Ward Nye
CHAIRMAN, PRESIDENT AND CEO

CEO Commentary and Market Perspective

Overcoming Challenges and Building on Our Successes

July 28, 2020

Martin Marietta delivered record profitability and the finest safety performance in our Company's history during the first half of 2020, underscoring our collective commitment to operational excellence, disciplined pricing, adherence to our strategic plan and our values-driven culture.

Our outstanding operational, financial and safety performance was achieved while navigating the evolving impacts of COVID-19 and the related economic recession. This demonstrates our ability to move proactively and with agility, capitalizing on our team's decades of experience to successfully manage through challenging times. Martin Marietta's continued success is due in no small part to the Company's talented and resilient employees, who seamlessly adapted to new health protocols while remaining focused on serving our many stakeholders and caring for each other.

As we work to build on Martin Marietta's long track-record of success, we remain confident in the fundamental strength and underlying drivers of our business, guided by our Strategic Operating Analysis and Review (SOAR) plan and world-class attributes of our business. SOAR 2025, our strategic plan for the next five years, will be finalized later this year and supports our key imperatives related to cost containment, commercial discipline, prudent capital deployment, sustainable practices, employee talent development and succession planning. We are already making progress against these initiatives, demonstrated by our new operating structure that went into effect on July 1st. This new business structure assigns increased responsibilities and opportunities to experienced executives, better aligns our business product offerings and geographies, and further enhances our industry-leading cost profile.

As we move forward, we believe Martin Marietta is well-positioned to capitalize on growth trends that will shape our Company's future, including:

- Pricing resiliency
- Increased infrastructure investment
- Accelerated deurbanization trends
- Reshoring manufacturing facilities and associated supply chains to the United States

PRICING RESILIENCY

Supported by our locally-driven pricing strategy, we remain confident that favorable trends for our products will continue as the U.S. economy resets from COVID-19 disruptions. Aggregates pricing is resilient, as demonstrated historically, even in the most challenging economic environments. Over our more than 25 years as a public company, Martin Marietta has increased aggregates selling prices by 4 percent annually, on average. The only exception was the 2010 Great Recession's nadir for our industry when aggregates shipment levels declined nearly 40 percent. Even then, our same-store aggregates pricing decreased only a modest 1.5 percent. Few industries, or companies, have such an impressive and enduring pricing narrative.

Aggregates is the one product that is essential for all heavy-side construction activity and for which there is no real substitute. This, and a variety of other factors, including strategic positioning and barriers to entry, contribute to our pricing resiliency. We have taken thoughtful action to focus the business in markets with attractive population growth trends and favorable economic drivers, which is why Martin Marietta has leading positions in 90 percent of our markets. Our footprint has strengthened our critical mass and ability to offer a wide range of products and best-in-class customer service, supporting ongoing favorable pricing trends. We also believe that we possess the specialized expertise to better overcome operating permit and regulatory challenges that create barriers to entry and notable obstacles for others in our space.

Cement pricing in Texas, the only state in which we have cement operations, continues to perform well. We expect Texas cement pricing to remain resilient through economic cycles due to the state's tight supply and demand dynamics and the fact that our key markets of Dallas/Fort Worth, San Antonio and Austin are largely insulated from waterborne imports. Healthy aggregates and cement pricing trends, in turn, benefit our targeted downstream operations.

INCREASED INFRASTRUCTURE INVESTMENT

Infrastructure construction, our single most aggregates-intensive end use on a dollar-for-dollar basis, remains strong amid broader COVID-19 economic disruptions. While state Departments of Transportation (DOT) revenue shortfalls may result in near-term headwinds, we ultimately expect the industry to benefit from the passage of a comprehensive federal surface transportation package over the medium- to long-term future.

Rebuilding and enhancing our nation's infrastructure is a bipartisan, national strategic priority. The *Fixing America's Surface Transportation (FAST) Act*, currently in place at the federal level, expires on September 30th of this year. However, the legislative calendar, combined with ongoing COVID-19 economic recovery and related stimulus package discussions, complicates the prospects that a successor infrastructure bill will take effect prior to the FAST Act's expiration. Despite this uncertainty, we are confident that Congress will continue to pass resolutions that, at a minimum, maintain federal highway funding at status-quo levels for any resulting interim period.

Importantly, we currently believe a surface transportation reauthorization will be enacted shortly after the November elections. By way of background, in June 2020, the House Transportation and Infrastructure Committee unveiled the *Investing in a New Vision for the Environment and Surface Transportation in America Act,* which proposes $319 billion for federal highways over five years, a 42 percent increase over the FAST Act's funding levels, and provides $83 billion in immediate aid to state and local transportation agencies to alleviate COVID-19-related revenue shortfalls. In July 2019, the Senate Environment and Public Works Committee introduced the *America's Transportation Infrastructure Act*, which proposes $287 billion in federal highway funding over the next five years, a 28 percent increase over the FAST Act. Regardless of which bill becomes the blueprint for successor legislation, both proposals represent the first sizeable increase in federal transportation funding in over 15 years. This escalation will be a win for America and an opportunity for Martin Marietta.

In our opinion, a robust, multi-year federal surface transportation reauthorization is the most effective legislative tool to address our nation's critical infrastructure needs and combat the economic impacts of the COVID-19 pandemic. Infrastructure investment is a critical driver of economic growth and job creation – for every job added in the aggregates industry, nearly five additional jobs are created across other industries, as reported by the National Stone, Sand and Gravel Association.

ACCELERATED DEURBANIZATION TRENDS

The anemic housing recovery following the Great Recession was largely the product of urban, multi-family mixed-use development, predominately in large metropolitan cities. Prior to the COVID-19 pandemic, affordability concerns prompted families and individuals to evaluate whether the appeal of urban living in densely-populated cities was still their best long-term choice. Today, stay-at-home orders and the shift to remote work are catalysts accelerating the deurbanization trend.

Redfin, a technology-powered national residential real estate company, recently reported a record 27 percent of its online users searched for homes outside their current area. In its May 2020 survey of homebuyers and sellers, Redfin revealed 25 percent of newly-remote workers expect to continue working from home once shutdowns end and over half would move if they never have to physically go to the office. This early data suggests a renewed interest in single-family detached homes with larger square footage driven by prospective homeowners' desire for more room to comfortably live and work from home in less congested suburbs and smaller municipalities.

We believe Martin Marietta's leading southeastern and southwestern footprint position the Company to be a notable long-term beneficiary of these trends given diverse employment opportunities, land availability, favorable climates and lower costs of living in these regions. Notably, single-family housing is two to three times more aggregates intensive than multi-family construction and helps promote future infrastructure and nonresidential construction.

RESHORING MANUFACTURING FACILITIES AND ASSOCIATED SUPPLY CHAINS TO THE UNITED STATES

Nonresidential construction activity could benefit from fundamental changes in supply chain and distribution management in the aftermath of COVID-19. As underscored recently by geopolitical trade tensions, resilient, flexible and more proximate supply chains are critically important and more valuable than ever. Tariffs, facility shutdowns, tight travel restrictions and supply shortages experienced earlier this year have left many entities unable to rely on their international supply chains, sparking a renewed interest in reshoring, a term used to describe bringing imported goods or materials back to domestic production, distribution and delivery.

Reshoring is an efficient way to strengthen the nation's economy, public health and national security, particularly in today's uncertain environment. Based on the *April 2020 COVID-19's Impact on North American Manufacturers Survey* conducted by Thomasnet.com®, two-thirds of the nearly 900 companies surveyed indicated they are likely to bring manufacturing production and sourcing to North America in the wake of the pandemic. Of those companies, 20 percent, up from 9 percent a month earlier, stated they are extremely likely to reshore in the future.

We believe the United States is entering into a multi-year period of accelerated growth in heavy industrial construction as more companies move to streamline their supply chains and bring manufacturing and services back to the United States. We have focused our geographic footprint along significant transportation corridors, particularly where land is readily available for the construction of aggregates-intensive manufacturing operations and distribution centers.

CONCLUSION

We are living through complex and dynamic times that afford Martin Marietta the opportunity to build on our lengthy track record of excellent financial and operational performance. As we look ahead, I am confident that Martin Marietta is well-positioned to responsibly navigate today's challenging environment and drive sustainable long-term growth and shareholder value. With our attractive underlying fundamentals, strategic priorities and best-in-class teams, we are poised to capitalize on emerging growth trends that are expected to support steady and sustainable construction activity over the long term.

This CEO Commentary and Market Perspective may contain forward-looking statements – that is, information related to future, not past, events. Like other businesses, Martin Marietta (the "Company") is subject to risks and uncertainties that 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 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.

The Company's outlook is subject to various risks and uncertainties, and is based on assumptions that the Company believes in good faith are reasonable but which may be materially different from actual results. Factors that the Company currently believes could cause actual results to differ materially from the forward-looking statements in this CEO Commentary and Market Perspective (including the outlook) include, but are not limited to: the ability of the Company to face challenges, including those posed by the COVID-19 pandemic and implementation of any such related response plans; the recent dramatic increases in COVID-19 cases in the Sunbelt and the extent that geography of outbreak primarily matches the regions in which the Company's Building Materials business principally operates; the resiliency and potential declines of the Company's various construction end-use markets; the potential negative impact of the COVID-19 pandemic on the Company's ability to continue supplying heavy-side building materials and related services at normal levels or at all in the Company's key regions; the duration, impact and severity of the impacts of the COVID-19 pandemic on the Company, including the markets in which we do business, our suppliers, customers or other business partners as well as on our employees; the economic impact of government responses to the pandemic; the performance of the United States economy, including the impact on the economy of the COVID-19 pandemic and governmental orders restricting activities imposed to prevent further outbreak of COVID-19; shipment declines resulting from economic events beyond the Company's control; a widespread decline in aggregates pricing, including a decline in aggregates shipment volume negatively affecting aggregates price; the history of both cement and ready mixed concrete being subject to significant changes in supply, demand and price fluctuations; the termination, capping and/or reduction or suspension of the federal and/or state gasoline tax(es) or other revenue related to public construction; the level and timing of federal, state or local transportation or infrastructure or public projects funding, most particularly in Texas, Colorado, North Carolina, Georgia, Iowa and Maryland; the impact of governmental orders restricting activities imposed to prevent further outbreak of COVID-19 on travel, potentially reducing state fuel tax revenues used to fund highway projects; the United States Congress' inability to reach agreement among themselves or with the Administration on policy issues that impact the federal budget; the ability of states and/or other entities to finance approved projects either with tax revenues or alternative financing structures; levels of construction spending in the markets the Company serves; a reduction in defense spending and the subsequent impact on construction activity on or near military bases; a decline in the commercial component of the nonresidential construction market, notably office and retail space, including a decline resulting from economic distress related to the COVID-19 pandemic; a decline in energy-related construction activity resulting from a sustained period of low global oil prices or changes in oil production patterns or capital spending in response to this decline, particularly in Texas; increasing residential mortgage rates and other factors that could result in a slowdown in residential construction; unfavorable weather conditions, particularly Atlantic Ocean and Gulf of Mexico hurricane activity, the late start to spring or the early onset of winter and the impact of a drought or excessive rainfall in the markets served by the Company, any of which can significantly affect production schedules, volumes, product and/or geographic mix and profitability; whether the Company's operations will continue to be treated as "essential" operations under applicable government orders restricting business activities imposed to prevent further outbreak of COVID-19 or, even if so treated, whether site-specific health and safety concerns might otherwise require certain of the Company's operations to be halted for some period of time; the volatility of fuel costs, particularly diesel fuel, and the impact on the cost, or the availability generally, of other consumables, namely steel, explosives, tires and conveyor belts, and with respect to the Company's Magnesia Specialties business, natural gas; continued increases in the cost of other repair and supply parts; construction labor shortages and/or supply-chain challenges; unexpected equipment failures, unscheduled maintenance, industrial accident or other prolonged and/or significant disruption to production facilities; increasing governmental regulation, including environmental laws; the failure of relevant government agencies to implement expected regulatory reductions; transportation availability or a sustained reduction in capital investment by the railroads, notably the availability of railcars, locomotive power and the condition of rail infrastructure to move trains to supply the Company's Texas, Colorado, Florida, Carolinas and the Gulf Coast markets, including the movement of essential dolomitic lime for magnesia chemicals to the Company's plant in Manistee, Michigan and its customers; increased transportation costs, including increases from higher or fluctuating passed-through energy costs or fuel surcharges, and other costs to comply with tightening regulations, as well as higher volumes of rail and water shipments; availability of trucks and licensed drivers for transport of the Company's materials; availability and cost of construction equipment in the United States; weakening in the steel industry markets served by the Company's dolomitic lime products; trade disputes with one or more nations impacting the U.S. economy, including the impact of tariffs on the steel industry; unplanned changes in costs or realignment of customers that introduce volatility to earnings, including that of the Magnesia Specialties business that is running at capacity; proper functioning of information technology and automated operating systems to manage or support operations; inflation and its effect on both production and interest costs; the concentration of customers in construction markets and the increased risk of potential losses on customer receivables; the impact of the level of demand in the Company's end-use markets, production levels and management of production costs on the operating leverage and therefore profitability of the Company; the possibility that the expected synergies from acquisitions will not be realized or will not be realized within the expected time period, including achieving anticipated profitability to maintain compliance with the Company's leverage ratio debt covenant; changes in tax laws, the interpretation of such laws and/or administrative practices that would increase the Company's tax rate; violation of the Company's debt covenant if price and/or volumes return to previous levels of instability; downward pressure on the Company's common stock price and its impact on goodwill impairment evaluations; the possibility of a reduction of the Company's credit rating to non-investment grade; and other risk factors listed from time to time found in the Company's filings with the SEC.