



CEO Commentary and Market Perspective

SOAR to a Sustainable Future: Executing on our Proven Strategy

July 29, 2021

Martin Marietta delivered record profitability and the best safety performance in our Company's history during the first half of 2021. Our impressive results underscore the importance of the solid execution of our proven long-term strategic plan, which centers around our team's commitment to maintaining a safe and ethical workplace and our unrelenting dedication to both operational and commercial excellence.

Given the Company's continued growth and record performance, it's important to remember why these results occur. In a word: SOAR. Originally launched in 2010, and refreshed on five-year intervals, our Strategic Operating Analysis and Review (SOAR) provides the framework to responsibly and sustainably grow our business and deploy capital for long-term success. Indeed, sustainability is a vital component of our strategic plan and is a shared value throughout our enterprise — from our Board of Directors to our nearly 9,000 employees — and integral to all of our businesses, day-to-day operations and culture.

The remarkable execution of our SOAR initiatives over the past decade has allowed us to significantly transform our business, reinforcing Martin Marietta as an aggregates leader in attractive high-growth geographies, aligning our product offerings to leverage strategic cement and targeted downstream opportunities, strengthening our balance sheet, enhancing our talented management team and positioning our Company for continued growth. Since the original SOAR launch (and calculated through December 31, 2020), our market capitalization has more than quadrupled and our total shareholder return, or TSR (including dividends), has grown an impressive 249 percent.

We introduced the latest iteration of our long-term strategic plan — **SOAR 2025: SOAR to a Sustainable Future** — at our Investor Day earlier this year. Building on our strong, sustainable foundation and proven track record, we have thoughtfully developed our SOAR 2025 priorities with the goal of driving significant value creation for our business and stakeholders over the next five years. Among other things, SOAR 2025 focuses on continued, responsible market expansion through acquisitions, our preferred and historically successful strategy for growth.

M&A IS OUR PREFERRED STRATEGY FOR GROWTH

By purposeful design, Martin Marietta is, and will remain, an aggregates-led business. Accordingly, our M&A strategy includes the ongoing evaluation of aggregates-led expansion through bolt-on acquisitions that complement existing operations as well as opportunities of scale to enter new domestic markets through platform acquisitions.

Where we operate matters. Markets matter. A lot. We are interested in capitalizing on high-growth markets with attractive fundamentals and finding ways to achieve or enhance our leading position across markets, while fulfilling our assessment of what we can do with a business in the relevant marketplace.

When assessing the Company’s growth opportunities, we focus on the following market attractiveness attributes:


- Employment/population growth, which drives increased per capita heavy-side building materials consumption
- Population density, which strengthens economic and market stability
- Business and employment diversity, which supports public infrastructure spending
- Superior state financial position, which supports infrastructure volume growth and provides stability through cycles
- Market structure, which drives margin performance

Driven by this intentional approach, the Company has a leading aggregates position, defined as #1 or #2, in more than 90 percent of our markets, as compared to 65 percent a decade ago. That’s SOAR in action.

SOAR 2025 INORGANIC GROWTH INITIATIVES


SOAR 2025 builds on our proven M&A strategy as we endeavor to pursue viable, executable acquisitions targets in the following markets:

WHERE ARE WE LOOKING?




Viable, executable acquisition targets present unmatched growth opportunities


BOLT-ONS




WEST DIVISION



CENTRAL DIVISION




SOUTHWEST DIVISION




EAST DIVISION


PLATFORM EXPANSION




WEST COAST



SOUTH FLORIDA



D.C. METRO



TENNESSEE

Source: Martin Marietta 2021 Investor Day presentation

With this background information, I am excited to share the noteworthy progress we have made thus far to advance the Company’s SOAR 2025 inorganic growth initiatives.

Tiller Acquisition

In April, we successfully completed the acquisition of Tiller Corporation (“Tiller”), a leading aggregates and FOB hot mix asphalt supplier in the Minneapolis/St. Paul region. Prior to this acquisition, Martin Marietta’s two existing aggregates facilities in Minnesota did not provide us with a leading position in Minneapolis/St. Paul. Through our SOAR process, we identified this region as a desirable area to expand due to its attractive market fundamentals and underlying demand drivers, and Tiller specifically as an acquisition target given its cultural fit in our portfolio, attractive margins and value-over-volume operating philosophy, all of which directly align with our enterprise objectives.

Tiller provides Martin Marietta an upstream materials platform in one of the largest and fastest-growing midwestern metropolitan areas, while also expanding and complementing our product offerings to new markets and customers. The Minneapolis/St. Paul region, the Midwest’s third-largest metropolitan statistical area, or MSA, and 16th-largest in the nation, ranks as the 12th largest in terms of aggregates consumption in the United States. By way of comparison, Minneapolis/St. Paul consumes ten million more tons annually than Charlotte, North Carolina, home to one of the Company’s premier aggregates businesses. Additionally, the Minnesota Department of Transportation prioritizes state and local surface transportation investment, spending 90 percent of its nearly \$4 billion budget directly on road programs to maintain the nation’s fifth-largest state highway system.

Tiller operates in two segments: aggregates and asphalt. Including recycled products, the business produces nearly six million tons of aggregates, primarily sand and gravel, annually across over 15 sites and has over 30 years of reserves. Tiller also supplies over three million tons of asphalt annually from 10 plants, serving solely as a materials provider with no downstream paving or other associated services. Of note, the acquired Tiller operations have outperformed management’s initial expectations since closing on April 30, 2021. As previously indicated, the transaction has been immediately accretive to both earnings and cash flows. Synergy realization and integration are underway and progressing as planned.

Agreement to Acquire Lehigh Hanson West Region

Following the Tiller acquisition, we announced a \$2.3 billion cash agreement to acquire Lehigh Hanson, Inc.’s West Region business (“Lehigh West Region”). Lehigh West Region provides the Company with a new upstream materials-led growth platform across several of the nation’s largest and fastest growing megaregions in California and Arizona, areas we specifically identified as target markets over a decade ago through our SOAR process. Following the closing, which is expected to occur in the second half of 2021, Martin Marietta will have an expanded coast-to-coast geographic footprint across 10 of the 11 U.S. megaregions along with a broader array of product offerings. This acquisition also allows us to pursue future attractive and complementary bolt-on opportunities. We expect a seamless integration and execution of the business into our existing West Division.

With the new Pacific platform, which includes 17 active aggregates operations, two cement plants with related distribution terminals, and targeted downstream operations, Martin Marietta will be well-positioned to capitalize on the post-pandemic economic recovery and early-cycle demand drivers in

California and Arizona. In addition, these markets exhibit attractive fundamentals that support sustainable construction activity over the long term, including the following:

- Los Angeles, the Bay Area and Phoenix rank in the top 11 aggregates markets by volume in the United States, consuming in excess of 140 million combined tons per year.
- With more than 40 million residents, California is the nation's most populous state and home to the world's fifth-largest, and well-diversified, economy.
- California Department of Transportation (Caltrans) manages a \$15.4 billion annual budget. Additionally, the *Road Repair and Accountability Act of 2017*, commonly referred to as Senate Bill 1 or SB1, provides \$54 billion, or approximately \$5 billion annually, through 2030 to fund state and local roads, freeways, and rail projects.
- Growing populations in California and Arizona continue to face underbuilt private-sector conditions as these states were disproportionately hit by the housing crisis and COVID-19 mitigation measures.

VALUE CREATION FROM M&A

The Tiller and Lehigh West Region businesses are both attractive high-quality, upstream-led businesses in large and growing markets. We are confident in our ability to quickly realize the benefits of these transactions following the same proven approach we took with our previous transactions, including the River for the Rockies, TXI and Bluegrass. Martin Marietta has a strong track record of realizing synergies beyond initial estimates as well as driving value creation by implementing our value-over-volume pricing philosophy and applying our operational excellence practices. Over time, "found" synergies inevitably are also uncovered and realized. Our stakeholders should expect similar results from our Tiller and Lehigh West Region acquisitions as we pursue appropriate value for our products and operate with a leaner and aggregates-focused cost profile to drive improved performance of these businesses.

RESPONSIBLY GROWING AHEAD OF ECONOMIC GROWTH

Aside from the overall economic growth we expect to occur with increased federal transportation investment, the steps we have taken over the past decade to responsibly grow and expand our footprint will benefit Martin Marietta's near- and long-term outlook.

We are in the midst of the most significant, seemingly bipartisan, national infrastructure debate in a long time with a number of proposals from both political parties to advance and address critical infrastructure needs. The President and a bipartisan group have recently agreed to an infrastructure framework, which will be taken up in the full Senate for consideration. In total, the framework provides \$550 billion in new transportation and broader infrastructure spending over five years, including \$110 billion in new funding for roads, bridges and major projects. At the same time, both Congressional chambers have continued to work on their own reauthorization proposals for the Fixing America's Surface Transportation, or FAST Act. The Senate Environment and Public Works Committee unanimously passed the Surface Transportation Reauthorization Act of 2021 in May. This bipartisan bill sets a new baseline funding level for surface transportation of \$303.5 billion over five years, a 23 percent increase over FAST Act (based on fiscal year 2021 appropriation levels). Additionally, in July, the U.S. House of Representatives passed the five-year INVEST in America Act, which includes \$334 billion in baseline spending for traditional surface transportation.

Regardless of the pathway to successor infrastructure legislation, all proposals represent the first sizeable increase in federal transportation funding in more than 15 years. This escalation will be a win for America and an opportunity for Martin Marietta. We are optimistic that meaningful progress will be made in Washington as infrastructure legislation and its related investment will not only stimulate economic growth and job creation immediately, but also drive meaningful multi-year product demand. Our Company's Top 5 states' Departments of Transportation are well-equipped from both a financial and resource perspective to put increased federal transportation dollars to work. Texas, Colorado, North Carolina, Georgia and Florida, which accounted for over 70 percent of our 2020 Building Materials business revenues, have a multitude of projects in their backlogs that would benefit from new federal transportation legislation and generate growing demand for our products. At the same time, increased visibility and funding certainty at the federal level supports a healthy pricing environment for construction materials.

CONCLUSION

As we **SOAR to a Sustainable Future**, our focus remains on building the safest, best-performing and most sustainable aggregates-led public company uniquely positioned for growth. We believe Martin Marietta has an unparalleled ability to maintain a responsible and leading role in our industry's evolution. We will continue to do so by prudently balancing inorganic growth opportunities and returning capital to shareholders over the long term. Underpinned by our steadfast commitment to the disciplined execution of our proven strategy and our longstanding capital allocation priorities, we are confident in Martin Marietta's prospects to continue driving sustainable growth and superior shareholder value.