of December 31

# Where Is Martin Marietta Today?



# Strategically Positioned

SOAR 2010

SOAR 2020

# Aligning Key Value Drivers

Martin Marietta

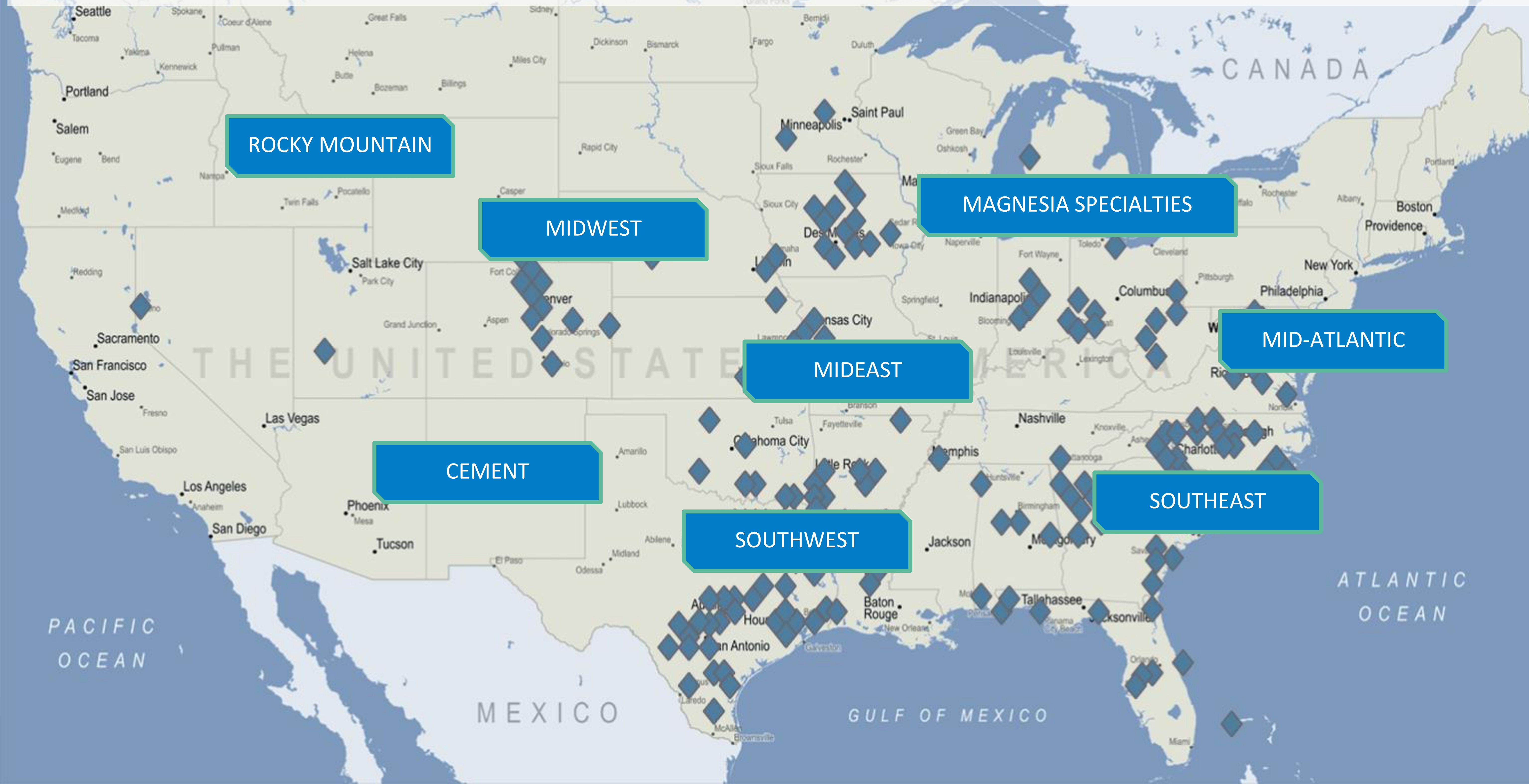
**Key Value Drivers**

| | |
|---|---|
| AGGREGATES | AGGREGATES-LED |
| CEMENT | STRATEGIC CEMENT |
| DOWNSTREAM PRODUCTS | TARGETED DOWNSTREAM PRODUCTS |

=

EXPANDED PLATFORM FOR GROWTH

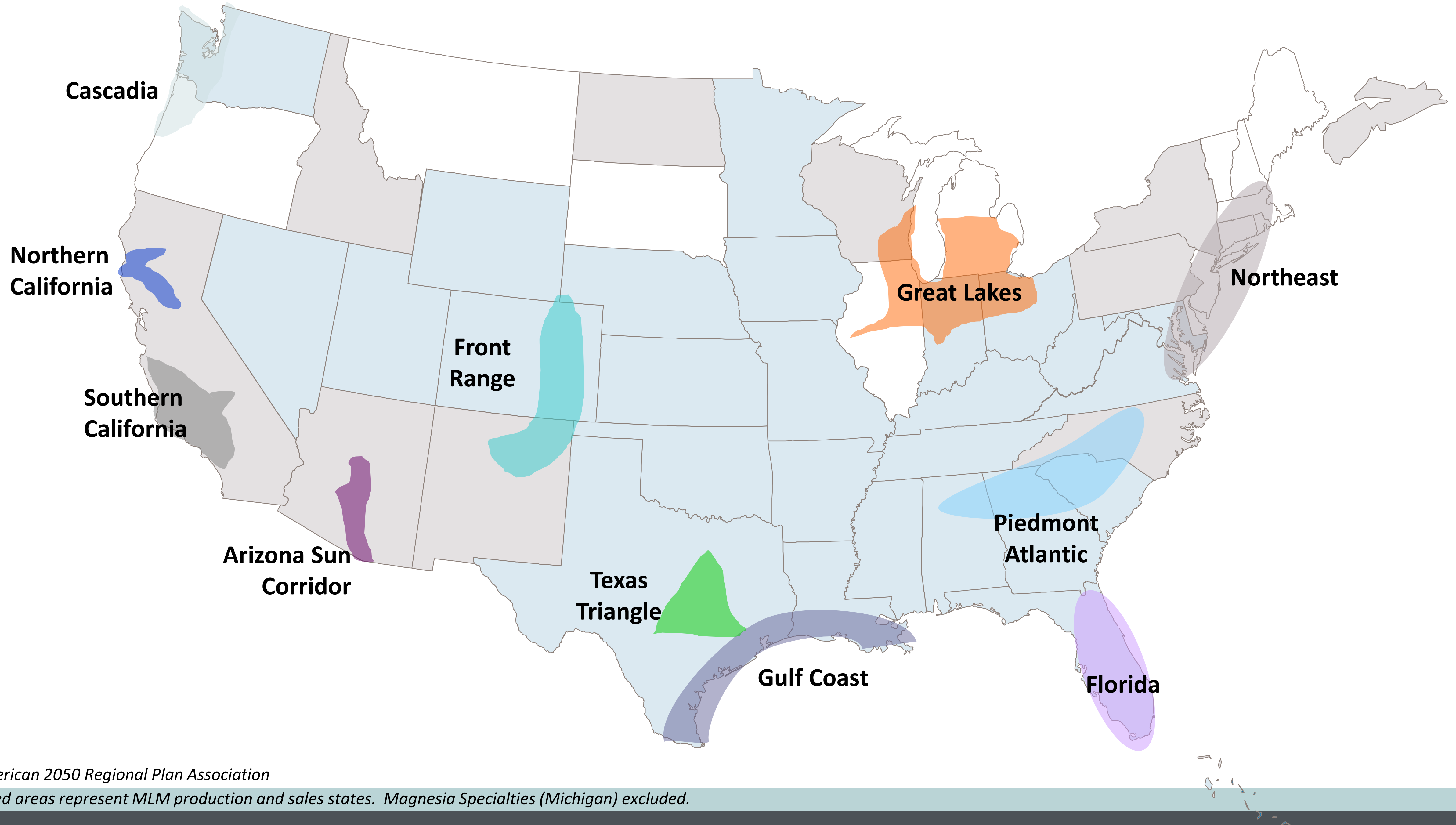
# Geography Still Matters



# Where You are Matters

| | MARKET ATTRACTIVENESS DRIVER | ADVANTAGE |
|---|---|---|
|  | Population growth | Increased per capita aggregates consumption |
|  | Market economic diversity | Market stability |
|  | Superior state financial position | Supports infrastructure growth |
|  | Population density | Large infrastructure network leads to increased repair & maintenance expenditures |
|  | High barriers to entry | Protects location advantage |

# Megaregions Erase State Boundaries




*Source: American 2050 Regional Plan Association*

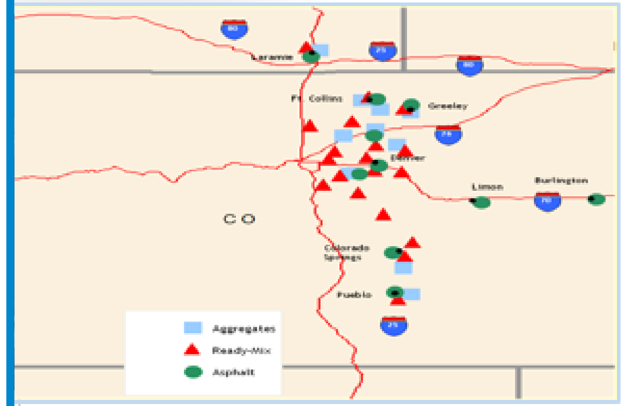
*Note: Shaded areas represent MLM production and sales states. Magnesia Specialties (Michigan) excluded.*

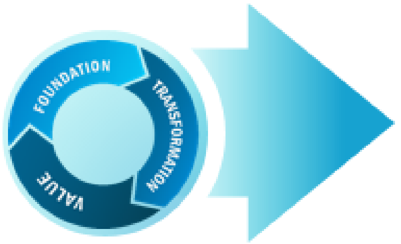
# SOAR: A Colorado Case Study

TRANSFORMATION

## Trading the River for the Rockies

**2011**




**2014**

### Results vs. the River at Peak [1]

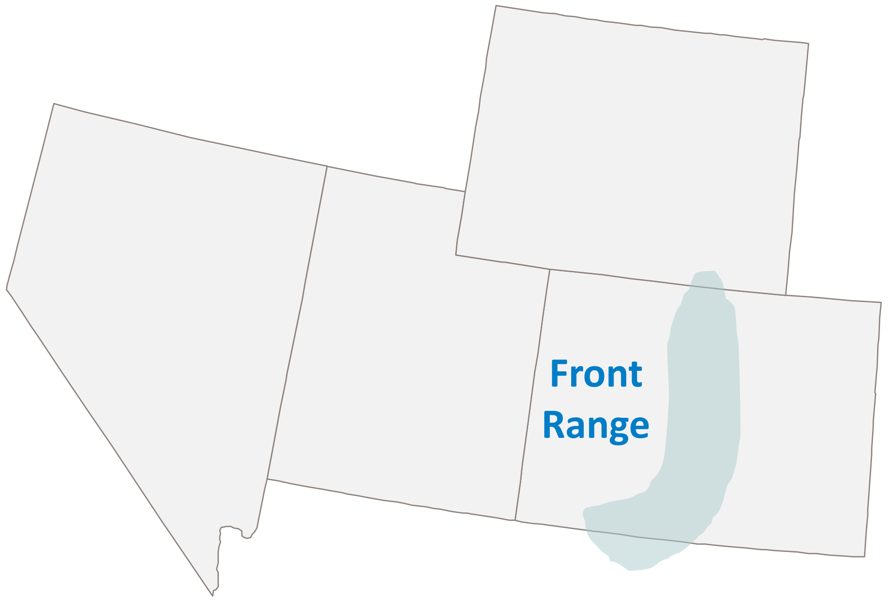
- 4x greater sales
- 4x greater gross profit
- 3.6x greater EBITDA
- 820 bps higher return on assets

[1] 2014 Rocky Mountain Division results versus the River District Results in 2007


Source: 2015 Analyst and Investor Day – then current slide

# Rocky Mountain Division

## Division Profile




## Key Performance Drivers

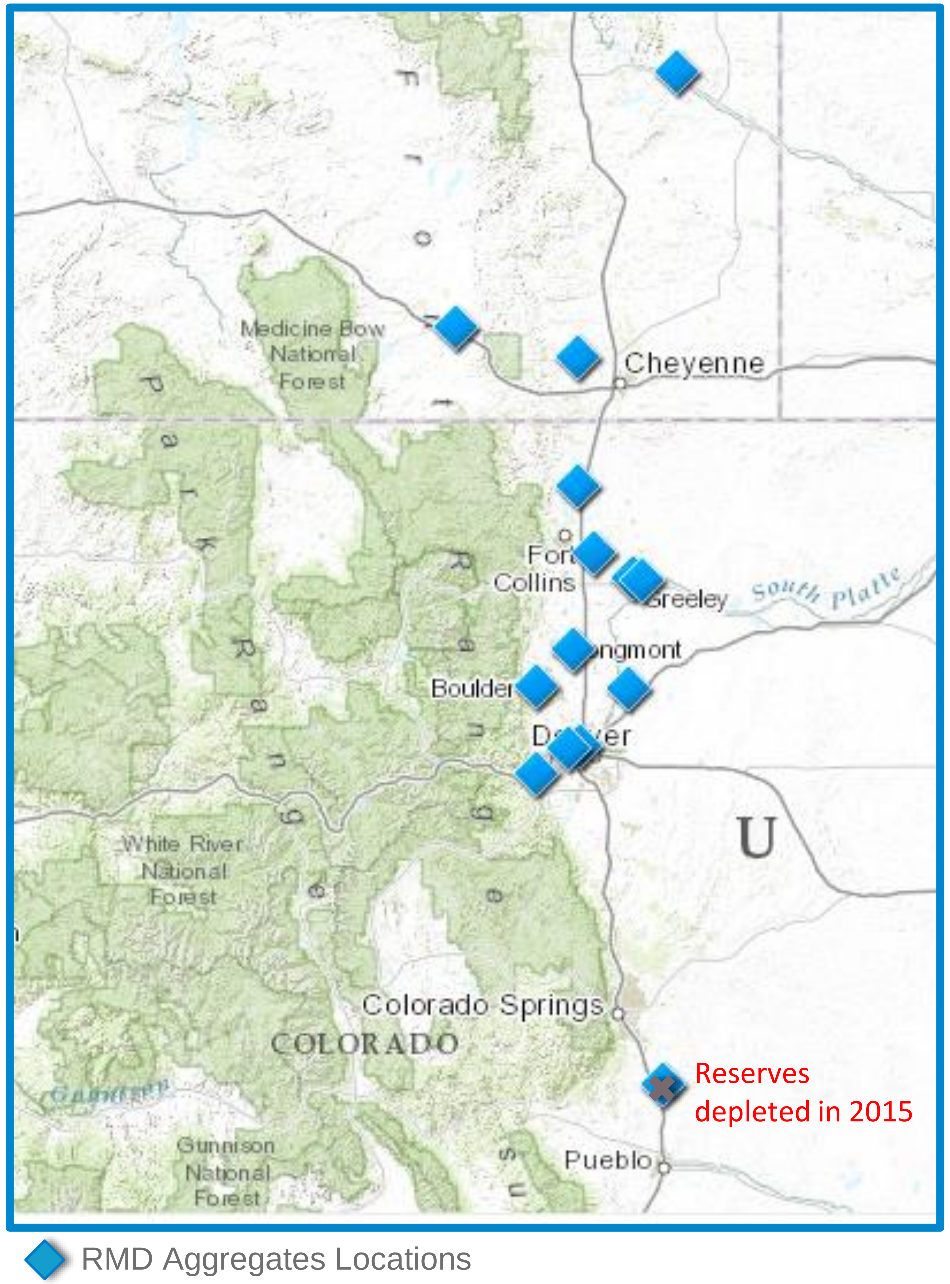
- Front Range houses 80% of Colorado’s population
- Fastest growing region in the country
- High demand and limited availability of coarse aggregates
- Future growth with rail access

## 2015 Statistics

- Over 14 million tons of aggregates
- Over 2 million cubic yards of ready mixed concrete
- Nearly 3 million tons of asphalt
- Over 200 million tons of reserves[1]

[1] Excludes February 2016 acquisition of nearly one billion tons of aggregates reserves

# Transforming Colorado's Front Range

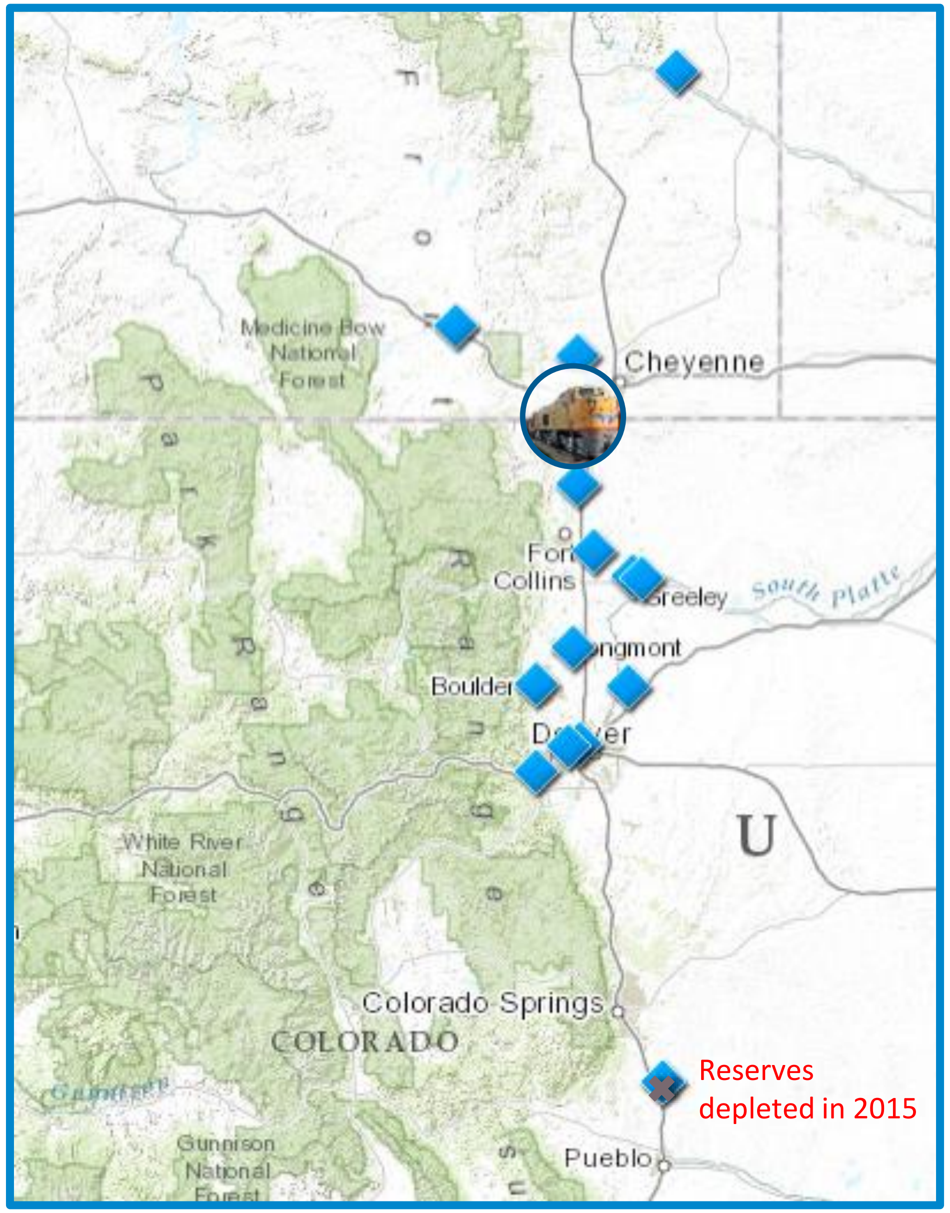



- Transition from local alluvial (sand and gravel) material market to long-haul granite market over the next 5 to 10 years
- Well-positioned to provide long-haul materials via existing northern assets and acquisitive expansion in southern Colorado
- Continued growth from Fort Collins to Pueblo

SOAR 2020 → **PROTECT EXPAND**

Strategic source and distribution locations need to be secured to better provide products and services to customers

# Transitioning from Alluvial to Rail




RMD Aggregates Locations

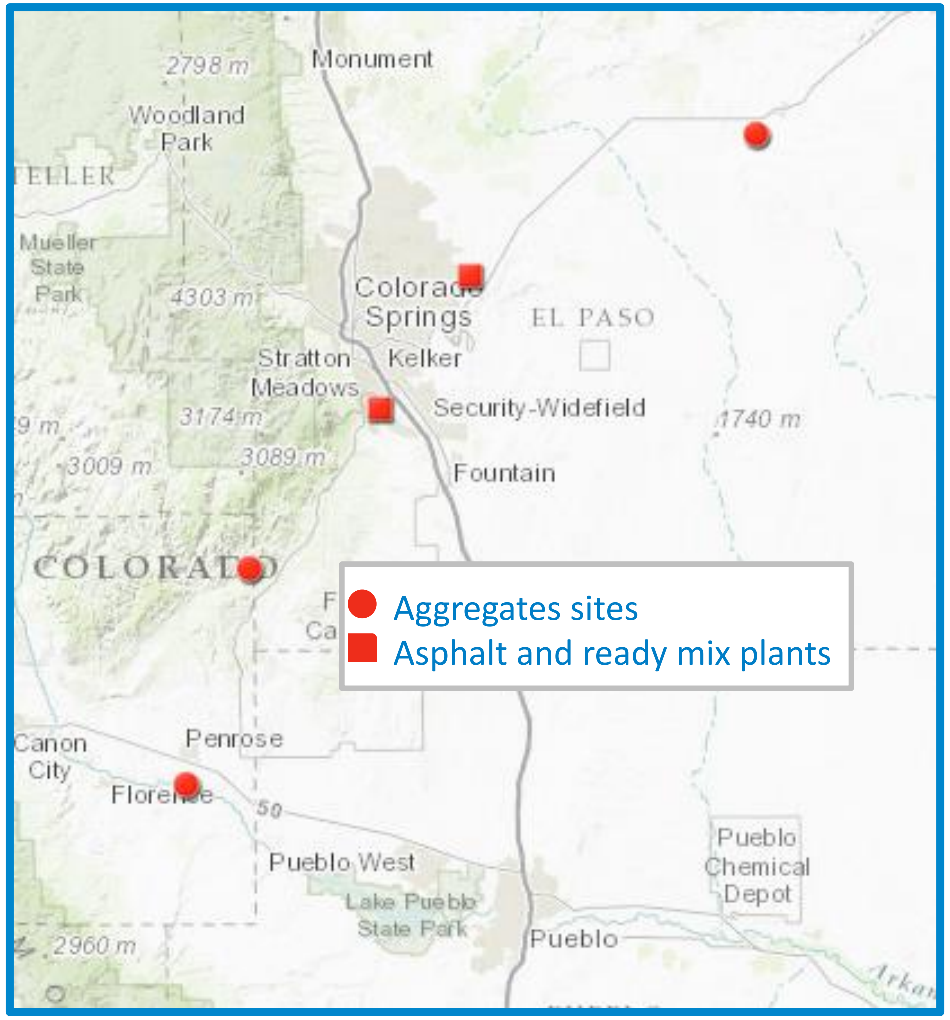
- Greenfield development of aggregates rail yard, ready mix plant and asphalt plant
- Capable of railing 2 million tons of aggregates annually
- Aggregates to be sourced from our Granite Canyon Quarry
- Aim is to be operational in 2017

Robust Economy

Rapid Alluvial Reserve Depletion

**Highway 34 Rock & Rail**

# Establishing a Southern Colorado Platform



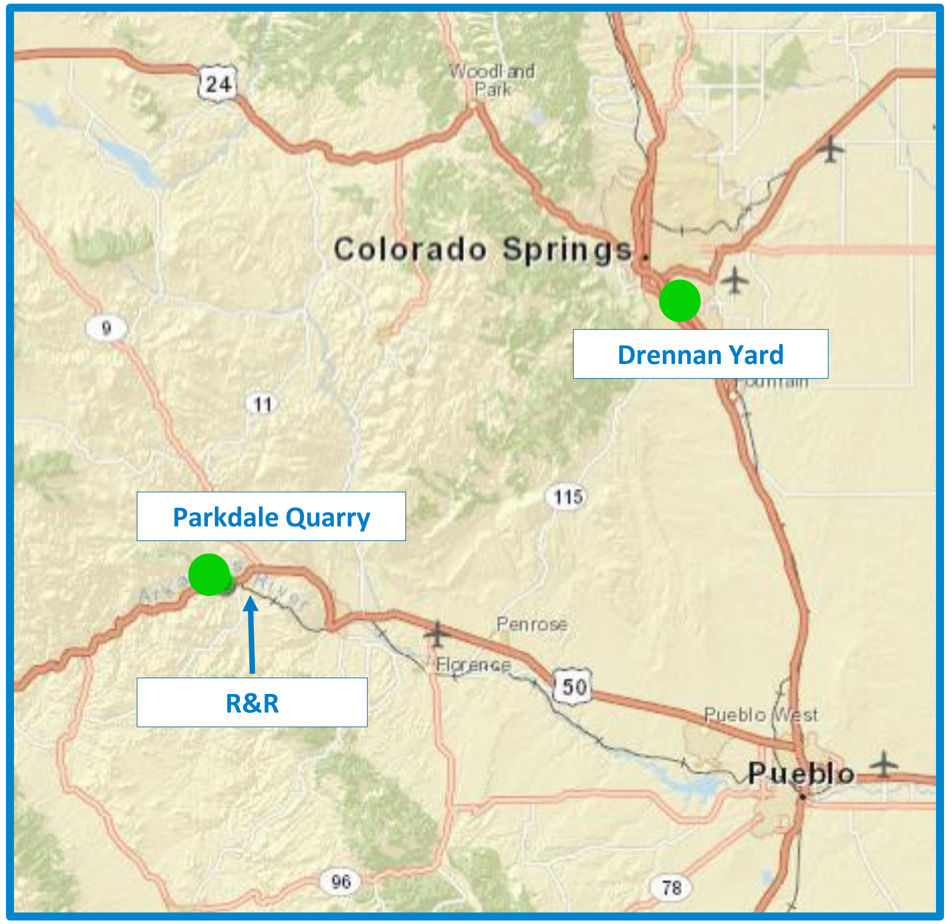

## Rocky Mountain Materials

- Producer of aggregates, asphalt and ready mix in southern Colorado (3 quarries, 2 asphalt plants and 2 ready mix plants)
- ***Over 900 million permitted tons of proven and probable aggregates reserves***
- Strategic locations




ROCKY MOUNTAIN MATERIALS & ASPHALT, INC.

# Linking Northern and Southern Colorado




## Front Range Aggregates, LLC

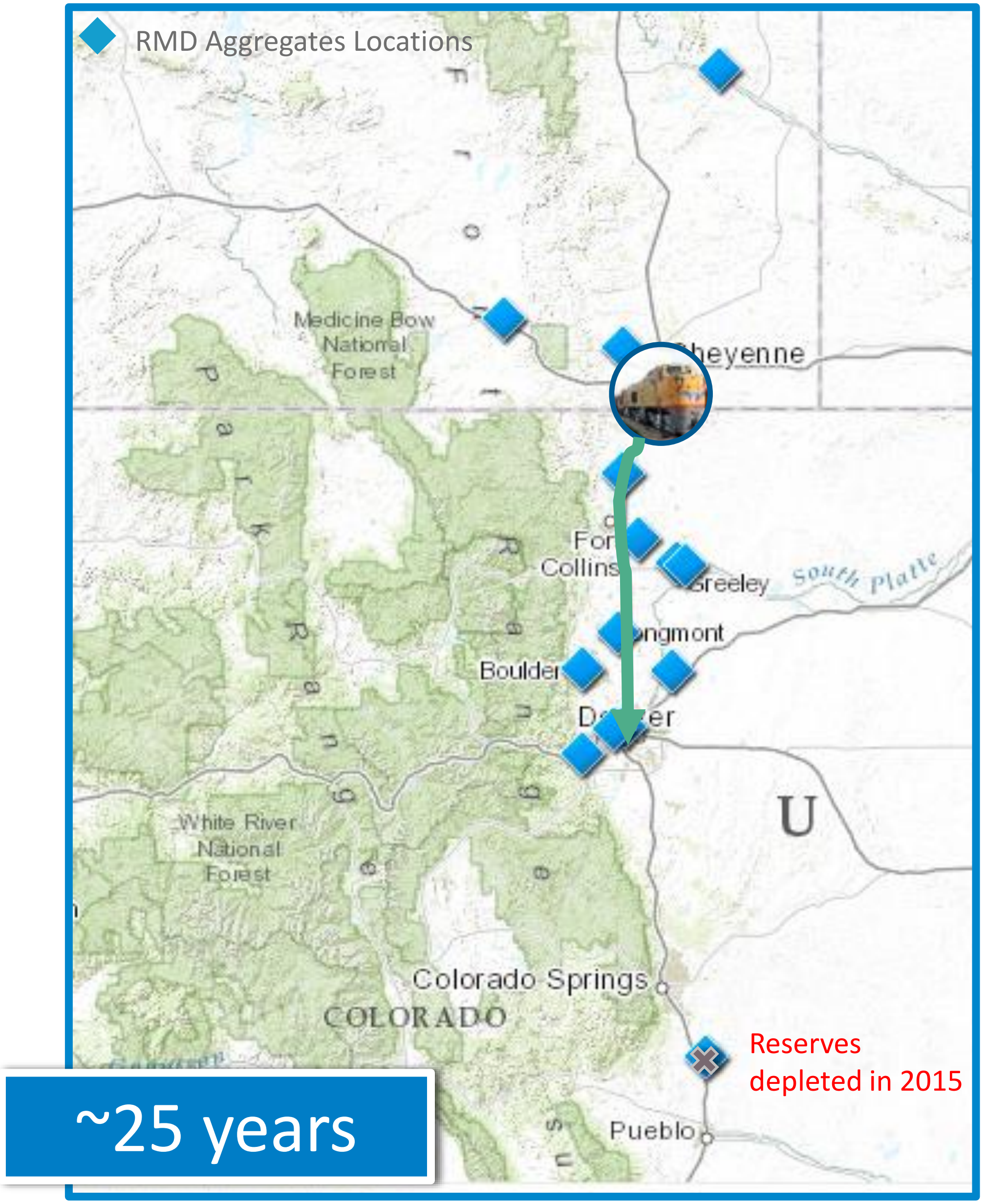
- Over 50M tons of owned alluvial and granite reserves
- Life-of-mine permit
- Potentially 200M tons of adjacent granite reserves on Bureau of Land Management property
- Strategic locations





FRONT RANGE AGGREGATES

# Transforming Colorado's Front Range

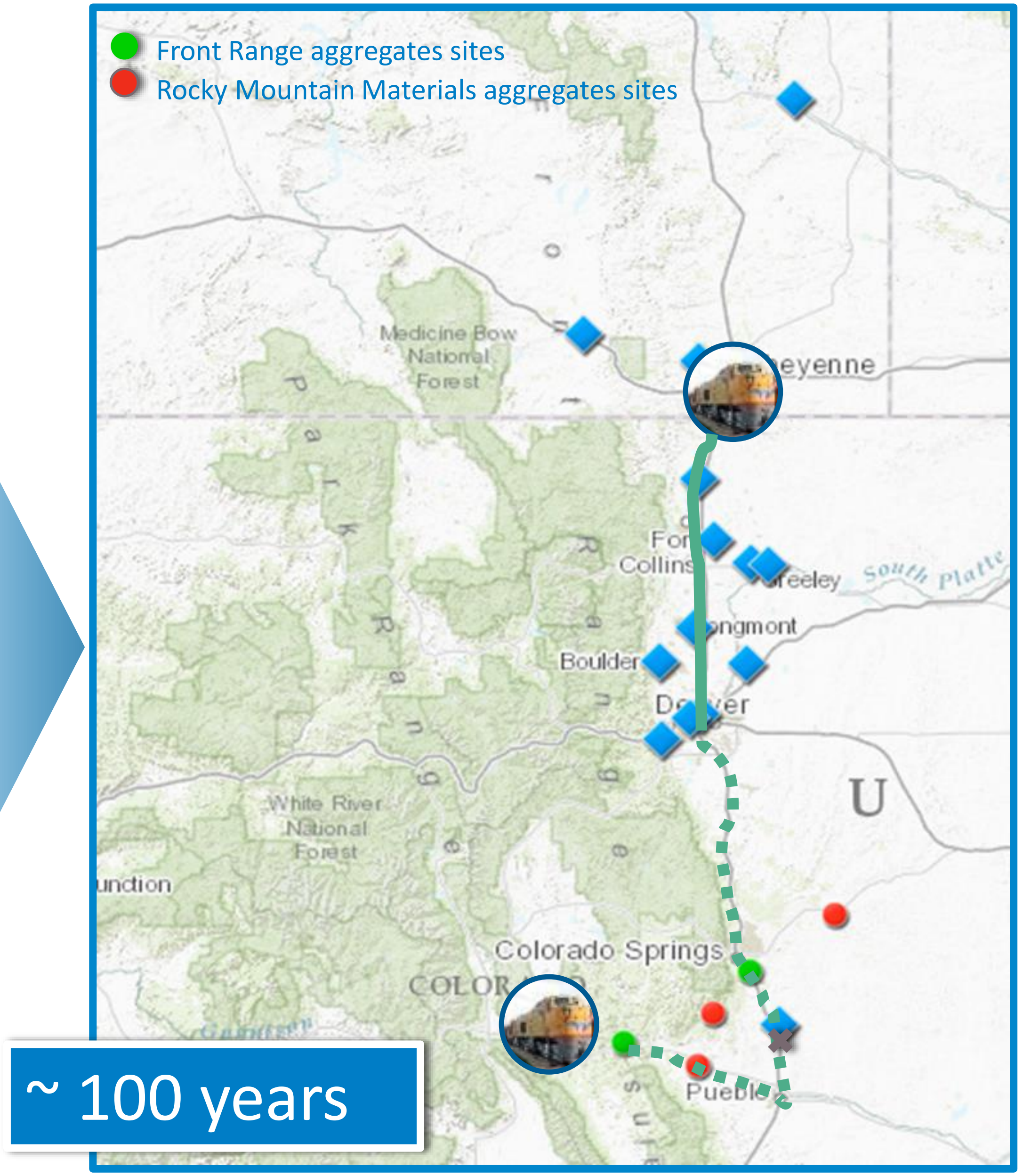



SOAR 2020

- Highway 34 Rock & Rail

FRONT RANGE AGGREGATES

ROCKY MOUNTAIN MATERIALS & ASPHALT, INC.



# SOAR: Market Expansion to Solidify Atlanta Position


TRANSFORMATION

## Solidifying a Southern Champion

| | |
|---|---|
| 2008-10 | Atlanta area disproportionately affected by the Great Recession |
| 2010 | Identified for **expansion** in strategic assessment due to long-term outlook and fit |
| 2013 | Purchased three complementary quarries for $62mm from Lafarge at cyclical trough |
| 2014 | Enjoy a leading position Performance exceeding expectations |


### ATLANTA METRO FOOTPRINT

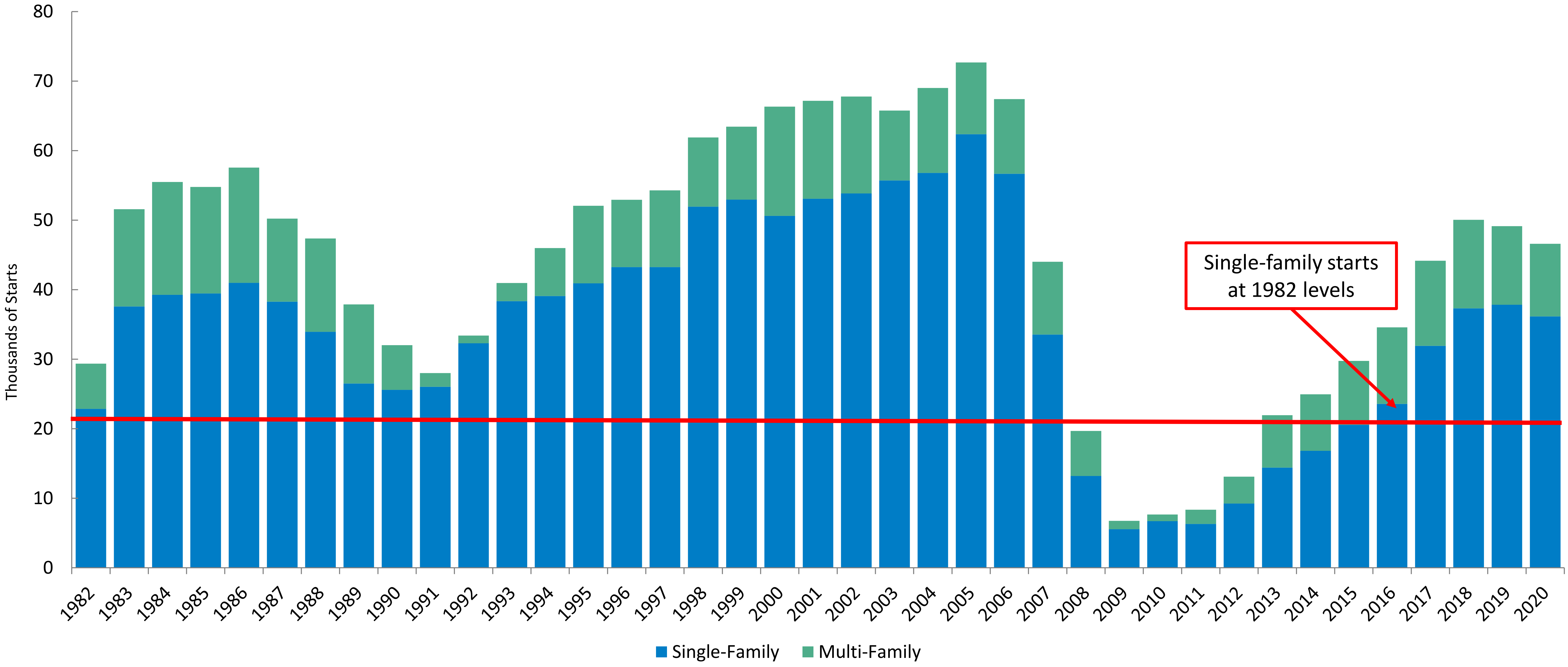

| Southeast Group | Peak[1] | Trough[1] | 2014 |
|---|---|---|---|
| Shipments | 47.6m ('06) | 17.3m ('13) | 18.3m |
| ASP | $9.05 ('06) | $13.03 ('13) | $13.87 |

### STRATEGIC ALIGNMENT

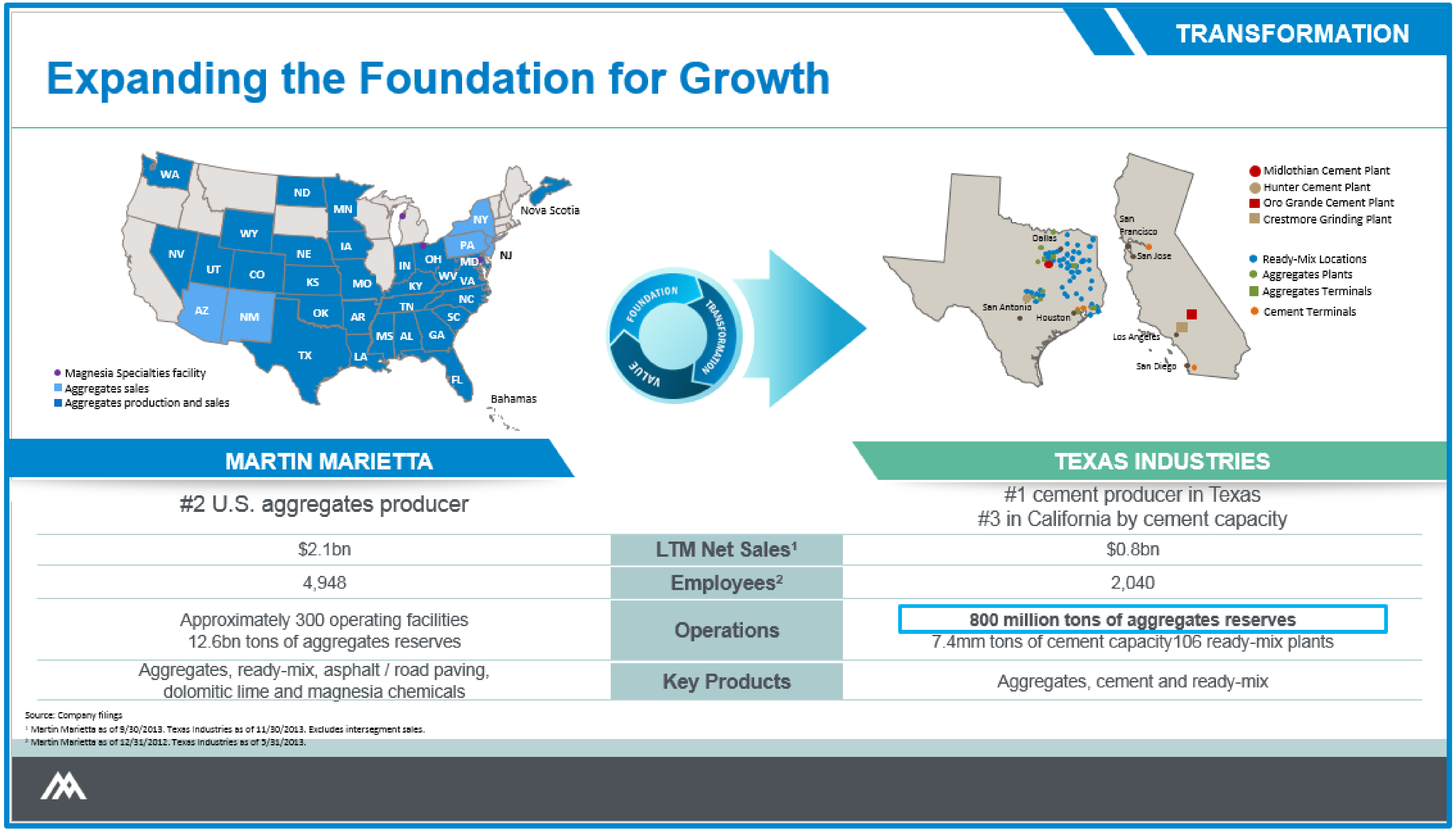
- Transition to leading position
- **+800 million** tons of reserves
- Complementary fit / synergy upside
- Attractive long-term market drivers

[1] Peak and Trough years indicated parenthetically.

# Metro Atlanta Recovery and Expansion – Housing Starts



# SOAR: Strategic Expansion in the Texas Triangle




| MARTIN MARIETTA | | TEXAS INDUSTRIES |
|---|---|---|
| #2 U.S. aggregates producer | | #1 cement producer in Texas<br>#3 in California by cement capacity |
| $2.1bn | LTM Net Sales[1] | $0.8bn |
| 4,948 | Employees[2] | 2,040 |
| Approximately 300 operating facilities<br>12.6bn tons of aggregates reserves | Operations | 800 million tons of aggregates reserves<br>7.4mm tons of cement capacity106 ready-mix plants |
| Aggregates, ready-mix, asphalt / road paving, dolomitic lime and magnesia chemicals | Key Products | Aggregates, cement and ready-mix |

Source: Company filings
[1] Martin Marietta as of 9/30/2013. Texas Industries as of 11/30/2013. Excludes intersegment sales.
[2] Martin Marietta as of 12/31/2012. Texas Industries as of 3/31/2013.


Source: 2015 Analyst and Investor Day – then current slide

# The Texas Triangle: Why It Matters

- Texas Triangle Region contains 71% of total Texas population or 19 million people
- Connects three of the nation's top 10 cities via I-35, I-45 and I-10 interstate corridors
- Over 85,000 square miles
- Expect 35 million people, 70% of Texas' population by 2050
- Major commerce corridors spurred by favorable business and tax climate

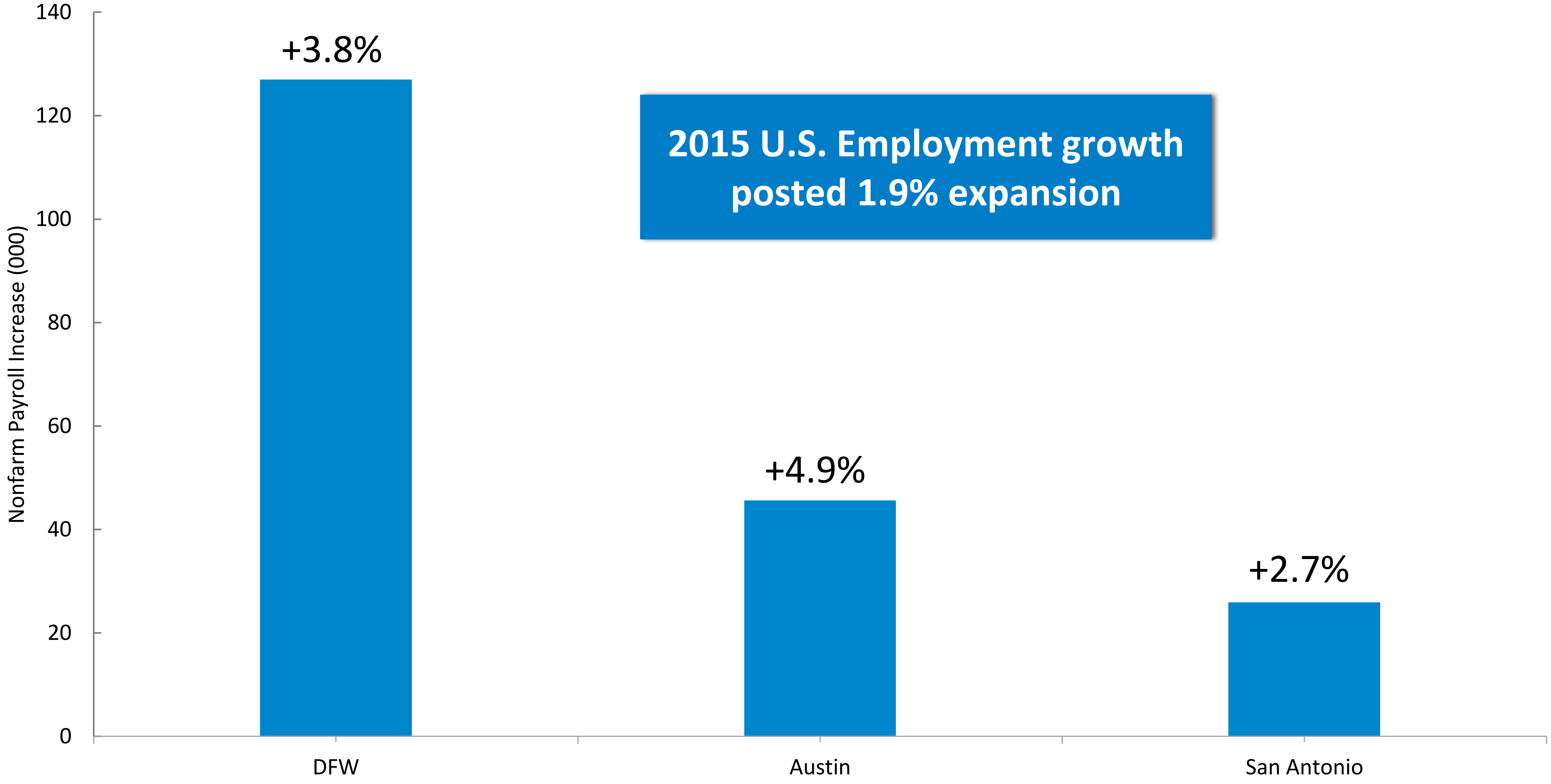

Central Texas Region: Waco, Killeen-Temple, Austin-Round Rock, and San Antonio-New Braunfels

Houston Region: College Station-Bryan, Houston, and Beaumont-Port Arthur

I-35 Corridor: Dallas-Fort Worth-Arlington, Waco, Killeen-Temple, Austin-Round Rock, and San Antonio-New Braunfels

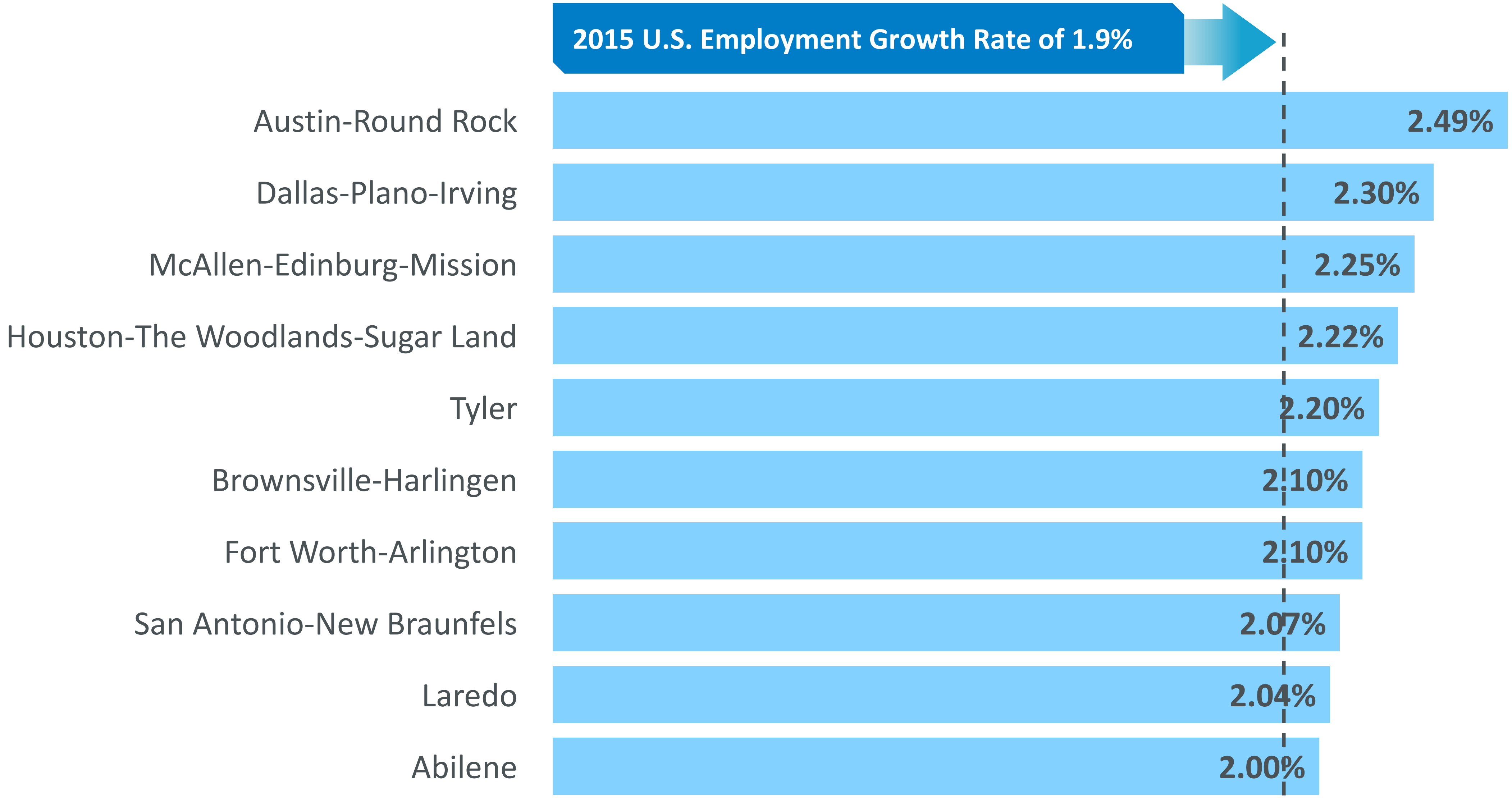
Source: 2014 U.S. Bureau of Census and Real Estate Center at Texas A&M University

# Strong Employment Growth Along Texas I-35 Corridor




Source: U.S. Bureau of Labor Statistics

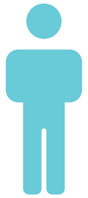
# Positive Outlook for Texas Employment Gains Through 2020

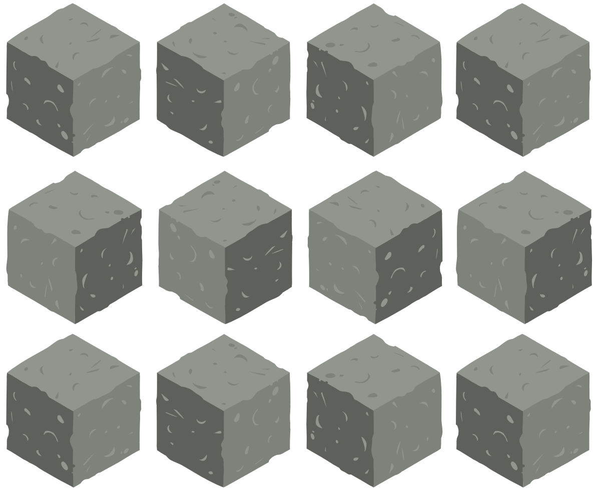



*Sorted by projected compound annual growth rate of wage and salary employment from 2015 to 2020. All regions refer to their respective metropolitan statistical areas with the exception of the Dallas-Plano-Irving and Fort Worth-Arlington metropolitan divisions.

Source: The Perryman Group

# Why Population Growth Matters





1 Person

8-12 tons of annual aggregate demand *

* Company estimates based on aggregate demand in Texas

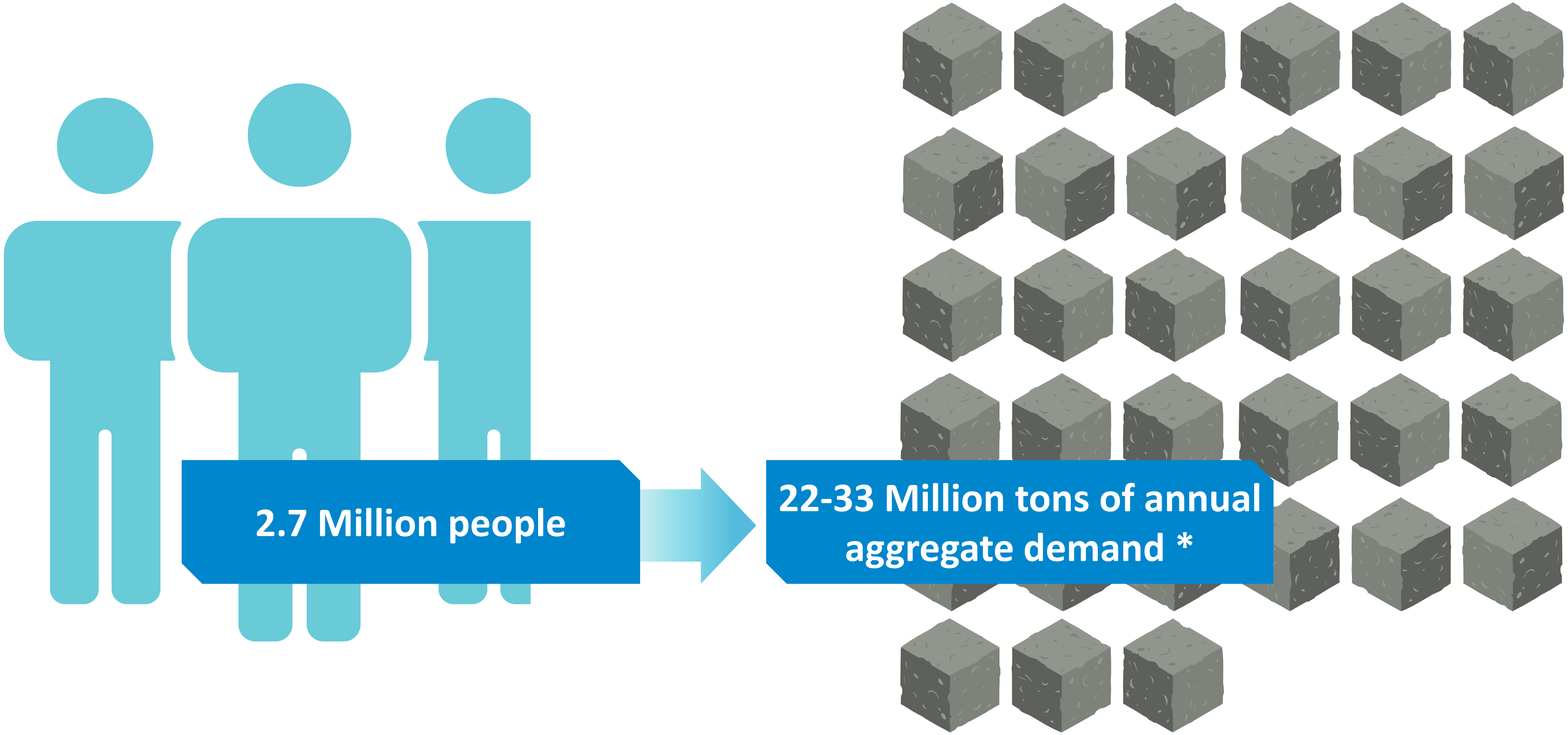
# Texas Triangle Population Growth Outlook

| TRIANGLE MSA's | 2014 | 2020 [1] | GROWTH |
|---|---|---|---|
| Dallas/Fort Worth | 6,954 | 7,921 | 966 |
| Houston/Beaumont | 6,896 | 7,846 | 950 |
| San Antonio/Austin | 4,272 | 4,942 | 670 |
| Central Triangle | 928 | 1,058 | 130 |
| **Totals** | **19,050** | **21,767** | **2,717** |

Population in 000's

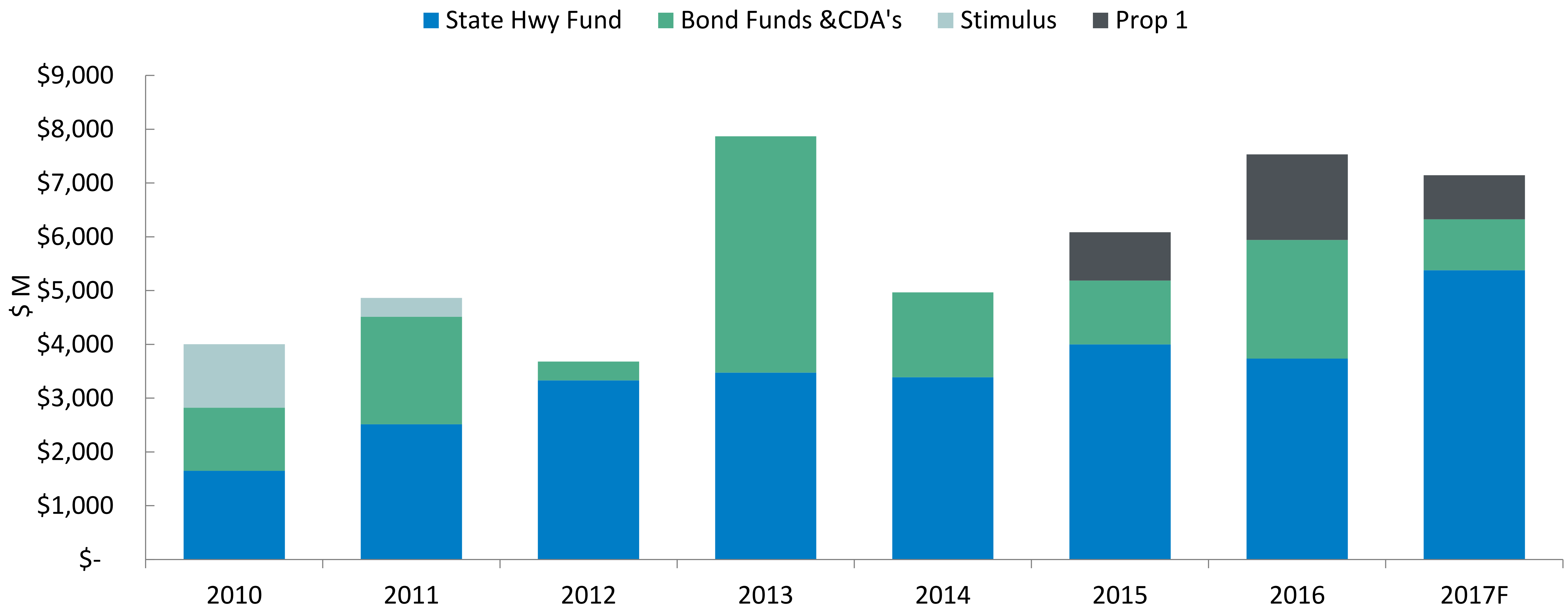
[1] Data projection from Office of State Demographer - Texas State Data Center

# Why Texas Triangle Population Growth Matters




* Company estimates based on aggregate demand in Texas

# Texas Department of Transportation Funding




**TxDOT announced plans to spend $66B over next 10 years**

# Positive Texas Nonresidential Fundamentals

## Labor Market

- Strong employment growth along the I-35 corridor
- I-35 corridor growth in office-using employment (professional, information, and financial services)

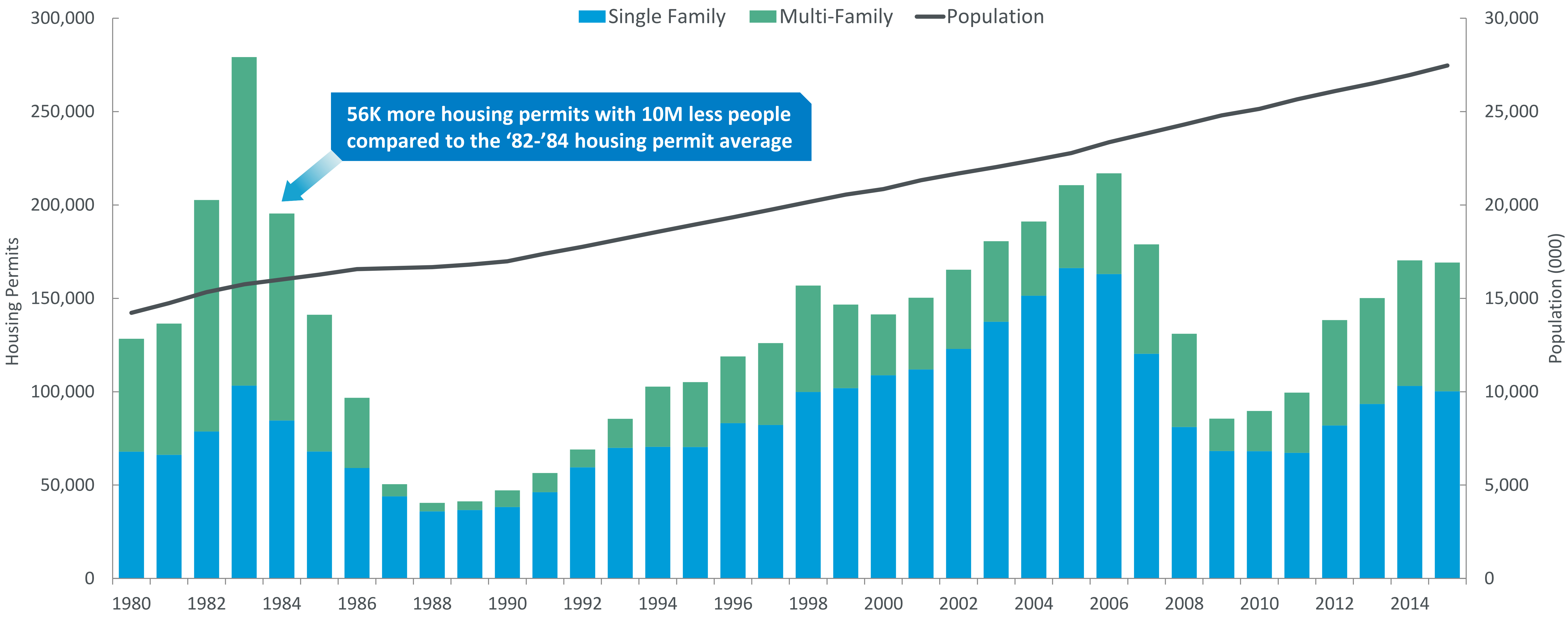
## Office Space Demand

- Headquarter relocations
- Corporate campus expansions
- Low vacancy rates and increasing leasing rates

## Industrial Expansion

- Houston's east side petro chemical industry growth
- Gulf Coast LNG facilities expansion
- I-35 corridor warehouse and distribution centers

# Texas Housing Market Continues to Grow




Source: U.S. Bureau of Census and Real Estate Center at Texas A&M University

# Texas Construction Market Outlook Remains Bright

- 2016 Texas economic conditions are much different than the mid-1980s recessionary dynamics
- The energy consuming I-35 Corridor markets have less or minimal dependency on the energy producing sector; continue to demonstrate healthy growth
- Strong multi-year industrial expansion fueled by large LNG and petro chemical projects along the Gulf Coast
- Robust infrastructure investment program with additional funding boost provided by Proposition 7 beginning fiscal year 2018

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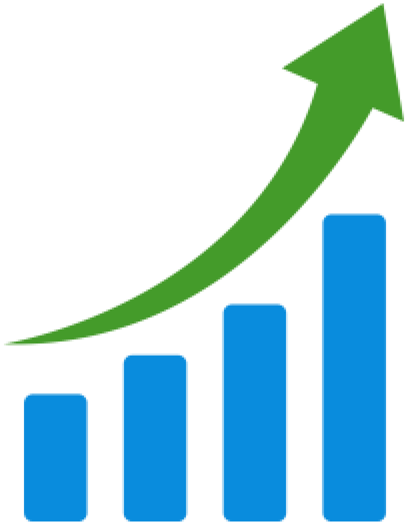
# Delivered Against 2015 Objectives

$120 million
synergy expectations

Completed
divestiture of
California Cement



Record financial
performance

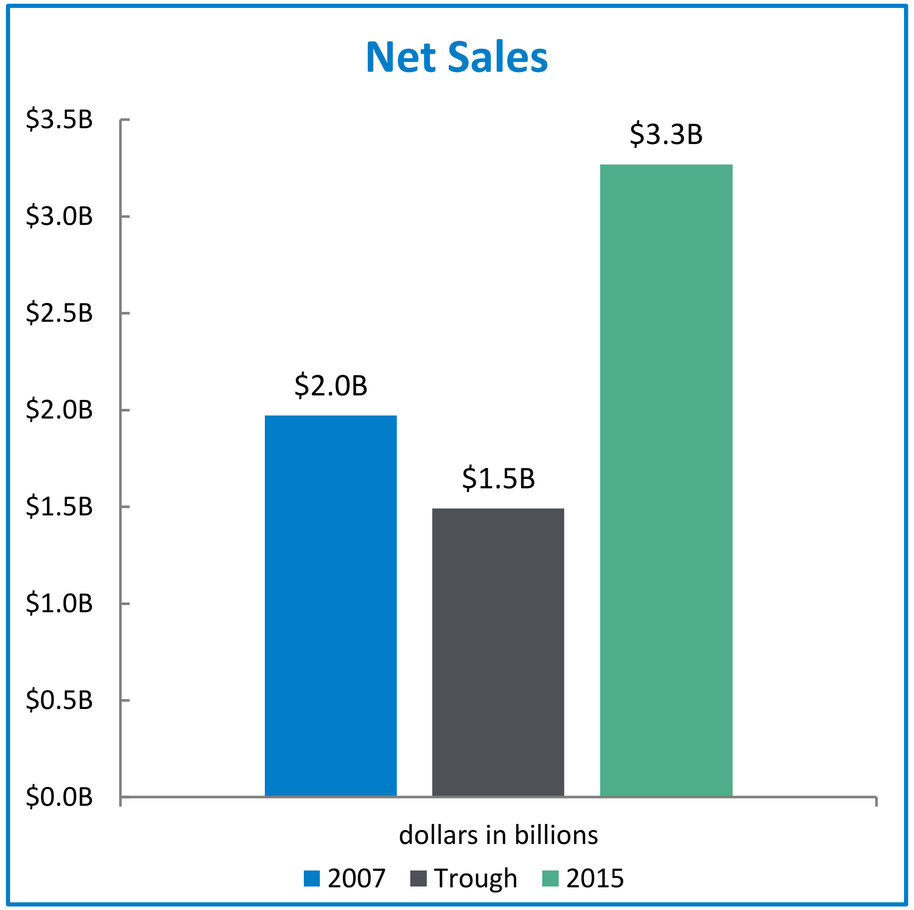
Executed
against share
repurchase program

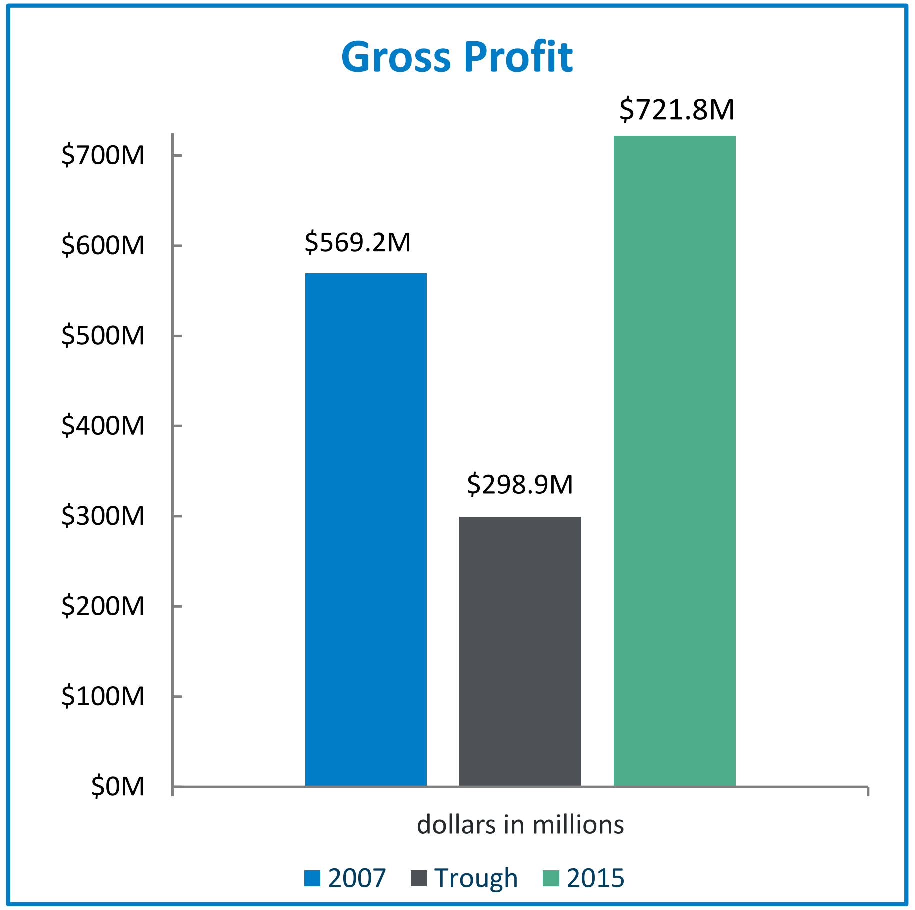
# Full-Year 2015 Record Consolidated Operating Results

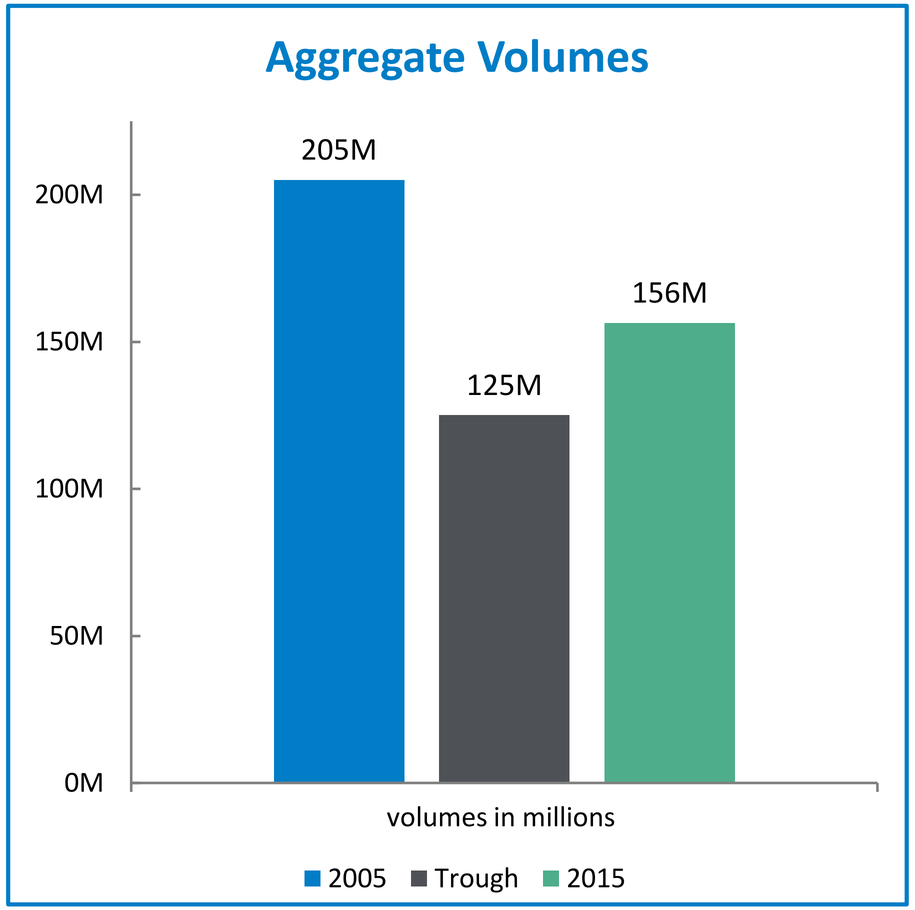
**Record net sales of $3.3 billion**

**Record gross profit of $721.8 million**

**Record net sales and gross profits with less than 75% of peak volumes**

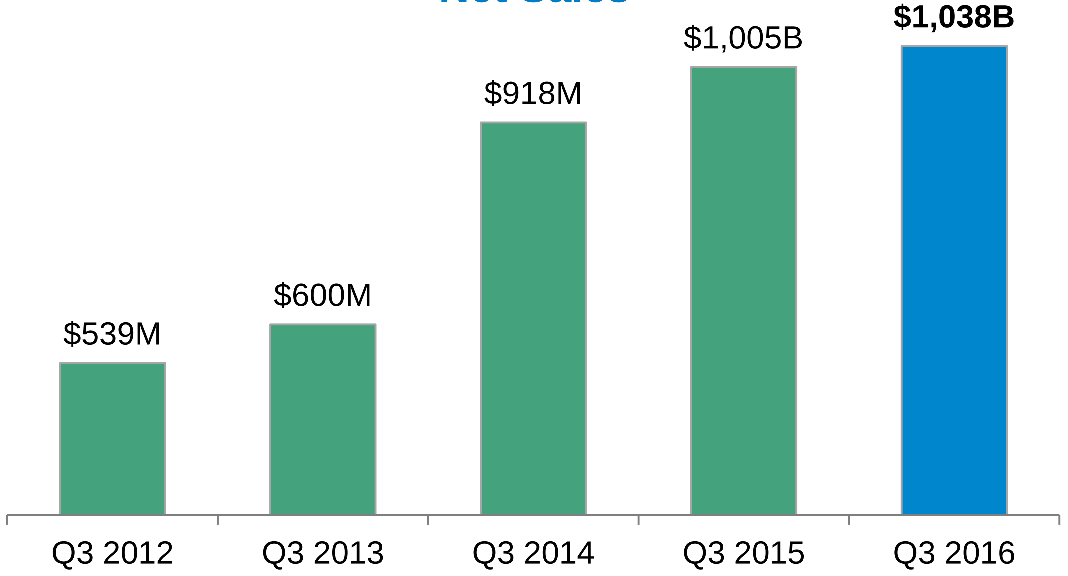


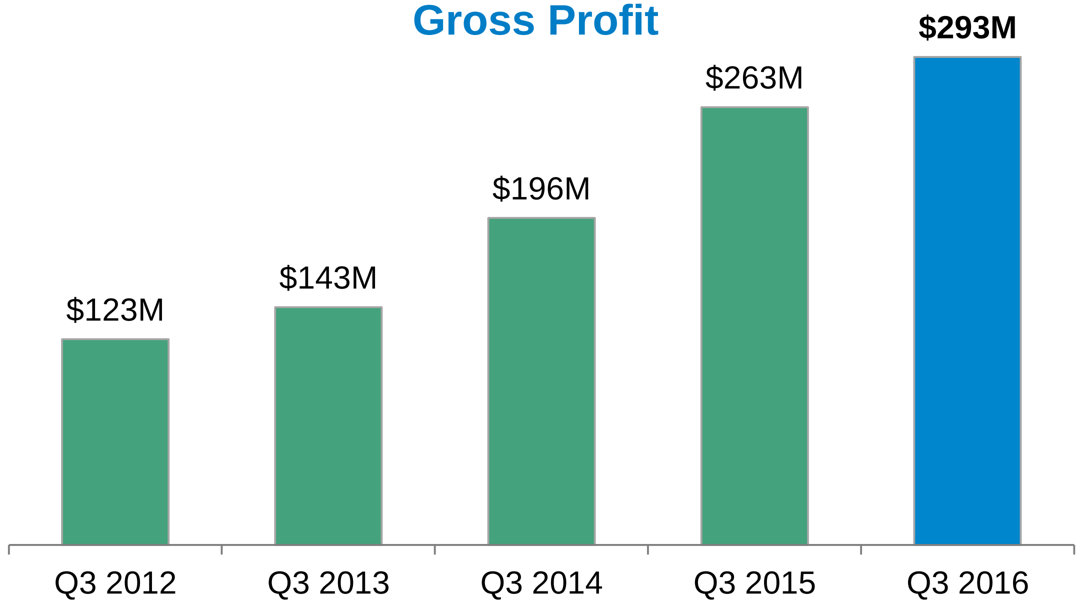



# Third-Quarter 2016 Consolidated Operating Results

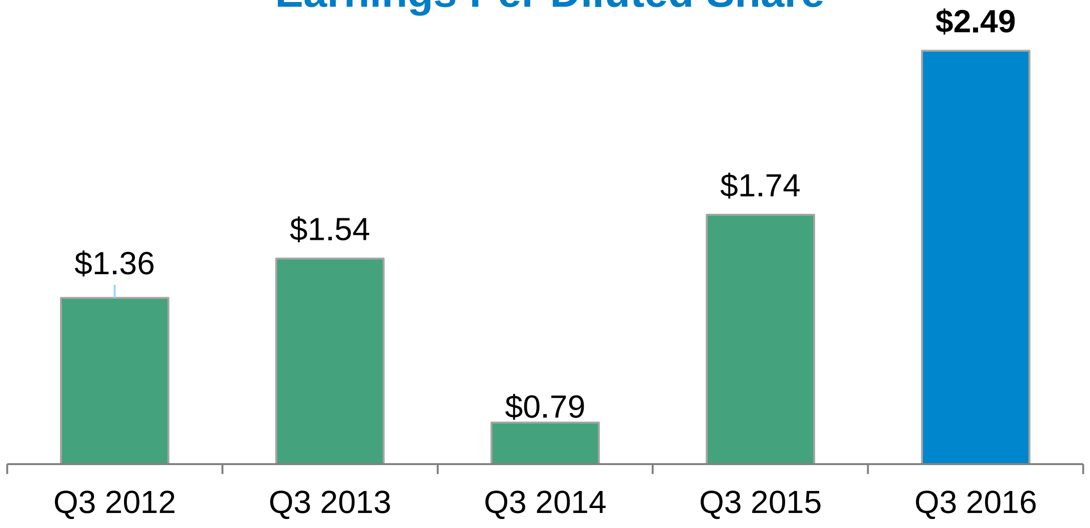
## Net Sales




## Gross Profit

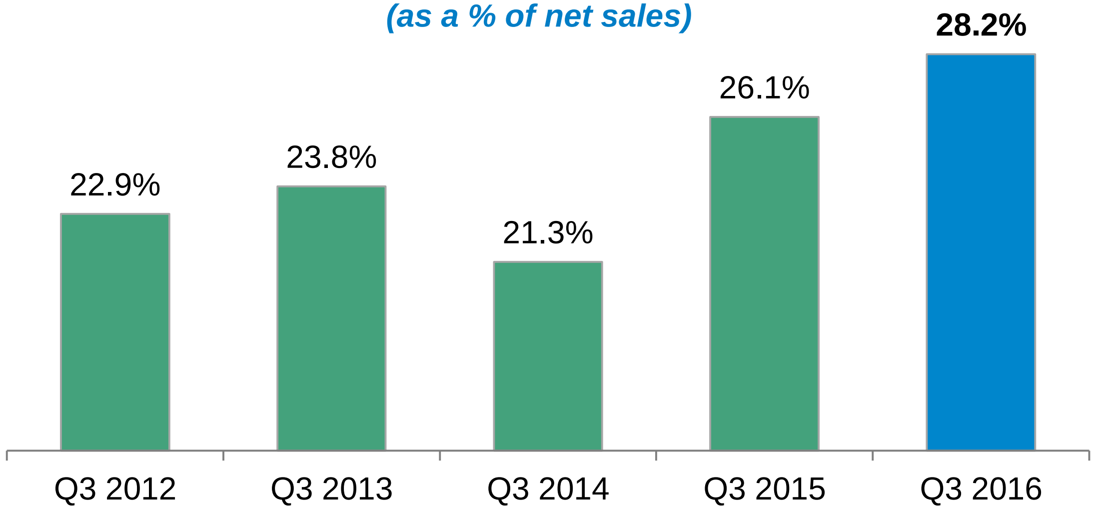



## Earnings Per Diluted Share




## Gross Profit Margin

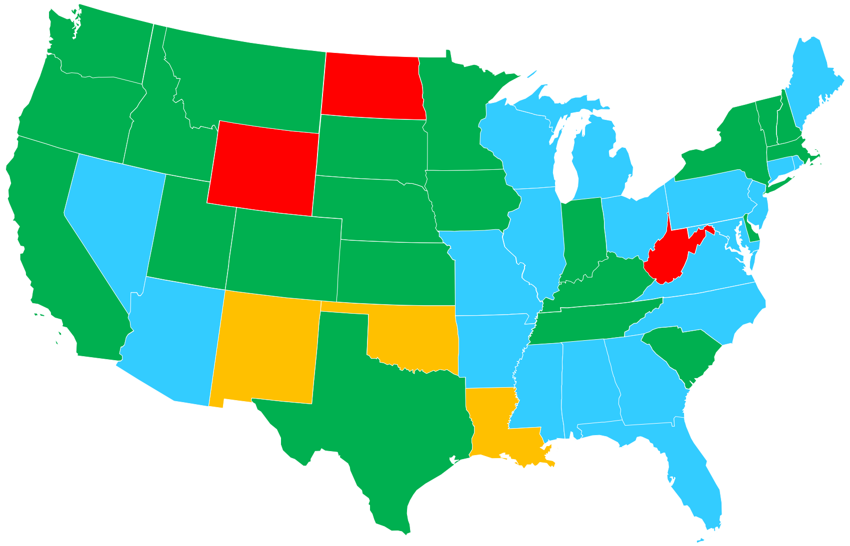
*(as a % of net sales)*




Note: Net sales, gross profit, earnings per diluted share and gross profit margin presented as reported.

# Macroeconomic Drivers Support Construction-Centric Growth

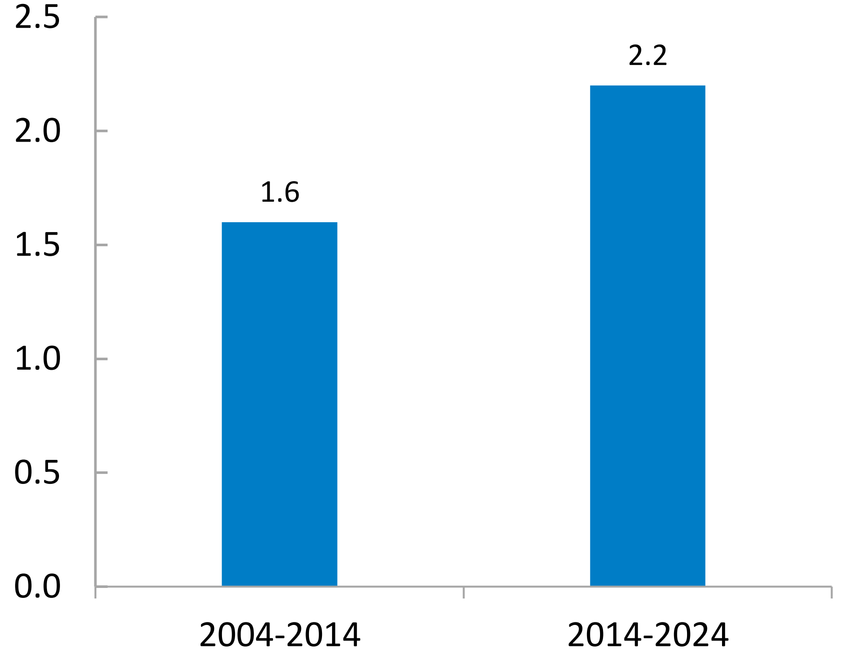
## Early stage southeastern US recovery



Expanding
Recovering
Moderating
Recession

*Source: Economy.com Copyright @2016*

## Rising GDP growth




Growth in GDP; 10-year CAGR (%)
*Source: US Bureau of Labor Statistics*

## Growing population

| Rank | 2030 State Population |
|---|---|
| 1 | California |
| 2 | **Texas** |
| 3 | **Florida** |
| 4 | New York |
| 5 | Illinois |
| 6 | Pennsylvania |
| 7 | **North Carolina** |
| 8 | **Georgia** |
| 9 | **Ohio** |
| 10 | Arizona |

Projected US Population, 2030
*Source: US Census Bureau*

# 2016 Outlook by End Market

**2016 [1] GROWTH RATE**

### Infrastructure

- State department of transportation initiatives drive growth.
- New federal dollars expected in late 2016, with more meaningful impact in 2017.

+ Low-single digits

### Nonresidential

- Both industrial and light commercial sectors expected to increase.

+ Mid-single digits

### Residential

- 2015 housing permits drive 2016 consumption.
- Top 10 for single-family housing Starts: Florida, North Carolina, Georgia and South Carolina.

+ High-single digits

### ChemRock/Rail

- Ballast construction dependent.

– Decline

[1] Growth rate as compared to prior comparable period

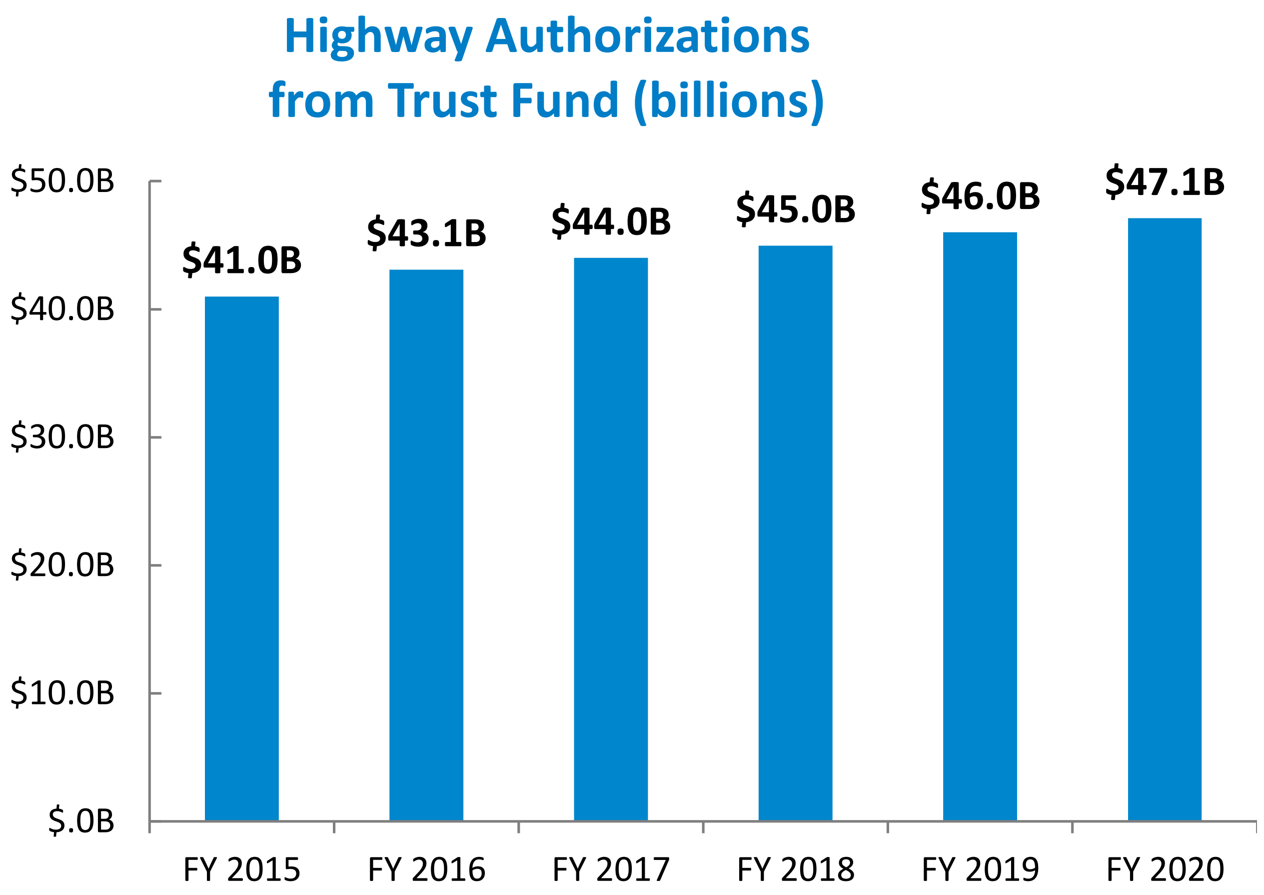
# Federal Infrastructure Funding… A Decade in the Making


***Fixing America's Surface Transportation Act, "The FAST Act"***

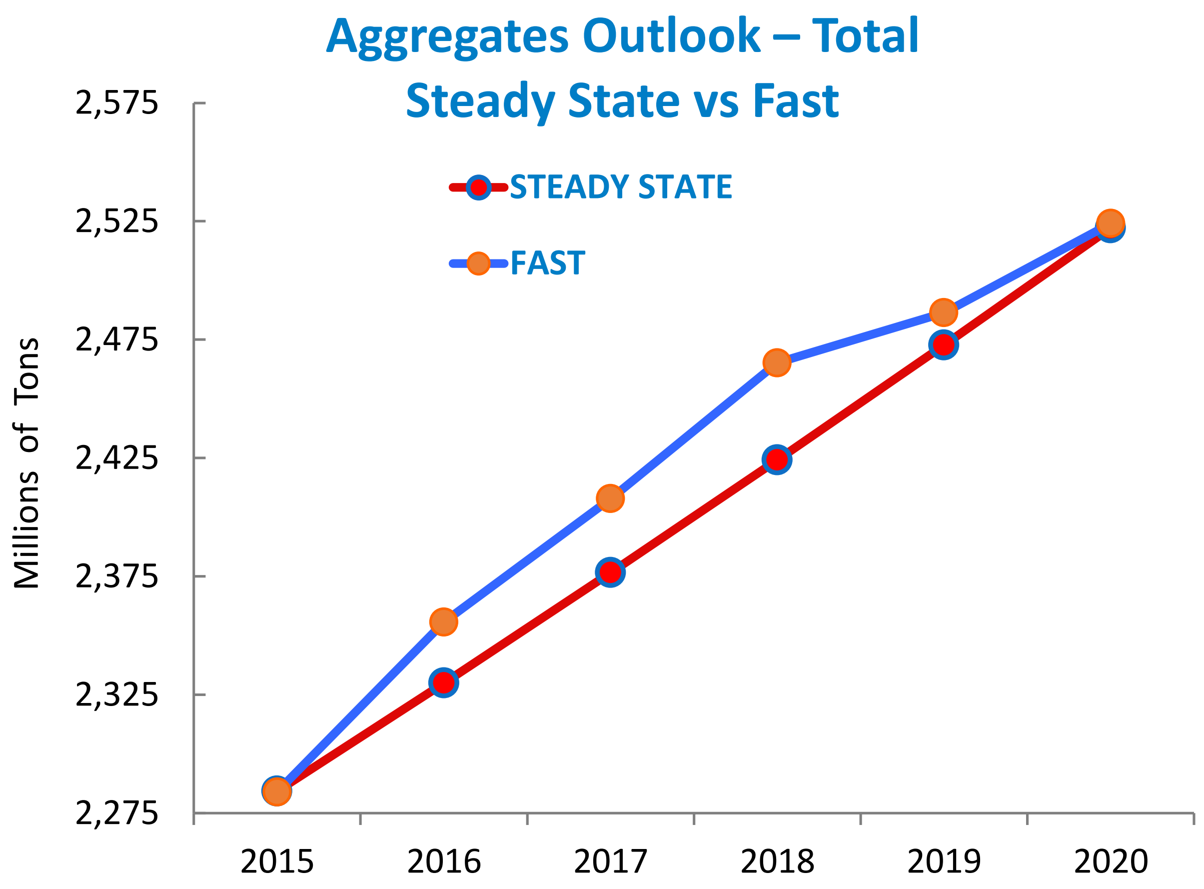
## HIGHWAY BILL BENEFITS

- Multi-year highway bill passed
- Funding certainty and project visibility
- Enable long-term planning
- Strengthens state infrastructure spending initiatives
- New construction more aggregates intensive
- Stimulates rural market transportation construction

# Increased Funding Drives Aggregates Consumption




P.L. 114-94 US Department of Transportation Federal Highway Administration




**FAST Act drives an estimated 114 million tons of incremental aggregates consumption**

# State-Level Infrastructure Funding Initiatives

Texas Department of Transportation

DOT DEPARTMENT OF TRANSPORTATION

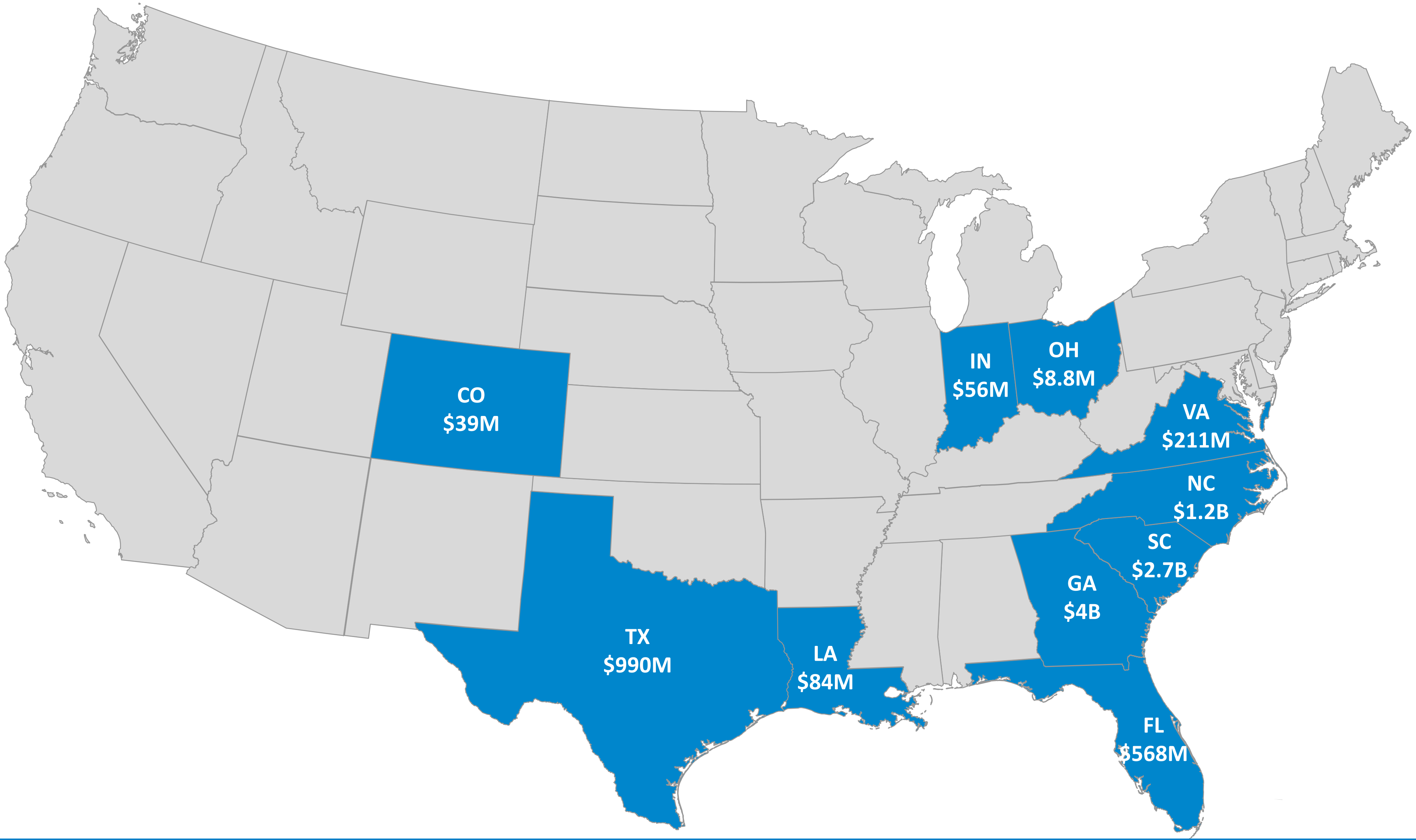
NCDOT NORTH CAROLINA DEPARTMENT OF TRANSPORTATION

GDOT Georgia Department of Transportation

IOWA DOT SMARTER | SIMPLER | CUSTOMER DRIVEN

**$6.2 billion of funding initiatives approved November 8, 2016 in Top 5 MLM states**

# Recently Approved State-Level Transportation Funding Measures




**69% of transportation funding ballot initiatives approved November 8, 2016**

# Focus on Increased Federal Infrastructure Funding

## Election 2016: Agreement on Infrastructure

The New York Times *What Trump, Clinton and Voters Agreed On: Better Infrastructure*

THE WALL STREET JOURNAL.

**What a Privately Funded Infrastructure Push Could Add to GDP**

With rates low, investors could be drawn into infrastructure projects for an economic boost of up to 0.2 percentage points

POLITICO

**Trump's opening act: A trillion dollars of infrastructure**

BARRON'S

**When Will Infrastructure Plan Help the Economy?**

Greg Valliere suggests a timeline for a massive spending bill favored by Trump and both parties.

USA TODAY

**Trump's infrastructure plan: Potholes or a smooth ride?**

# Nonresidential and Residential Construction Trends

Steady annual growth

# Ongoing Multi-Year Industrial Construction Expansion

***Population and energy dynamics continue to draw mega projects to Texas and the Gulf Coast***

| Project | Project Cost ($millions) | Est. Volume | | Est. Start | Status |
|---|---|---|---|---|---|
| | | Aggregates | Ready Mix | | |
| Golden Pass LNG | $ 10,000 | 8M tons | 350K yards | Q2 2017 | To be awarded Q1 2017 |
| Trunkline LNG | 6,000 | 1M tons | 200K yards | Q3 2017 | Awaiting Final Investment Decision (FID) |
| Calcasieu Pass | 5,000 | -- | 260K yards | Q3 2017 | Awaiting FID |
| Port Arthur LNG | 10,000 | 4M tons | 350K yards | Q1 2018 | Awaiting FID |
| Rio Grande LNG | 8,000 | -- | 220K yards | Q2 2018 | Awaiting FID and approval from Federal Energy Regulatory Commission (FERC) |
| Driftwood LNG | 8,000 | 4M tons | 200K yards | 2018 | Awaiting FERC approval |
| **Total Projects** | **$ 47,000** | **17M tons** | **1.6M yards** | | |




# The Next Five-Year End Market Trend

| | 2016 Outlook | Next Five-Year Trend |
|---|---|---|
| **Infrastructure**  | | Mid-single digit annual growth |
| **Nonresidential**  | | Mid-single digit annual growth |
| **Residential**  | | Steady growth towards 1.4 million starts |
| **ChemRock/Rail**  | | Neutral |

**Steady growth supports trend**

FOUNDATION

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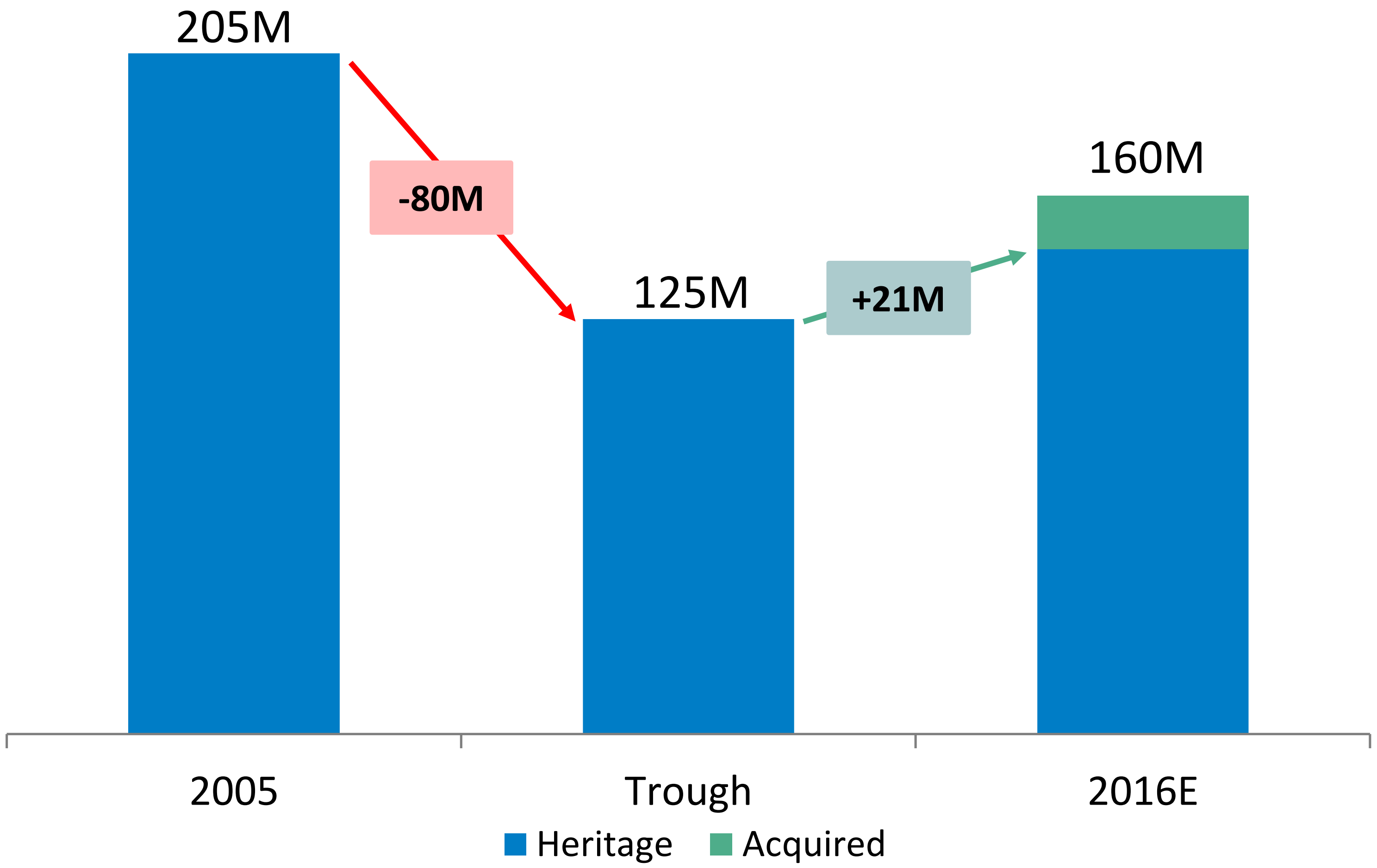
VALUE

# THE PATH FORWARD

# Early Cycle Aggregates Volume Recovery

- Based on the midpoint of 2016 guidance, heritage aggregates volumes ~70 percent of peak

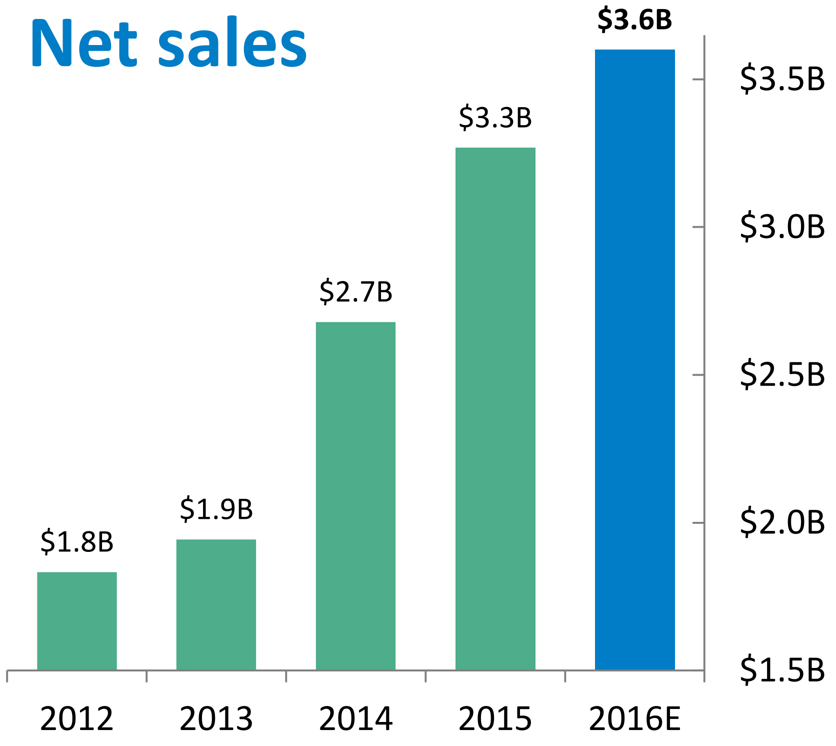


# 2016 Outlook

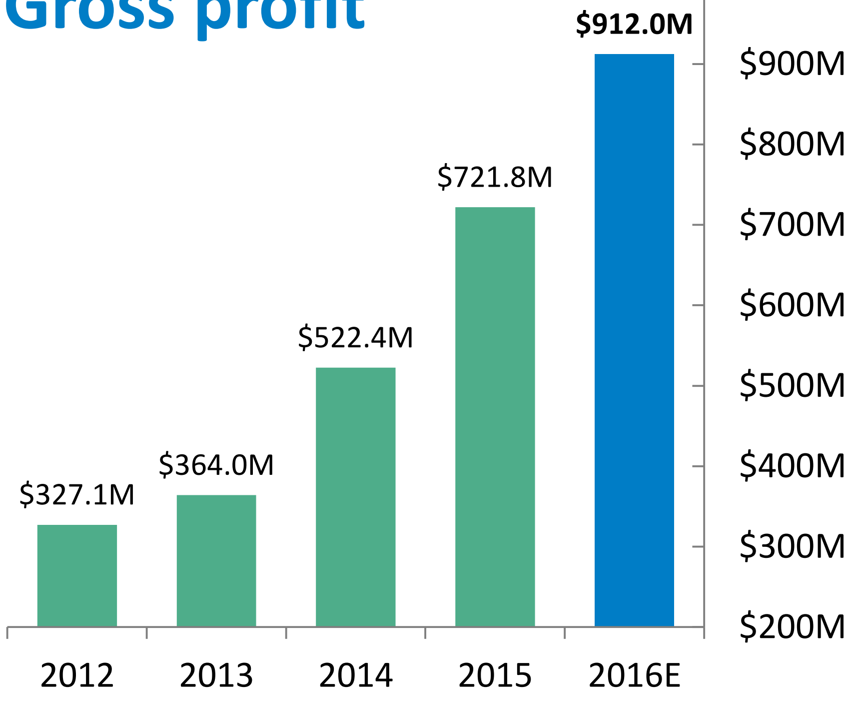
**Based on the midpoint of 2016 guidance:**

- Net sales growth of **10 percent** year-over-year
- Gross profit growth of **26 percent** year-over-year
- EBITDA of **$975 million**; growth of **27 percent** over 2015 adjusted EBITDA

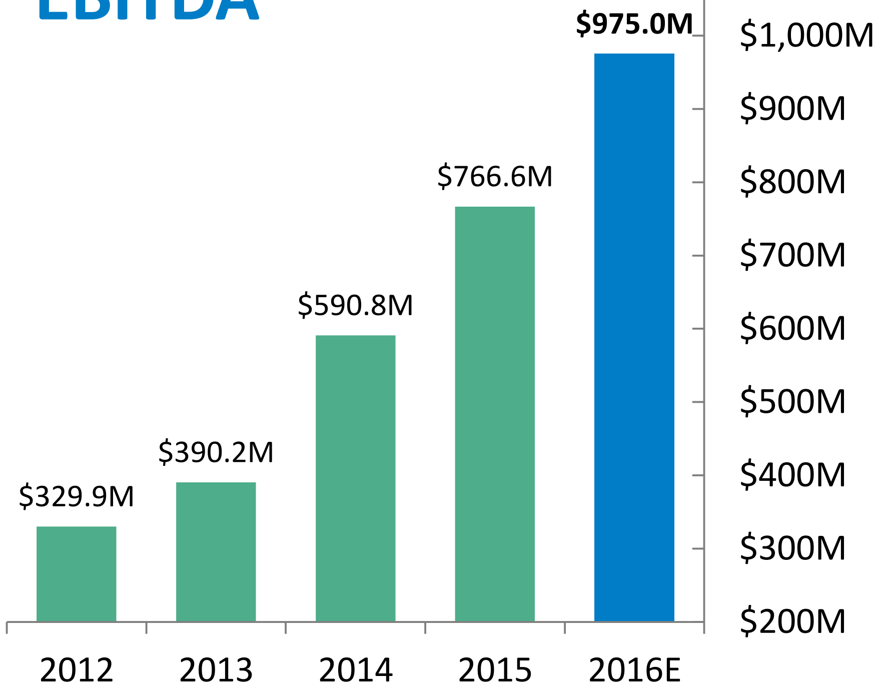
## Net sales




## Gross profit



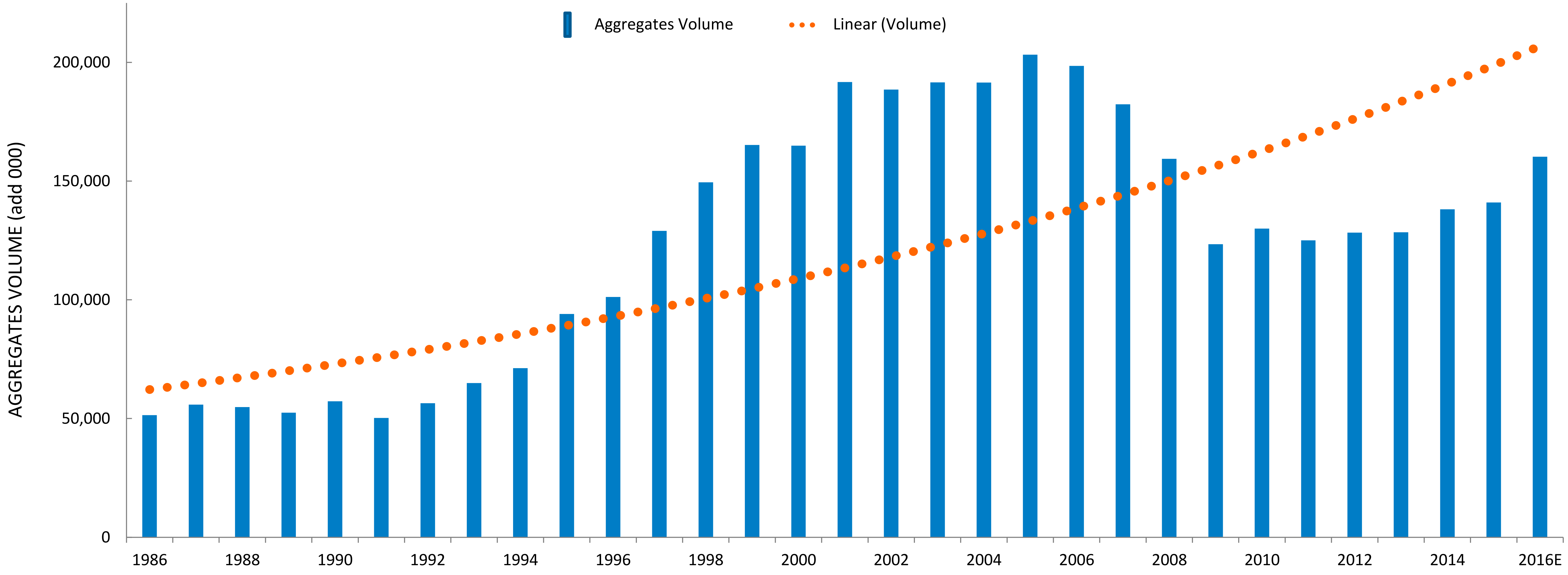

## EBITDA[1]




[1] As reported adjusted EBITDA is presented for 2014 and 2015

# Cycle Dynamics – Aggregates Volume

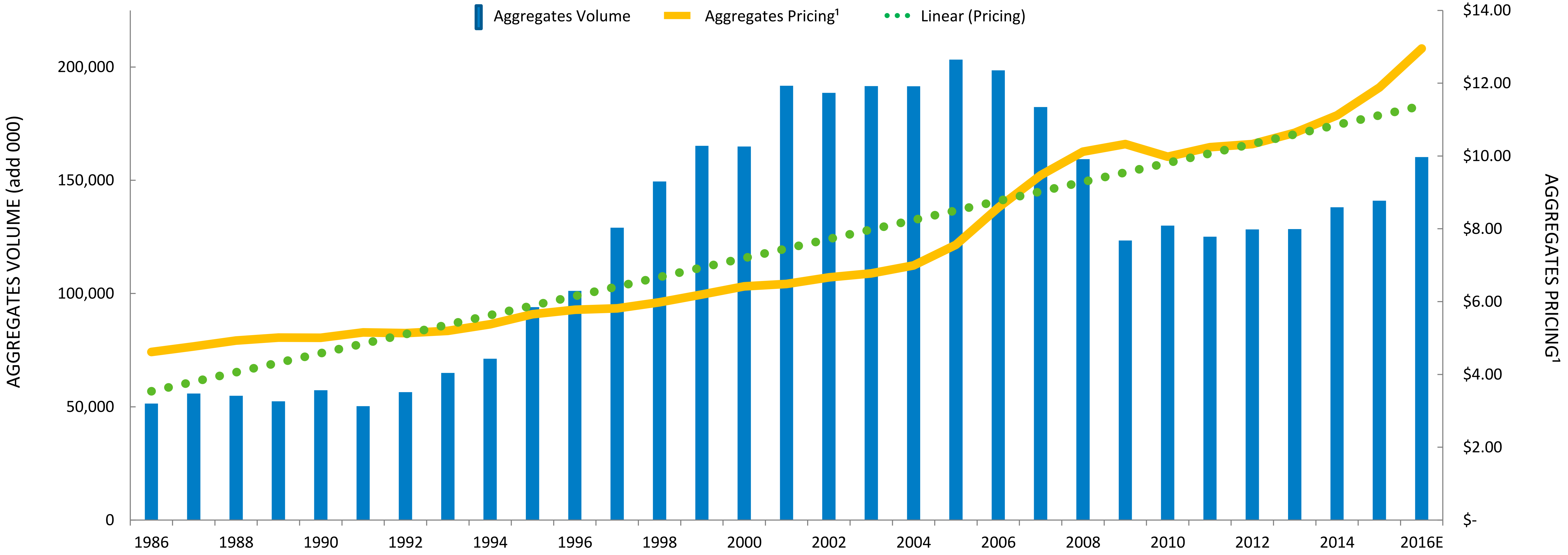
***Volume accelerates at 3.6% CAGR over 30-year horizon***




Note: 2016E assumes midpoint of guidance range for consolidated aggregates volume and pricing.

# Cycle Dynamics – Aggregates Pricing

***Pricing accelerates at 4% CAGR over 30-year horizon***




Note: 2016E assumes midpoint of guidance range for consolidated aggregates volume and pricing.

[1] Selling price is established locally at the point of sale and is subject to specific factors at each locality. Pricing reflects the average of the Corporation's selling price across all regions. Local prices can vary significantly from this average.

# Early Stages of Steady Economic Recovery Drives

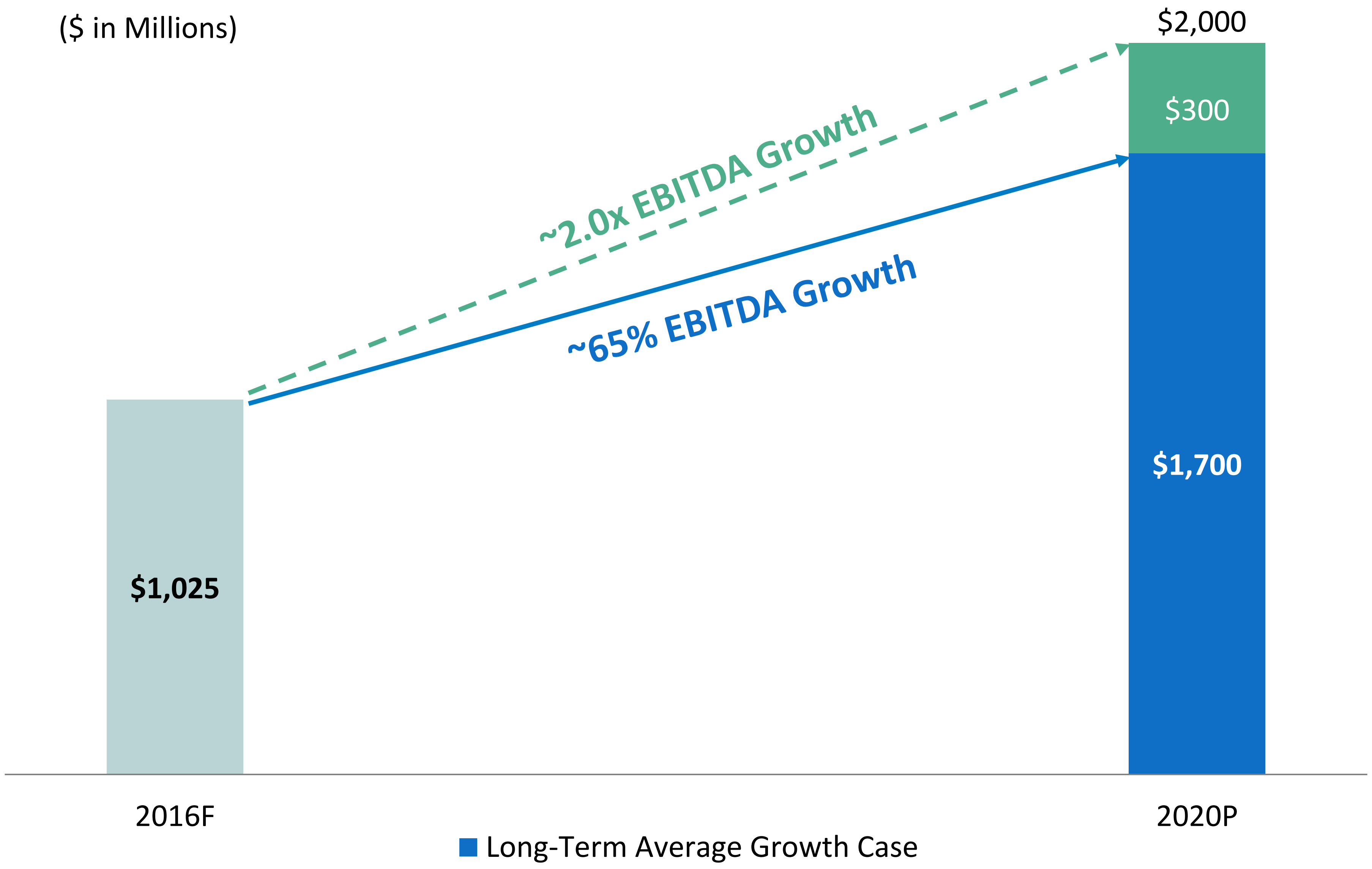
## What if…

- **Aggregates**: ~30-year average volume and pricing growth
- **Cement**: Practical volume capacity by 2020 [1] with 2.5% pricing growth
- Margin expansion of 820 bps driven by operating leverage and performance improvements
- All organic growth

**+1.25% CAGR Case**

- **Aggregates**: +1.25% volume and pricing

## EBITDA



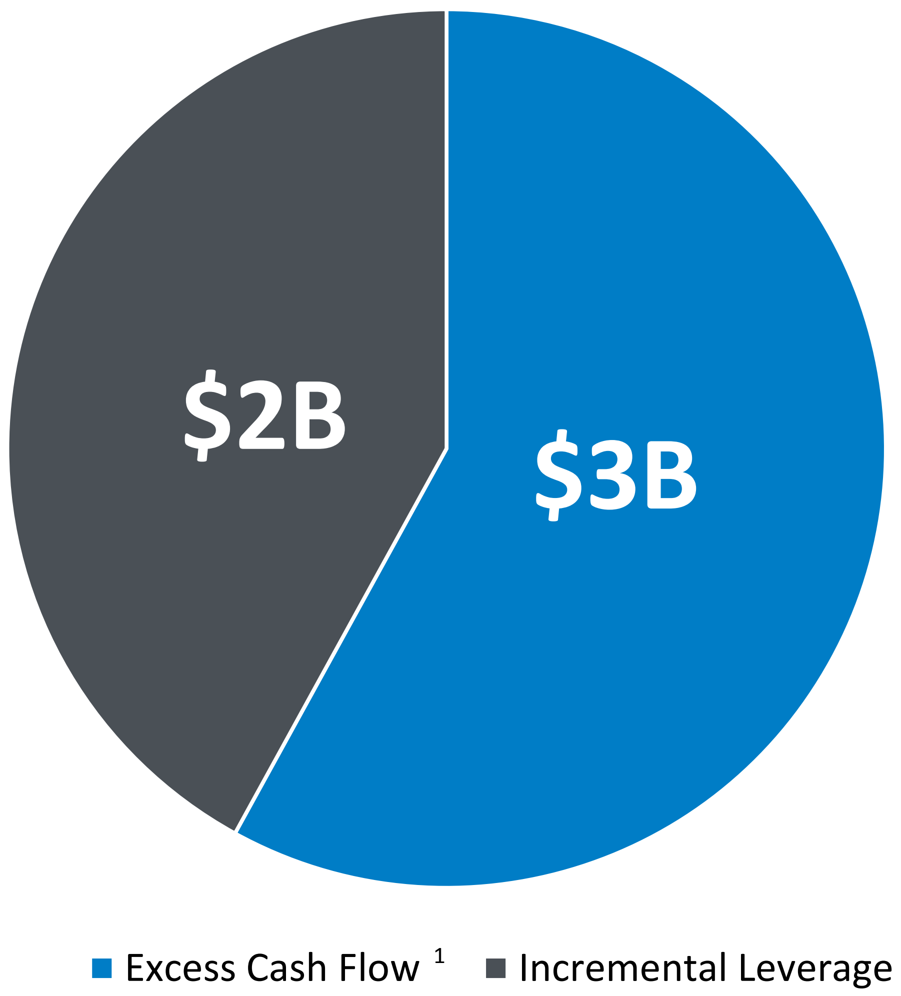

[1] Implied 2016F to 2020P CAGR of 2.7%

# Financial Flexibility to Execute Strategic Plan

## What if…

- Aggregates: ~30-year average volume and pricing growth
- Cement: Practical volume capacity by 2020 with 2.5% pricing growth
- Margin expansion of 820 bps driven by operating leverage and performance improvements
- All organic growth
- **Operating cash flow approximately 73% of EBITDA**
- **Minimum leverage target of 2.0x debt-to-EBITDA**
- **Rounded to nearest billion**

## SOAR 2020 Horizon

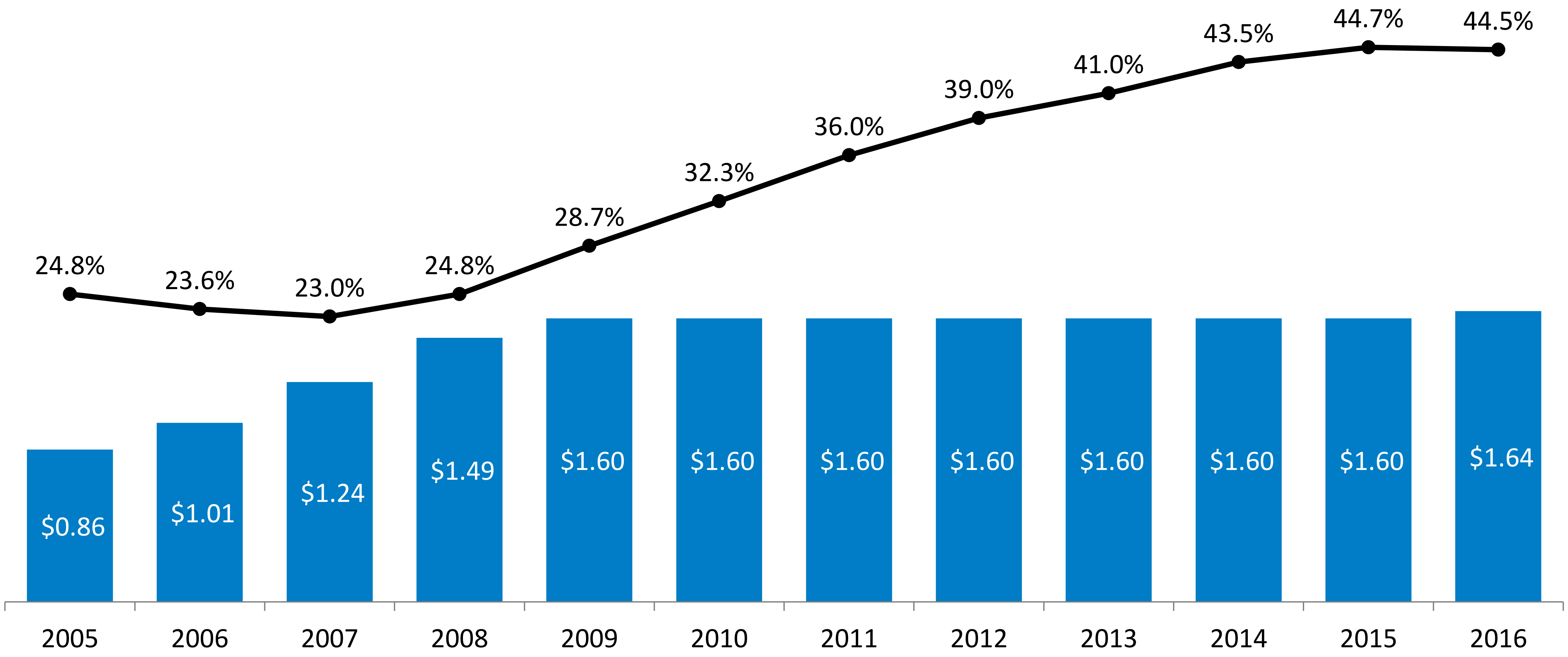



[1] Excess cash flow defined as operating cash flow less capital expenditures and dividends

# Capital Allocation Priorities

| PRIORITIES | | FORWARD VIEW |
|---|---|---|
| **Acquisitions** |  | Execution against strategic assessment |
| **Organic Capital Investment** |  | Above maintenance level of capital spending expected over long range operating plan horizon |
| **Return of Cash to Shareholders** | | |
| **Dividends** |  | Earnings payout practice of 25% to 30% over a 10-year cycle |
| **Share Repurchases** |  | Repurchase authorization of 20.0M shares ≈ 30% of outstanding; 15.5M shares remaining |

# Return of Cash through Sustained, Meaningful Dividend

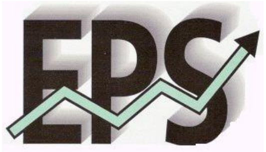



**Earnings Payout Target of 25% to 30% over ten-year cycle**

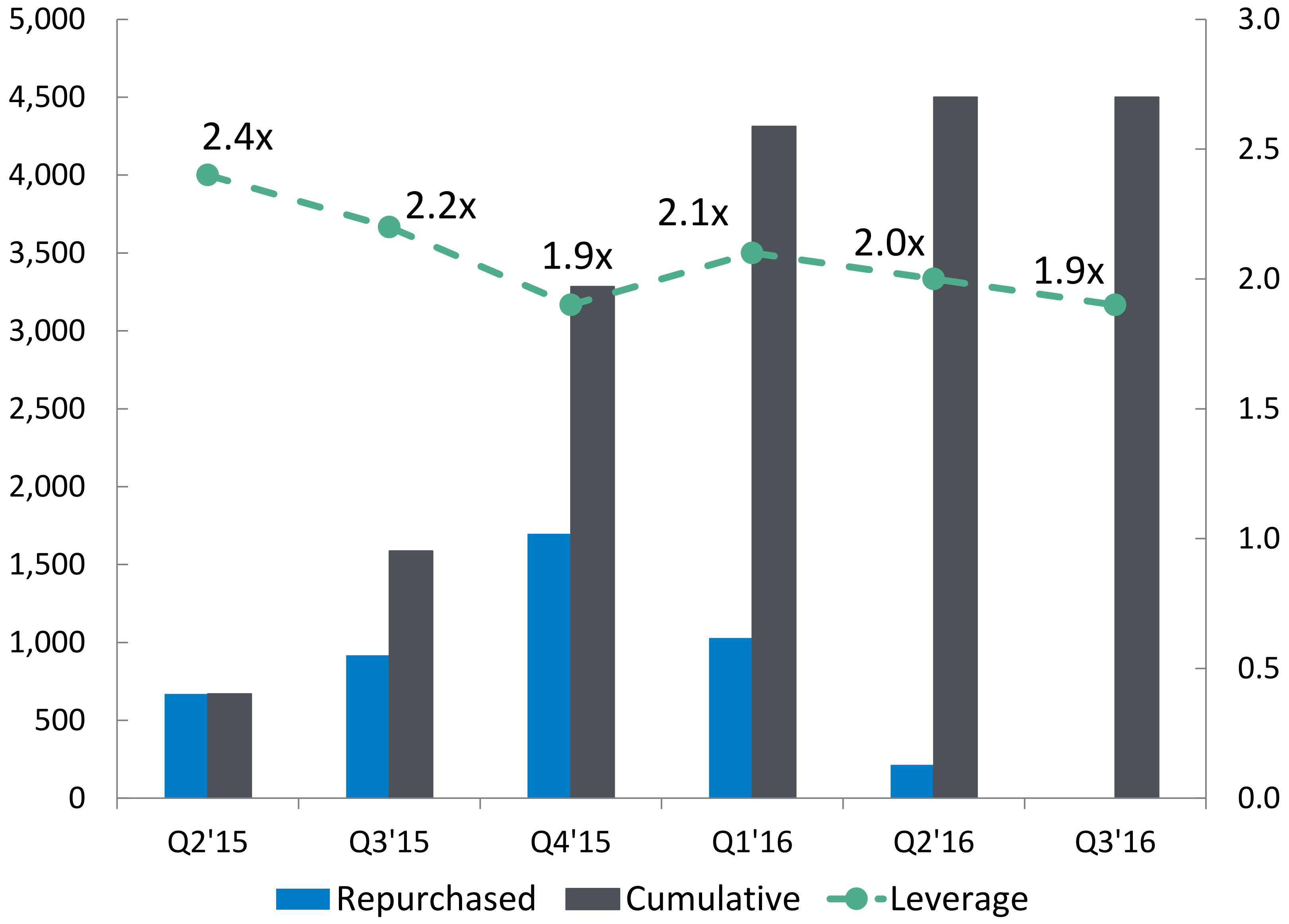
# Return of Cash through Share Repurchases

## Systematic Structured Share Repurchase

– Target a 20 million share buy back

| | | |
|---|---|---|
| Leverage |  | ♦ Target 2.0x to 2.5x EBITDA through cycle<br>♦ Preserve financial flexibility |
| Liquidity |  | ♦ Free cash flow after dividends |
| Financial Impact |  | ♦ Accretive |
| Capital Allocation Priority | | ♦ SOAR 2020 strategic opportunities |

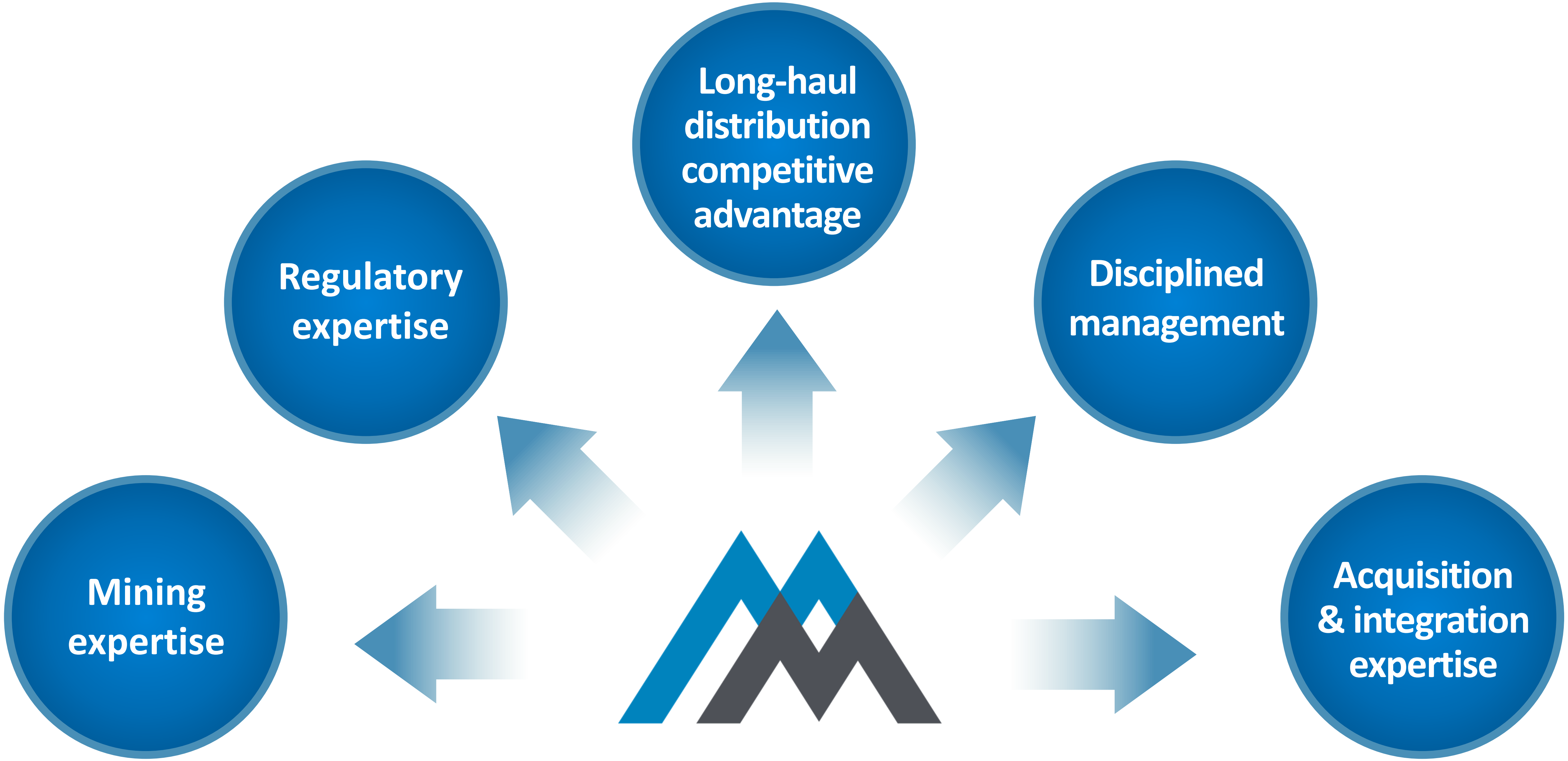
# Share Repurchase Program in Line with Objectives




- 20 million share authorization in February 2015
- 4.5 million shares repurchased through September 30, 2016
- Maintained reasonable leverage targets
- Funded organic capital needs
- Executed against strategic acquisition targets
- Returned $896 million to shareholders[1]

[1] Inclusive of the continued dividend payment

# Core Competencies Drive Forward Value Growth



# The Path Forward – The Next Five

- World-class safety
- Capitalize on core competencies
- Target the right growth opportunities
- Invest in capital projects that provide significant returns
- Generate value from surplus land
- Expand talent, processes and platform
- Deliver consistently against stated sustainability objectives

SOAR 2020

MAXIMIZE SHAREHOLDER RETURNS

# Where Do We Go From Here?

**Building a Solid Base**
1994 to 2006

**Focusing on Fundamentals**
2007 to 2010

**Expanding the Platform**
2011 to 2015

**Strengthening our Outlook**
2016 to 2020

Scale and Scope

**Leading aggregates producer in the U.S.**


LAFARGE

**Colorado and Atlanta**

txi

SOAR 2020

Time

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November 2016
www.martinmarietta.com

# APPENDIX

**Gross margin (excluding freight and delivery revenues)** represents a non-GAAP measure. Martin Marietta presents this ratio calculated based on net sales, as it is consistent with the basis by which management reviews the Corporation's results. Further, management believes it is consistent with the basis by which investors analyze the Corporation's results, given that freight and delivery revenues and costs represent pass-throughs and have no profit markup. Gross margin calculated as a percentage of total revenues represents the most directly comparable financial measure calculated in accordance with generally accepted accounting principles (GAAP).

**Earnings before interest, income taxes, depreciation, depletion 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 or operating cash flow. Further, 2015 adjusted EBITDA excludes the impact of the loss on the sale of the California cement business and related expenses as well as the gain on the sale of the San Antonio asphalt business. 2014 adjusted EBITDA excludes the impact of TXI acquisition-related expenses, net, and the impact of the write-up of acquired inventory to fair value.

**Adjusted net earnings** and **Adjusted Earnings Per Diluted Share** are non-GAAP measures and exclude the impact of TXI acquisition-related expenses, net; the impact of the markup of acquired inventory to fair value; and the gain or loss on business divestitures. Management believes these adjusted measures provide investors more relevant metrics for forecasting future operating results. The non-GAAP measures are reconciled to net earnings and earnings per diluted share in accordance with generally accepted accounting principles.

# APPENDIX

| *(dollars in millions)* | Quarter-ended September 30, 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Gross profit margin in accordance with GAAP:** | | | | | |
| Total revenues | $ 1,103.9 | $ 1,082.2 | $ 1,003.7 | $ 665.3 | $ 592.3 |
| Gross profit | $ 292.6 | $ 262.5 | $ 195.6 | $ 143.1 | $ 124.0 |
| **Gross profit margin, as a percentage of total revenues** | **26.5%** | **24.3%** | **19.5%** | **21.5%** | **20.9%** |
| | | | | | |
| **Gross profit margin** ***(excluding freight and delivery revenues)*****:** | | | | | |
| Total revenues | $ 1,103.9 | $ 1,082.2 | $ 1,003.7 | $ 665.3 | $ 592.3 |
| Less: freight and delivery revenues | (65.6) | (77.0) | (85.8) | (64.8) | (54.8) |
| Net sales | $ 1,038.3 | $ 1,005.2 | $ 917.9 | $ 600.5 | $ 537.5 |
| Gross profit | $ 292.6 | $ 262.5 | $ 195.6 | $ 143.1 | $ 124.0 |
| **Gross profit margin** ***(excluding freight and delivery revenues)*** | **28.2%** | **26.1%** | **21.3%** | **23.8%** | **23.1%** |

# APPENDIX

| *(dollars in millions)* | Nine-months ended September 30, | | | | |
|---|---|---|---|---|---|
| | **2016** | **2015** | **2014** | **2013** | **2012** |
| **Gross profit margin in accordance with GAAP** | | | | | |
| Total revenues | $ 2,869.9 | $ 2,695.0 | $ 2,101.6 | $ 1,610.5 | $ 1,529.6 |
| Gross profit | $ 683.9 | $ 536.9 | $ 357.0 | $ 262.9 | $ 250.4 |
| **Gross profit margin, as a percentage of total revenues** | **23.8%** | **19.9%** | **17.0%** | **16.3%** | **16.4%** |
| | | | | | |
| **Gross profit margin, as a percentage of net sales** | | | | | |
| Total revenues | $ 2,869.9 | $ 2,695.0 | $ 2,101.6 | $ 1,610.5 | $ 1,529.6 |
| Less: freight and delivery revenues | (182.2) | (207.7) | (202.0) | (158.7) | (152.7) |
| Net sales | $ 2,687.7 | $ 2,487.3 | $ 1,899.6 | $ 1,451.8 | $ 1,376.9 |
| Gross profit | $ 683.9 | $ 536.9 | $ 357.0 | $ 262.9 | $ 250.4 |
| **Gross profit margin, as a percentage of net sales** | **19.0%** | **13.8%** | **18.8%** | **18.1%** | **18.2%** |

# APPENDIX

The following table presents the calculation of consolidated incremental gross profit margin (excluding freight and delivery revenues) for the quarter- and nine-months ended September 30, 2016.

| | Quarter-ended September 30, | | | Nine-months ended September 30, | | |
|---|---|---|---|---|---|---|
| *(dollars in millions)* | **2016** | **2015** | *variance* | **2016** | **2015** | *variance* |
| **Consolidated incremental gross profit margin, as a percentage of net sales:** | | | | | | |
| Net sales | $ 1,038.3 | $ 1,005.2 | *$ 33.1* | $ 2,687.7 | $ 2,487.3 | *$ 200.4* |
| Gross profit | $ 292.6 | $ 262.5 | *$ 30.1* | $ 683.9 | $ 536.9 | *$ 147.0* |
| **Consolidated incremental gross profit margin** ***(excluding freight and delivery revenues)*** | | | **91%** | | | **73%** |

# APPENDIX

| *(dollars in millions)* | Year-ended December 31, 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| Net earnings attributable to Martin Marietta | $ 288.8 | $ 155.6 | $ 121.3 | $ 84.5 |
| Add back: | | | | |
| Interest expense | 76.3 | 66.1 | 53.5 | 53.3 |
| Income tax expense for controlling interests | 124.9 | 94.8 | 43.5 | 16.6 |
| Depreciation, depletion & amortization expense | 260.7 | 220.5 | 171.9 | 175.5 |
| **EBITDA** | **$ 750.7** | **$ 537.0** | **$ 390.2** | **$ 329.9** |
| Nonrecurring expenses (acquisition-related expenses, net loss on divestitures and other noncash related charge) | 15.9 | 53.8 | -- | -- |
| **Adjusted EBITDA** | **$ 766.6** | **$ 590.8** | **$ 390.2** | **$ 329.9** |

# APPENDIX

| *(dollars in millions)* | Quarter-ended September 30, 2016 | Quarter-ended September 30, 2015 | | Nine-months ended September 30, 2016 | Nine-months ended September 30, 2015 |
|---|---|---|---|---|---|
| Pretax earnings attributable to Martin Marietta | $ 230.4 | $ 165.0 | | $ 470.5 | $ 291.2 |
| Add back: | | | | | |
| Interest expense | 20.6 | 18.9 | | 60.9 | 57.4 |
| Depreciation, depletion & amortization expense | 71.8 | 64.3 | | 210.5 | 197.7 |
| **EBITDA** | **$ 322.8** | **$ 248.2** | | **$ 741.9** | **$ 546.3** |
| | | | | | |
| EBITDA margin as a % of net sales | 31.1% | 24.7% | | 27.6% | 22.0% |

# Martin Marietta

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