## PARTICIPANTS

**Corporate Participants**

**C. Howard Nye** – President, Chief Executive Officer & Director, Martin Marietta Materials, Inc.
**Melvin G. Brekhus** – President, Chief Executive Officer & Director, Texas Industries, Inc.
**Anne H. Lloyd** – Executive Vice President and Chief Financial Officer, Martin Marietta Materials, Inc.

**Other Participants**

**Chris D. Olin** – Analyst, Cleveland Research Co. LLC
**Arnie Ursaner** – Analyst, CJS Securities, Inc.
**Kathryn I. Thompson** – Analyst, Thompson Research Group LLC
**Trey H. Grooms** – Analyst, Stephens, Inc.
**Garik S. Shmois** – Analyst, Longbow Research LLC
**Adam P. Rudiger** – Analyst, Wells Fargo Securities LLC
**Jerry D. Revich** – Analyst, Goldman Sachs & Co.
**Ted Grace** – Analyst, Susquehanna Financial Group LLLP
**Jack F. Kasprzak** – Analyst, BB&T Capital Markets
**Todd Vencil** – Analyst, Sterne, Agee & Leach, Inc.
**Keith Hughes** – Analyst, SunTrust Robinson Humphrey

## MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, good morning, and welcome to today's conference call and webcast announcing the planned combination of Martin Marietta and Texas Industries. All participants are currently in a listen-only mode. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

As a reminder, today's call is being recorded, and a copy of the slide presentation is available on the Investor Relations sections of martinmarietta.com and txi.com. An audio archive of this call will be available shortly after the call has concluded.

At this time, I would like to turn the call over to Ward Nye, Martin Marietta's President and CEO. Please go ahead, sir.

**C. Howard Nye, President, Chief Executive Officer & Director**

Laurie, thank you very much. And good morning, everyone, and thank you all for joining us on short notice for this announcement. Our planned combination with Texas Industries creates an expanded platform for growth that will benefit shareholders of both companies. Joining me today are Anne Lloyd, our Executive Vice President and Chief Financial Officer; and Mel Brekhus, Texas Industries' President and Chief Executive Officer.

In a few moments, I'll provide the high-level details about the transaction, and then Mel will share his perspective and discuss the significant benefits he sees for Texas Industries shareholders in this combination. Anne and I will then talk in more detail about the strategic rationale and financial benefits. Anne will also spend a few minutes discussing our fourth quarter 2014 earnings results, which we also issued this morning.

Before we get started, I'd like to remind everyone that today's discussion may include forward-looking statements, as defined by securities laws, in connection with future events or future operating or financial performance. Such statements are subject to risks and uncertainties which could cause actual results to differ materially. Except as legally required, we undertake no obligation publicly to update or revise any forward-looking statements, whether resulting from new information, future developments, or otherwise.

We refer you to the legal disclaimers contained in our Martin Marietta and Texas Industries' most recent earnings releases and to our other filings with the Securities and Exchange Commission, which are available on both our own and the SEC websites. Also, any margin references in our discussion are based on net sales, excluding freight and delivery revenues. These and other non-GAAP measures are also explained in our SEC filings and on our website.

Moving on to the announcements, Slide 5 outlines at a high level the compelling strategic and financial benefits of this transaction and makes clear how the combination of our two companies creates an expanded platform for growth. Together, we'll create the leading U.S. aggregates producer, enhanced by a targeted cement presence. The combined company will have nationwide scale and enhanced geographic and product diversity.

We'll be well-positioned for long-term growth, with uniquely positioned assets, including our best-in-class long-haul network, providing us expanded reach into the largest and fastest-growing geographies in the United States, including Texas and California. Furthermore, by vertically integrating across aggregates and targeted cement operations, we'll be able to leverage the complementary high-quality assets of both companies and enhance our position as low-cost and highly efficient operators.

The combined company will have a disciplined management team, a strong balance sheet, enhanced financial flexibility, and better access to capital, which should fuel our long-term growth as we experience rapidly improving market conditions. All of these benefits, combined with the synergies we expect to achieve from the combination, provide a unique opportunity to create significant value for both sets of shareholders.

Turning to Slide 6, you'll see an overview of the terms of the transaction. Under the merger agreement, Martin Marietta will acquire all of the outstanding shares of Texas Industries common stock in a tax-free stock-for-stock transaction. Based on the closing market prices for the shares of both companies on January 27, 2014, and their debt levels as of December 31, 2013, the combined company will have an enterprise value of approximately $8.5 billion.

Texas Industries shareholders will receive 0.7 Martin Marietta shares for each share of Texas Industries common stock they own at closing. Based on the closing stock price for Martin Marietta on January 27, 2014, this consideration would be equivalent to $71.95 of Martin Marietta stock for each Texas Industries share.

The exchange ratio represents a 13% premium to the average exchange ratio implied by the closing prices of Martin Marietta's and Texas Industries' shares during the last 90 days and an over 15% premium to the exchange ratio implied by the respective closing stock prices on December 12, 2013, the day prior to market speculation of a potential transaction.

We expect the transaction will close in the second quarter of 2014, subject to [ph] shareholder [indiscernible] (05:45) votes by both Martin Marietta and Texas Industries shareholders as well as customary regulatory approvals and closing conditions. An important element of this transaction involves voting agreements with two of Texas Industries' largest shareholders, representing approximately 51% of shares outstanding, who have agreed to vote all of their shares of Texas Industries common stock in favor of the transaction. We are pleased to have their strong support.

Upon closing, Martin Marietta shareholders are expected to own approximately 69% and Texas Industries shareholders are expected to own approximately 31% of the combined company. We'll operate under the name Martin Marietta Materials, and we'll be headquartered in Raleigh, North Carolina, and will maintain a significant presence in Dallas.

I, along with the rest of the Martin Marietta executive management team, will lead the combined company. We'll retain top talent across the combined company based on the best athlete approach. In addition, Mel Brekhus, Texas Industries' President and CEO, has agreed to work constructively with us to ensure an orderly transition and smooth integration.

As you'll see on Slide 7, we're bringing together two highly complementary companies, both in terms of geographies, products, and areas of expertise. We're combining strong aggregates and heavy building materials franchises that, together, can achieve greater scale and efficiencies to deliver value.

As the number-two producer of aggregates for highway, infrastructure, commercial, and residential construction in the United States, Martin Marietta supplies the crushed stone, sand, and gravel used to build the roads, sidewalks, and foundations on which Americans live. With our aggregates business accounting for approximately 88% of Martin Marietta's annual net sales and our specialty products business representing nearly 12%, we produce about 128 million tons of aggregates per year to 35 states across the country.

Texas Industries is the number-one cement producer by capacity in Texas and number three in California. Importantly, Texas Industries' aggregates operations are strategically located in high-growth markets that fit well in our existing portfolio. It offers 7.4 million tons of cement capacity and over 100 ready-mix plants, which will further diversify Martin Marietta's product and customer mix.

Mel will discuss the significant investments in plant modernization and capacity expansion that Texas Industries has undertaken throughout the last decade. With these key strategic decisions, Texas Industries has achieved leading positions in some of the nation's highest-growth markets while maintaining a low cost profile.

As a result of this combination, we'll create a market-leading supplier of aggregates and heavy building materials that's poised to capitalize on the strength of our combined aggregates platform as well as the significant upside potential in both the residential and nonresidential construction markets. We're excited about the potential of joining forces with Texas Industries and look forward to quickly realizing the benefits of this transaction.

With that said, I'd like now to turn the call over to Mel to discuss why TXI decided to partner with Martin Marietta. Mel?

**Melvin G. Brekhus, President, Chief Executive Officer & Director, Texas Industries, Inc.**

Thank you, Ward. Before I get into my prepared remarks, I want to thank Ward and his team for all the hard work that they've done, but more importantly, the collaborative work that they've done that has helped us bring this potential merger together. And we will continue to operate collaboratively and enthusiastically to see this merger through.

  

But if you will please look at Slide 9, you will see the strategic evolution that we have taken at TXI to position the company as a leader in our markets. Since 2001, Texas Industries has expanded its operations and grown by, among other things, investing over $1 billion in cement plant modernization and capacity expansion ahead of increased demand and more stringent regulations.

We have replaced 2.3 million tons of older, less efficient clinker capacity and increased clinker capacity by approximately 3.5 million tons. We've made these strategic investments in order to further enhance our reputation as a low-cost producer with state-of-the-art facilities and to get us to where we are today. We believe this combination with Martin Marietta represents another step forward for Texas Industries as we seek to continuously improve our business and maximize value for our shareholders.

If you'd please turn to Slide 9, as one entity, Martin Marietta and Texas Industries will benefit from increased scale and scope, a more diversified portfolio of products, and significant exposure to the attractive aggregates business. We've long admired Martin Marietta's success and strong execution track record, and we believe the combination provides opportunities for significant value creation.

As Slide 9 further outlines, this stock-for-stock transaction will provide our shareholders with a tax-free exchange and allow them to participate in the significant upside potential of the combined company, including the synergies that have been identified. Additionally, by being part of a larger organization, the combined company will have greater financial flexibility and a stronger balance sheet, allowing us to provide meaningful dividends to Texas Industries shareholders and deliver a solid platform for sustainable growth.

Texas Industries' board ran a thorough and robust process, evaluated available options, and concluded that the combination with Martin Marietta fulfilled our goals. We are confident that this is the best outcome for our stakeholders, including our employees, our customers, our vendors, and, of course, our shareholders. I'm very proud of what we have done here at Texas Industries. As we look forward to this combination, I want to thank all of our employees for their contributions that have made this announcement possible.

As I opened my remarks, I once again say I look forward to working together with Ward and the rest of the Martin Marietta management team to support this combination and to ensure a successful integration. I believe the next chapter of our company will be a great one.

Thank you, Ward, and I'll turn it back to you.

**C. Howard Nye, President, Chief Executive Officer & Director**

Mel, thank you very much, and I really appreciate your kind comments and the way that your team has approached this. I think we really have done something together that's in the best interests of our collective shareholders, customers, and employees, and I wholly agree with your sentiment, and we're looking forward to joining forces.

Taking a look at Slide 12, and I want to spend a few minutes now explaining in greater detail why this transaction is right from both a strategic and financial perspective and the substantial benefits it offers to both companies' shareholders.

As you can on Slide 12, this combination allows Martin Marietta to continue delivering on its strategic principles of positioning, growth, and performance. We want to be positioned in the most attractive markets, leveraging multiple long-term drivers of growth, and continue to differentiate our performance from all others in the industry. We believe the combination with Texas Industries lines up with each of these principles and represents a very attractive investment for our shareholders.

As you can see on Slide 13, Martin Marietta is geographically diverse with respect to its net sales. Texas, one of the fastest-growing markets in the country, already accounts for approximately 17% of Martin Marietta's net sales, while North Carolina and Georgia, which are in the early stages of economic recovery, account for about 19% of net sales. Importantly, Texas Industries supports our already strong position in Texas and provides a presence in the rapidly recovering California market. Combined with established positions in key geographies, this will lead to nearly $2.5 billion in combined sales.

Slide 14 shows the combined company's pro forma position in the aggregates business. Last year, Martin Marietta produced 128 million tons of sand, gravel, and crushed stone, making us the second largest producer of aggregates in the country and the third largest shipper. Combining our aggregates operations with Texas Industries, which shipped approximately 15 million tons in fiscal year 2013, the combined company would have been the pro forma number-one producer of aggregates in the Unites States last year.

In addition, Texas Industries' aggregates operations are strategically located in high-growth markets in Texas, which highly complement our existing portfolio. As I've said before and is illustrated on the next slide, Slide 15, vertical integration will drive value creation in selective markets. The combined company will be focused on the key benefits available from operating in aggregates as well as cement and ready-mix, and we're confident we'll deliver value from this enhanced vertical integration.

Turning to Slide 16, as Mel mentioned, one of the exciting benefits of this transaction comes with the work that Texas Industries has already done to improve its facilities and ensure their compliance with both federal and state environmental regulations. According to the Portland Cement Association, or PCA, under current environmental regulations, there are 18 cement facilities forecasted to be closed and seven designated for permanent closure. Additionally, there are three more facilities that are at high risk for closure.

Combined, these facilities represent 19.3 million tons of U.S. clinker production capacity expected to be removed from the U.S. market. Texas Industries' recently upgraded and expanded facilities could be the last commissioned for the foreseeable future in the California market. Whether or not all of those other facilities close remains to be seen. However, no matter the ultimate outcome, we expect that the combined company will be uniquely well-positioned in California.

Growth is another of our strategic principles, and Slide 17 demonstrates the planned combination increases our exposure to some of the country's most attractive high-growth markets. In total, the combined company will be uniquely situated with top markets in states that account for approximately 70% of projected U.S. population growth between 2012 and 2017. Martin Marietta is strategically located in Texas as well as other high-growth states across the Southeast and in other growing markets, while Texas Industries is strategically located in Texas and California.

Moving to Slide 18, you can see why we are so enthusiastic about our pro forma position in Texas. Texas is the number-one consumer of aggregates and cement in the United States, and the combined Texas operations you see illustrated on Slide 18 will represent 34% of pro forma sales in the combined company. The company will have an unmatched asset base in key markets in Texas, including Dallas/Fort Worth and Austin.

Our optimism is supported by analyst expectations that Texas will expand at an above-average pace in 2014 and beyond, supported by broad-based economic drivers, including housing and nonresidential construction, energy, and related manufacturing. As you see on Slide 19, the PCA reports that Texas demand for cement currently exceeds capacity, and that gap is only expected to grow over the next four years. Texas Industries maintains a leadership position in the state, and we believe the combined company will be well-positioned to serve this key market.

With this combination, Martin Marietta will once again gain access to California, which we believe is at the early stages of a significant recovery. Slide 20 details many of the reasons we believe in the potential of this market. The state is the eighth largest economy in the world, and it is the number-two consumer of both aggregates and cement in the U.S. construction, behind only Texas. Between 2013 and 2017, PCA projects a compound annual growth rate in Southern California's cement consumption of 13.4% and a 12.5% compound annual growth rate in Northern California over the same period.

Anne's now going to take us through the financial benefits of this planned combination. So, with that, we'll turn it to Anne.

**Anne H. Lloyd, Executive Vice President and Chief Financial Officer**

Thank you, Ward. Ward has talked about positioning and growth, and we will now focus on how this planned combination also delivers against performance, one of our key strategic principles. On Slide 21, I want to begin with a high-level overview of the significant financial benefits that this combination will provide shareholders.

Importantly, we expect the transaction to be immediately accretive to Martin Marietta's earnings per share in 2014, assuming refinancing of Texas Industries' outstanding debt at or around closing of the merger and excluding one-time costs. In the first full year of ownership, EPS accretion is expected to reach mid to high single-digits.

The combination will also provide meaningful additional growth opportunities that will drive revenue and EBITDA growth in excess of standalone projections. As I will outline on the next slide, taking into consideration the benefits from acquired net operating losses as well as non-core real estate and synergies that we are confident we can bring to bear, we believe the run-rate multiple of this proposed transaction will be inside eight-times EBITDA within 24 months of closing. Finally, the combination will also help Martin Marietta increase our return on invested capital over the next several years, particularly as run-rate synergies take hold.

As outlined on Slide 22, we expect to achieve $70 million of annual synergies by calendar year 2017. Through a nearly even split of SG&A savings and operational efficiencies, including incremental aggregates volume, incremental cement volume, ready-mix improvement, and purchasing. This translates into $28 million in run-rate synergies at calendar year-end 2014, representing 40% of total projected annual synergies.

That number jumps to $57 million in run-rate synergies, or approximately 80% of total projected synergies, through calendar year 2015. Our estimates exclude material real estate sales and any potential utilization of net operating losses, which I will highlight next.

From a balance sheet perspective, Slide 23 outlines our industry-leading leverage position. Both companies have undrawn credit facilities, and there are no significant debt maturities until 2018. From a market perspective, we expect the combined company will maintain strong existing credit ratings and have pro forma leverage of less than three times EBITDA for the 12 months ended

December 31, 2014. Furthermore, we have an opportunity to meaningfully reduce the cost of debt on Texas Industries' existing $650 million in notes.

The combined company's financial strength and balance sheet structure, combined with further action to reduce the cost of capital, will help us retain significant financial flexibility for continued growth. We expect to rapidly de-lever the combined company, driven in part by utilization of TXI's NOLs totaling over $400 million on a pre-tax basis as of May 31, 2013. We expect full utilization of these NOLs over the next few years. In addition, we've identified non-operating real estate assets that we may divest.

Finally, on Slide 24, we outline the ability of this leadership team to reduce cost and maintain a lean cost structure going forward. We believe this proven track record will be critical as we work to integrate our operations and achieve the expected synergies from this transaction. Further, we have supported value creation by maintaining a stable dividend program even as the economy experienced the worst downturn in recent history. We look forward to providing the same dividends to Texas Industries shareholders and see that as another key benefit of the combination.

Before we conclude, I want to take a minute to discuss our earnings results for the fourth quarter and year ended December 31, 2013, which we also announced this morning. In the interest of time, we're going to keep our remarks about earnings concise. I refer you to our separately issued press release for additional detail, including commentary on trends and developments in our market.

We reported fourth quarter 2013 earnings of $0.77 per diluted share, an increase of 67% over the prior-year quarter. Consistent with the trends experienced throughout 2013, our results reflect private sector construction growth, pricing improvement in the Aggregates product line, and exceptional performance from the Specialty Products business. These drivers generated an 8% increase in consolidated net sales, which, coupled with our disciplined cost management, led to an incremental consolidated gross margin for the quarter of 69%. Further, these factors contributed to a 380-basis-point improvement in our consolidated gross margin.

The Aggregates business reported a 7% increase in net sales over the prior-year quarter. Aggregates product line pricing, which increased 3.4% despite headwinds created by product mix, was a significant driver of this sales growth. Please refer to our press release for additional details on Aggregates volume, pricing, and margin. Our Specialty Products business continued its strong performance and delivered quarterly records for both net sales and earnings from operations. Net sales of $58.1 million increased 15% over the prior-year quarter.

At this time I'll turn the call back over to Ward to discuss our 2014 outlook.

**C. Howard Nye, President, Chief Executive Officer & Director**

Anne, thanks for that. Looking ahead to full-year 2014, we continue to be encouraged by positive trends in our business end markets, especially the private sector employment and construction. We anticipate growth across the nonresidential, residential, and public sector, and ChemRock/Rail end markets in 2014, as highlighted in our Q4 2013 earnings press release.

Cumulatively, we expect Aggregates product line shipments to increase 4% to 5% compared with 2013. We also expect Aggregates product line pricing to increase 3% to 5% over 2013, although this increase will not be uniform across the company. Aggregates product line direct production costs per ton are expected to decrease slightly compared with 2013. Net sales for the Specialty Products segment should range from $225 million to $235 million, generating $85 million to $90 million of gross profit.

To conclude, we are encouraged by numerous macroeconomic indicators of increased construction activity for 2014. We believe the private sector will continue the strong growth noted in 2013, which should lead to increased public sector activity. Additionally, we expect the trend of increased state-level funding of key projects to continue during the period of federal funding uncertainty. We're well-positioned to serve these opportunities, to build on our momentum, and enhance long-term value for our shareholders.

Before taking your questions, let's quickly discuss the map to completing this compelling transaction on 28. Moving forward, we'll file the appropriate materials with the SEC and work cooperatively to receive the requisite approvals to file definitive materials and schedule the shareholder votes. As mentioned earlier, both Martin Marietta and Texas Industries will seek shareholder approval, and we've already received voting agreements from Texas Industries' two largest shareholders, constituting 51% of shares outstanding.

Along the way, we'll work to obtain customary regulatory approvals and closing conditions necessary to complete the combination throughout the process. We'll also do our best to ensure a smooth transition for our stakeholders, and it will be business as usual for all Martin Marietta and Texas Industries customers.

Moving to Slide 29, I want to conclude our call by reiterating how truly excited we are about this value-creating strategic combination, which we strongly believe is in the best interest of all Martin Marietta and Texas Industries stakeholders. The combined company will provide significant shareholder value, benefit our talented employees, and lead to enhanced offerings for our customers.

We look forward to becoming a market-leading supplier of aggregates, cement, and heavy building materials, with a nationwide scale and enhanced geographic and product diversity, and to capitalizing on this unique opportunity to create value for both sets of shareholders. Thank you, all, again for joining us today to discuss this announcement. We look forward to working with the Texas Industries team to complete the combination.

I'll now turn it back over to Laurie to open it up for questions.

## QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Chris Olin of Cleveland Research.

**<Q – Chris Olin – Cleveland Research Co. LLC>:** Good morning.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Good morning, Chris.

**<Q – Chris Olin – Cleveland Research Co. LLC>:** I wanted to just start with your demand guidance. And I understand kind of how you get to the overall number, but I was just wondering, if you look at this public demand driver, and I guess you're guiding closer to low-single-digit range, is there a way you could look at it by region? And I guess I'm getting at, is the outlook muted because of your concerns in the Midwest?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Chris, here's how I'd think about it. Let's go through end use. I would look at infrastructure and say that we're looking for slight growth in infrastructure next year. I think we're going to see, obviously, more of the TIFIA moneys coming through. I think that's going to be very helpful. If you look at the states in which Martin Marietta has a significant presence, I think we see good activity in Texas, we see great activity in Colorado, very steady activity in Iowa, and we see growing activity in the eastern United States. In nonresidential, again, we see that up mid- to high-single-digit growth next year. We think that continues to be a pull-behind what we've seen in energy and otherwise.

But let's remember, we've seen double-digit growth in residential this year. We're seeing that across almost all of our geographies. The usual tail that we would see on non-res coming behind residential has served to be consistent. So if we're looking at slight growth in infrastructure, mid- to high-single-digit growth in non-res, double-digit growth in res, and low-single-digit growth in our ChemRock/Rail segment, that's what leads us up to the 4% to 5% growth. Does that respond to your question, Chris?

**<Q – Chris Olin – Cleveland Research Co. LLC>:** Yeah. Yeah, that's fair. Also, on the pricing, I was curious how much of the pricing outlook is affected by mix. Will it be a considerable headwind?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, I'm not sure there's going to be a huge mix issue relative to next year. I think a lot of it's going to be dependent on how much new construction you see on the infrastructure or on the commercial side. What I will tell you is, the more construction we see on commercial, the better, because that tends to be a higher-priced market area for us, but new construction will take more base, and that can be your swing factor relative to mix.

**<Q – Chris Olin – Cleveland Research Co. LLC>:** Okay, just last question regarding the deal here. I'm just curious, why the interest in cement assets now? I was always under the impression that that was one of the businesses that you were less interested in. I'm just curious if you had any thoughts behind that.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** We're interested in markets that we think are going to be attractive near-term and long-term. And I'll tell you, somebody commented to me one time that they thought Texas was going to be one of the great countries to do business in over the next 20 years, and we think that's entirely right. And we think combining these businesses and having that type of leading position in a state and in a geography that we think is going to be extremely exciting is the right way forward. So what we're looking for in this, Chris, is just what you would imagine. We're looking to build value.

**<Q – Chris Olin – Cleveland Research Co. LLC>:** Thank you.

Operator: Your next question comes from the line of Arnie Ursaner of CJS Securities.

**<Q – Arnie Ursaner – CJS Securities, Inc.>:** Hi. Good morning, Ward and Anne.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Good morning, Arnie.

**<Q – Arnie Ursaner – CJS Securities, Inc.>:** Just as a quick follow-up, people that have owned Martin Marietta stock have been very interested in the aggregates business, and clearly, as you highlighted in this presentation, this diversifies you. It makes you more vertically integrated. When you look forward, can you give us a better feel or sense for how you think about the percentage of earnings coming from aggregates itself versus downstream operations might be? And how – well, let me start with that, and then I'll follow up.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** That's fine, Arnie. What I'll tell you is this is an aggregates-centric company. Let there be no mistake about that. What we've talked about is market positions where we're one or two and market positions where we feel like we need to be positioned for continuing growth. And if we're looking at a market like Texas, we felt like this was an important structure for us to have in that market. But if you come back and take a look at the pro forma business, it is still a very aggregates-centric business, and I expect it will continue to be that and grow. Keep in mind it's an aggregates-centric business with the Eastern U.S. and the Southeast business still down. So as we continue to see places like North Carolina, South Carolina, and Georgia go through recovery, what you're going to see from a percentage of earnings perspective will continue to be an aggregates-driven business.

**<Q – Arnie Ursaner – CJS Securities, Inc.>:** As a follow-up to that, your operating margins in the Southeast have been higher than your gross margins in the West. Obviously, with dramatically higher exposure to the West, how should we think about your outlook for margins in the next year or two on a consolidated basis?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You will clearly see margin growth in this business as we see aggregate volume come back to the business. You can take a look at what we've put up for the quarter, and part of what I'm concerned about is the spectacular fourth quarter is going to be lost somewhere in this news of a spectacular transaction as well. When you look at the 69% that we put to the bottom line in the quarter, that tells you what we're doing at a period of time that, frankly, we didn't get a lot of volume help. We got some pricing help, but we did get some helps from other parts of the country – again, Southeast, North Carolina in particular – that really helped drive that business, Arnie. So if we can put that type of incremental margin up in a flat volume environment, you can imagine what's going to happen with the volume hits, and the volume's coming.

**<Q – Arnie Ursaner – CJS Securities, Inc.>:** Okay. Anne, if I can just clarify, I think you mentioned that – it appears you're paying about a 20-multiple on current EBITDA, but I think in the prepared remarks you indicated, on adjusted basis looking out 18 to 24 months, that drops to about eight. Is that correct?

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** That's correct. Our run-rate multiple will be inside of eight times within 24 months of closing, assuming that we deliver on the synergies, utilize NOLs, and then maximize the value of the real estate.

**<Q – Arnie Ursaner – CJS Securities, Inc.>:** Okay. Thank you very much.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Thanks, Arnie.

Operator: Your next question comes from the line of Kathryn Thompson of Thompson Research Group.

**<Q – Kathryn Thompson – Thompson Research Group LLC>:** Hi. Thanks for taking my questions today and keeping Tuesday morning interesting for all of us.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Happy to help, Kathryn.

**<Q – Kathryn Thompson – Thompson Research Group LLC>:** No problem. Just first a basic question on the structure of the deal. Why all equity, and why no debt included as part of this transaction?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, it made good sense for us. From a Martin Marietta perspective, it keeps our balance sheet in good shape. As you can see, we de-lever through this in a very attractive way. I'll let Mel respond from his shareholders' perspective in a moment, but I think the tax-free nature of the deal makes a lot of sense. The other thing that it does, Kathryn, is it keeps this combined entity in a very attractive place to continue to look to grow strategically and do bolt-on acquisitions. Again, you know what our long-term strategic plan has been, and this is exactly what we're doing. What we're announcing today is consistent with what we've been talking about since 2010 when we pulled our strategic plan together. But, Mel, I'll let you take the other half of that, if you will.

**<A – Mel Brekhus – Texas Industries, Inc.>:** Yeah, Kathryn, I would echo what Ward said. And I want you to understand, and others to understand, that from our perspective, with this stock-for-stock tax-free transaction, we get a very fair value for what we have built over time, and especially the last 10 or 12 years. But more importantly, our shareholders get an opportunity to share in a value enhancement that will occur as we move forward, and that's really exciting to me and to our board and, I hope, to our shareholders.

**<Q – Kathryn Thompson – Thompson Research Group LLC>:** So, with that in mind, you made some comments about keeping some dry powder essentially for bolt-on acquisitions. Does this take out the possibility of repurchasing your own stock at some point in time in the next 12 to 18 months?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, won't speak necessarily to definitive timetables, but I'll tell you what I've said to you before. Depending on where we are from a leverage perspective and otherwise, look, we like Martin Marietta a lot. We know what we're getting when we buy that business as well. But if we have the opportunity to go and do some very sensible bolt-on acquisitions that will make sense for this business not just one or two years, but truly generationally, that's the type of value that we're going to be aiming for, Kathryn.

**<Q – Kathryn Thompson – Thompson Research Group LLC>:** Okay. Is this also the beginning of a focused West Coast expansion effort, or is this more of one-off? Maybe talk – because you picked up the Colorado assets as part of the asset swap. You're now increasing exposure in Texas and getting a foothold in California, maybe discuss a little bit more about your Western expansion efforts.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Really, our Western expansion efforts are consistent with what we've done in the East, Kathryn, and that is we're looking for leading positions. And what we're doing with this transaction in Texas is truly putting a stake in the ground on a wholly leading position in a host of different markets, including where we sit in Dallas/Fort Worth, and giving us nice entry to Austin as well. I think you guys, you've been out and seen those Denver operations. We took down a formidable presence along the Front Range.

And what this does for us in California, honestly, it gives us optionality. That's the primary principle that I would outline to you. We have optionality in California on growing that business or doing other things with that business as well, and we're going to have our eyes wide open. The primary thing that we want to do, Kathryn, is build value for shareholders, and we believe we can do that. I think we've done it very effectively in Colorado. I know we'll do it effectively in Texas. And we're going to see exactly how we want to go ahead and move forward with a number of very attractive options in California.

**<Q – Kathryn Thompson – Thompson Research Group LLC>:** And with the California assets, would you be willing to JV the cement ops order to pick up aggregate assets?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, I'm not going to lay out all the different cards that spell out what our strategic options are, but they're many. And we like to think we're creative people, and I'm confident we will find a good solution one way or the other with California.

**<Q – Kathryn Thompson – Thompson Research Group LLC>:** Okay. And finally, and I'll get back in the queue, could you give a little bit more color on the asset sales, the properties? And it may be too early to say what the potential incremental value is, but just helping us get a sense of the relative magnitude, is this more like a $100 million type transaction or a $300 million or $500 million type transaction?

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** Kathryn, it's not $300 million or $500 million, but probably in the $100 million range.

**<Q – Kathryn Thompson – Thompson Research Group LLC>:** Okay, great. Thank you very much.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Thank you, Kathryn.

Operator: Our next question comes from the line of Trey Grooms of Stephens, Inc.

**<Q – Trey Grooms – Stephens, Inc.>:** Hey, good morning.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Good morning, Trey.

**<Q – Trey Grooms – Stephens, Inc.>:** So, Ward, you gave us some volume and pricing guidance for the standalone Martin Marietta for 2014, as you always do. Can you give us any metrics on what you expect for the TXI business as we look into calendar 2014, and as you guys expect it to be pretty quickly accretive?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, obviously, I think you can take a look at those Texas markets and California and probably get a better feel for that. We're in a funny place right now because I think coming out and giving specifics on TXI business is really not where I need to be as we're sitting here at this moment. But I think if you go back and take a look at what's happened this past year in DFW, what's anticipated with heavy highway work there, what's going on with population demographics in DFW and what appears to be a very strong return in California, I think, directionally, all those markets look very, very attractive.

And I did say in my prepared remarks that you're looking at a market that many are anticipating will be sold out from a cement perspective. So I'm not trying to be clever on it, Trey. I'm just – from that perspective, I'm happy to talk specifically about Martin Marietta, but talk about trends relative to TXI, and the trends for both are outstanding.

**<Q – Trey Grooms – Stephens, Inc.>:** Okay. And then, also, can you give us – and maybe this is for Anne – what NOL value you're assuming to get to the eight times EBITDA multiple within 24 months? And also, if you could, give us some idea of assumptions in terms of cash flow that you're getting in that math as well.

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** Well, Trey, once again, I think it's a little early to be giving guidance in that regard. But as I indicated in our opening remarks, we think the NOL value is over $400 million that would be recognized over the next few years. And obviously we gave you some indications that we believe that, inside 24 months, that we're trading at an eight times – or that the deal would be valued at about an eight times multiple, so that should give you some insight.

**<Q – Trey Grooms – Stephens, Inc.>:** Okay. Thanks, Anne. And then, Ward, as you take the reins here, how do you expect to approach additional cement capacity increases in TXI's existing footprint specifically as we look at the Midlothian asset there, that plant, and the potential for expansion there?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, again, that's going to some specific asset that Mel and his team still have responsibility for. The one thing I'll tell you, as you should think about that market – and I alluded to it in my comments – don't forget our long-haul network, Trey, and how important that can be when you tie it back into those cement assets. Again, we're the number-one mover of stone on both BN and UP, and having that type of rail access and a more robust distribution network in Texas, we think, really makes that combination awfully exciting.

**<Q – Trey Grooms – Stephens, Inc.>:** All right. That's all I've got. Thanks, guys. Good luck.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Thank you, Trey.

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** Thanks, Trey.

Operator: Your next question comes from the line of Garik Shmnois of Longbow Research.

**<Q – Garik Shmois – Longbow Research LLC>:** Hi. Thank you and congratulations.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Thank you.

**<Q – Garik Shmois – Longbow Research LLC>:** First question is, Ward, could you let us know on how much of your aggregate assets in Texas now can be consumed internally with the new cement and ready-mix plants you're picking up?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, Garik, that's something, in the fullness of time, I'm happy to give you much more detail on. But obviously, if you take a look at where our aggregates position is going to be in the DFW market or otherwise, it's going to be very attractive and you'll like the numbers.

**<Q – Garik Shmois – Longbow Research LLC>:** Okay. And then I guess just as a follow-up on the Texas market, do you anticipate any sort of HSR [Hart-Scott-Rodino] risk, any sort of meaningful asset divestments as a result of combining aggregate and ready-mix forces?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, we obviously look at that issue very, very carefully. We understand the market well. We understand the HSR process well. If we thought there was a serious issue there, we wouldn't be doing what we're doing here this morning.

**<Q – Garik Shmois – Longbow Research LLC>:** Okay. Is it fair to assume that there may be some assets, though, that would have to be divested?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, as we look at it, we just don't see any material HSR issues, and we feel very confident, Garik.

**<Q – Garik Shmois – Longbow Research LLC>:** Okay. And I guess just my last question is just wondering if you could provide a little bit more color on the comments around year-one accretion for 2014, and also, in year-one, is this primarily coming from the anticipated debt refi and the interest expense savings associated with that? I know that you're going to have some cost synergies as well. Is that mainly where the accretion is going to be coming from, or are you anticipating revenue synergies off the bat coming through as well?

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** So you'll have – as we indicated, we'll have run-rate synergies of about $28 million through the end of 2014. We do expect the refi will drive a substantial portion of the savings on top of the synergies. And that is – also it excludes the one-time costs, as you would imagine.

**<Q – Garik Shmois – Longbow Research LLC>:** Right. Okay, so it's really coming from refi – if I had to rank-order it, would be fair to assume refi first and then cost synergies second?

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** That's correct.

**<Q – Garik Shmois – Longbow Research LLC>:** Okay, treat. Thank you.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Thanks, Garik.

Operator: Your next question comes from the line of Adam Rudiger of Wells Fargo Securities.

**<Q – Adam Rudiger – Wells Fargo Securities LLC>:** Hi. Thank you for taking my questions. I was curious, Ward, when you look at – I think you listed eight reasons for the deal in your press release, and when you think about those reasons, I was wondering if you could kind of rank from the most important to the least important, or maybe just the top two most important reasons for the transactions. Because when I think about it, it doesn't seem to me that, just alone, being the largest aggregate producer really gives you any real benefits being a close second or close third. And when I think about these synergy opportunities, those to me don't seem huge when I think about the combined company being able to generate in excess of probably $1 billion in EBITDA by the targeted timeframe.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, Garik, I guess my...

**<Q – Adam Rudiger – Wells Fargo Securities LLC>:** It's Adam Rudiger.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Adam, I'm sorry. Adam, my comment would be, look, the aim isn't about being the biggest. The aim is about being the absolute best. And what I believe is having these market positions in Texas, in California, and then using the optionality that we have in California to drive our business, if we need to, in other directions, we think, is really very powerful. I'm not sure that I would rank any of those in any particular order. Again, we have a lot of conviction around the synergies. When you put a multiple to those synergies, it's pretty powerful.

And part of what I think we'll be doing, too, is seeing what else we can do with this business once we get it. I think the distribution network is going to be incredibly important to the aggregates business as well as to the cement business. And from where we sit, we think there's incredible value that's being built here. And again, my aim is to build the finest aggregates company in the world. If it happens to be one of the biggest, that's great too. But we're about shareholders.

**<Q – Adam Rudiger – Wells Fargo Securities LLC>:** Okay, so it really sounds to me like it's the geographic exposure that really is attractive for you.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** I would certainly agree with that.

**<Q – Adam Rudiger – Wells Fargo Securities LLC>:** Okay. And then, secondly, just real quick question, on the NOLs, are there any issues with the change of ownership in terms of the ability to monetize those?

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** We've taken a look at that, as you would imagine, Adam, and believe that we'll be able to realize the value over the next few years.

**<Q – Adam Rudiger – Wells Fargo Securities LLC>:** Okay. Thank you.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Thanks, Adam.

Operator: Your next question comes from the line of Jerry Revich of Goldman Sachs.

**<Q – Jerry Revich – Goldman Sachs & Co.>:** Good morning.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Good morning, Jerry.

**<Q – Jerry Revich – Goldman Sachs & Co.>:** Ward, can you please talk about your integration plan in a bit more detail once you do get the regulatory approval, especially on the aggregates side, just talk about the perspective of bringing aggregates folks to run the business, at least on the aggregates footprint side?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Well, obviously, we've got a very seasoned team in Texas, as does Mel. And what we're going to do is go through exactly what you would anticipate. We're going to have a best athlete approach. We're going to make sure that we have the finest talent deployed in that business. We're going to take what we feel like is going to be a market leadership position in the state of Texas and look to drive value from it. And the nice thing is, when you look at [ph] the skilled people (49:49) on both sides of this, we have a problem of riches from that perspective, and that's a nice place to be.

**<Q – Jerry Revich – Goldman Sachs & Co.>:** And any structural reason on why the price per ton on the aggregates business on the TXI footprint would be meaningfully different from yours longer-term?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** It's hard to see why it'd meaningfully different. We're picking up nearly 800 million tons of aggregates in Texas and Oklahoma in this transaction. So when you look at what it does to our reserve base, it's putting us nicely over 13 billion tons, and 13 billion tons of permitted reserves in the United States feels awfully good from where I'm sitting.

**<Q – Jerry Revich – Goldman Sachs & Co.>:** And, Mel, can you give us an update on the pricing landscape in Texas and California cement markets, and just remind us how long are you contractually bound to existing cement prices and what rate of cement price increases you're anticipating over the next couple of months?

**<A – Mel Brekhus – Texas Industries, Inc.>:** Yeah, things haven't really changed since our last teleconference regarding that, Jerry. And we have price increases that are occurring in Texas as we speak and more that will occur in April. We have price increases in California that are going into effect also in this first quarter of the calendar year but, more importantly, price increases that will occur in the April/May range. The business that we have under contract, as I explained in the last teleconference, is primarily the business that we have as a result of the tremendous amount of public works that's ongoing in Texas.

And I also would add that that business, while it is under contract, the vast majority of that work does have escalators in it. And the other portion of the business that is under contract, if you will, is not longer than 12 months, and we also have the option to not ship that product if we choose not to. But we are choosing to ship it, but it's not going into our core market, so we aren't handcuffed by pricing. So, long answer, Jerry, and sorry for being so long, but pricing trends in Texas and California are positive.

**<Q – Jerry Revich – Goldman Sachs & Co.>:** And, Mel, the magnitude of price increases that you're expecting in the market in March and April?

**<A – Mel Brekhus – Texas Industries, Inc.>:** It's about $8.00 in Texas, and I think – I'm pretty sure I'm right on this, about $8 in Texas and $5.00 in California.

**<Q – Jerry Revich – Goldman Sachs & Co.>:** Okay. And lastly, Mel, obviously you've added a lot of capacity at a really good point on the CapEx curve over the past couple of years. Any incremental opportunities to augment capacity, or have you delivered on everything that's reasonable to execute?

**<A – Mel Brekhus – Texas Industries, Inc.>:** Well, we've delivered on the major capacity additions, and the combined Martin Marietta and TXI assets will certainly benefit from that. There's always the potential for incremental tons in the cement business. We have, as someone pointed out earlier, really only one significant opportunity, and that's to make some modifications at the Midlothian plant to add some capacity. But, as Ward and I have discussed, that capital would be spent if we can get the return on it, if the market calls for it, and only under those conditions would we be spending that capital. And it's not significant compared to the $400-million-plus capital we spend when we build a greenfield cement plant, so most of the spending is behind us.

**<Q – Jerry Revich – Goldman Sachs & Co.>:** Okay. Thank you very much.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Thanks, Jerry.

Operator: Our next question comes from the line of Ted Grace of Susquehanna.

**<Q – Ted Grace – Susquehanna Financial Group LLLP>:** Hi, guys. How are you doing?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Hi, Ted.

**<Q – Ted Grace – Susquehanna Financial Group LLLP>:** So one of the things that we've spent a lot of time talking about, Ward, and also Steve Zelnak, who I'm assuming is on the line, is returns and the focus the company historically has had on shareholder returns measured more by EVA and returns on invested capital, not stock performance. And one of the arguments we've talked about in the context of downstream assets is greater cyclicality, greater capital intensity, and greater volatility, and ultimately lower returns. And I recognize that there's growth aspects to being in Texas and that TXI is a very unique asset, but just the first thing I wanted to ask you, in the vein of all those prior conversations, just what's really changed?

Again, we've always known Texas is the state to have exposure to, but I guess when we run the numbers, you're invested capital is going to be $2.6 billion before one-time costs that I'm guessing are going to approach $150 million, $200 million. And I'm guessing, even at full benefit of pre-tax synergies and full benefits of the restructuring TXI's undergoing, that the return on invested capital is something approaching 6% or 6.5%. So could you just start by addressing how you think this affects your return profile as a corporation?

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** Ted, as we indicated in the opening comments, we believe that our actual return on invested capital will actually grow at a faster trajectory as a result of the combination. The ability to deliver on against the synergies, the ability to realize the net operating losses, the ability to generate value from excess real estate, all of those factors should be part of that return consideration. And also, as Mel just indicated, TXI has made significant investment in capital that, really, is time to get out and let's let the markets harvest that return.

Operator: Your next question comes from the line of Jack Kasprzak of BB&T.

**<Q – Jack Kasprzak – BB&T Capital Markets>:** Thanks. Good morning, everyone. The deal will close in Q2, you expect. How soon thereafter might you try to do the debt refi?

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** Our plan would be to do a debt refinancing at or near the closing of the merger.

**<Q – Jack Kasprzak – BB&T Capital Markets>:** Okay. And, Anne, a little bit of a detail question here, but do you have any thoughts or guidance you can offer about where the tax rate might shake out with the combined entity? I know that's a tough question, but directionally, I would think it would be meaningfully lower than what you guys are reporting. Is that at least a fair way to look at it?

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** That's probably a fair way to look at it. But in all candor, Jack, that's probably not appropriate for us to speculate on that right now. We'll continue to look at that and refine it as we move closer to a closing.

Operator: Your next question comes from the line of Todd Vencil of Sterne Agee.

**<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>:** Thanks, guys. Congrats. I know this is a lot of work.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Hey, Todd.

**<Q – Todd Vencil – Sterne, Agee & Leach, Inc.>:** Can you just talk about the aggregates market in North Texas and what your pro forma market share there looks like?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, we'll certainly talk about the aggregates market in North Texas, and what we'll say is there's obviously a great deal of infrastructure work there. And as I indicated before, the population dynamics in North Texas continue to be some of the most attractive in the United States. There was a Wall Street Journal article, I guess, last week outlining the top 10 housing growth markets in the United States. I want to say [indiscernible] (58:37) Houston was number one on that list. I think DFW was number three on that list.

As you recall, Todd, DFW really lagged the rest of Texas in the recovery because you had simply more energy activity in South Texas, Houston, and parts of San Antonio than you did in DFW. So from where we're sitting, looking at DFW right now, we love the infrastructure work, we like what's going on in res, we like what's going on in non-res and we think that's going to be incredibly attractive going forward. And coming back and looking at the market, it's a dynamic market, and we'll just leave it at that.

Operator: Your final question comes from the line of Keith Hughes of SunTrust.

**<Q – Keith Hughes – SunTrust Robinson Humphrey>:** Thank you. Just want to – on the NOLs, just want to make sure I understand. You're expecting $400 million of NOLs within the next 24 months [ph] getting the transaction priced (59:27) down. Is that correct?

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** I said that we think we'll be able to utilize over $400 million in NOLs on a pre-tax basis over the next few years.

**<Q – Keith Hughes – SunTrust Robinson Humphrey>:** Okay. And as one questioner had before, usually there're some limitations on that in terms of how quickly you can realize those in mergers. Is there something unusual about these or something unusual about your position? And then second question, is part of realizing those the asset sales you said earlier, which creates gains, and then you can offset those?

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** No, we've done an evaluation of the potential limitations, as built into our understanding of the realization pattern that we believe we'll have on those net operating losses, and obviously, anytime you generate taxable gains, you can typically offset those with operating losses if you follow all the rules and regulations.

Operator: At this time, there are no further questions. I would now like to return the call to Ward Nye for any additional or closing remarks.

**C. Howard Nye, President, Chief Executive Officer & Director**

Laurie, thank you very much for turning it back to us. A couple of observations – one, we feel like this is an incredibly exciting time for Martin Marietta Materials and for Texas Industries. We think this combination is going to build considerable shareholder value in the near and long term. And I would ask you please to don't forget about what I think are some pretty special earnings for the Q4 this year, and I want to make sure that I give some real thanks to our team who helped make that possible.

Thank you all very much for your time today. We look forward to speaking with a lot of you very soon, I'm sure, and we'll talk to you again when we're done with Q1 in this year. Thanks so much.

Operator: Thank you for participating in today's conference call and webcast. You may now disconnect.