CEO Commentary and Market Perspective

July 27, 2023

The first half of 2023 was exceptional for Martin Marietta. Our company established performance records across nearly every safety, financial and operational measure. The excellent performance we delivered in the first and second quarters of the year – despite modestly lower aggregates shipments – underscores the secular earnings power of Martin Marietta.

Based on our results to date, and strong momentum, we now expect to outperform our original full-year guidance. Our revised 2023 Adjusted EBITDA guidance is now $2.0 – $2.1 billion dollars, or 28% growth at the midpoint as compared with the prior year.

The differentiated characteristics of our aggregates-led business model that underscore our results include, among other things:

(i) Commitments to enterprise excellence (including safety, environmental, regulatory and operational);

(ii) Diversified end market exposure; and

(iii) Strategic planning and execution.

COMMITMENT TO ENTERPRISE EXCELLENCE

Aggregates

Core to the aggregates investment thesis is the relative price inelasticity of demand. This attractive and durable circumstance is largely driven by the confluence of a number of factors, among them, the scarcity of depleting reserves, logistical moats, lack of meaningful product substitutes and the low cost of aggregates relative to the overall cost of a typical construction project. Given these fundamental value drivers, our successful value-over-volume commercial strategy positions us well to grow our unit profitability through various end market demand environments. This was particularly evident during the first half of 2023 as our multiple pricing actions from 2022, together with our January 1st price increases, led to a 20% increase in average selling price (ASP) and a 54% increase in gross profit per ton, despite a 4% shipment decrease. Importantly, we expect this commercial momentum to continue in the second half of 2023, as our previously announced July price increases take effect. Our updated full year guidance reflects anticipated ASP growth of 18% at the midpoint, which provides an attractive exit rate into 2024.
Texas Cement
Our strategic and leading Texas cement business possesses value drivers similar to aggregates. As such, we expect to deliver more consistent and durable earnings through cycles than the broader U.S. or global cement industry. Near-sold out conditions, particularly in the Dallas-Fort Worth Metroplex, continue to support a favorable commercial environment; we expect solid realization of our previously announced $10.00 per ton price increase effective July 1.

Diversified End Market Exposure
Aggregates are essential and required across all heavy construction end uses – including the infrastructure, nonresidential and residential markets. Indeed, this end market diversification, together with aggregates’ long history of secular pricing growth and flexible cost structure, underpin our ability to grow earnings through macroeconomic cycles. Importantly, Martin Marietta’s purposefully built coast-to-coast footprint along high-growth corridors enables our business to participate meaningfully in private construction expansionary periods while limiting downside risk during economic contractions.

Particularly as record-setting public funds begin to enter the U.S. economy, we continue to expect that aggregates demand for infrastructure and manufacturing related projects will accelerate in the second half of 2023. This well-chronicled increased investment should largely offset the current residential construction air pocket, which we expect to bottom in the third quarter of 2023.

Infrastructure
The outlook for infrastructure construction, our single most aggregates intensive end use, remains exceptionally strong. This is primarily due to record state Departments of Transportation (DOT) budgets and transformational legislative and constituent actions, including the $1.2 trillion Infrastructure Investment and Jobs Act (“IIJA”), the Cornyn-Padilla Amendment (allowing $104 billion of unused COVID-19 dollars to be used for infrastructure projects), and $23 billion of voter-approved state and local transportation related ballot initiatives. These actions are driving a historic step-change in highway, bridge and tunnel contract awards, a leading indicator of future product demand to this counter-cyclical end use.

Nonresidential
The recent acceleration of in-process and announced heavy industrial projects are of both economic and national security consequence. The reshoring of critical supply chains – semiconductors, lithium-ion batteries, electric vehicles and energy – to the United States began as a private sector secular trend that is now a legislative strategic imperative underscored by significant public investment from the Inflation Reduction Act and CHIPS Act. Equally, the nation’s aim to be the global leader in artificial intelligence, or AI, and machine learning is expected to drive significant demand for new data centers. Importantly, with our attractive coast-to-coast footprint, Martin Marietta is well-positioned to supply the required materials to these aggregates-intensive, multi-year projects.

Residential
Given the structural housing deficit in key Martin Marietta markets, we correctly anticipated that the affordability-driven residential slowdown would be short-lived. In line with our expectation, we are encouraged by recent public home builder sentiment and single-family starts data, which is indicative of
a near-term bottoming and inflection point. The housing deficit is exacerbated by significant underbuilding over the last decade, as well as existing homeowners’ reluctance to exit their low rate mortgages. As a result, available home inventory is being disproportionately driven by new home construction, a notable trend that we expect to continue for the foreseeable future.

**STRATEGIC PLANNING AND EXECUTION – SOAR 2025 UPDATE**

At our February 2021 Investor Day, we introduced the latest iteration of our strategic plan, SOAR 2025. Now, at the midway point of the current five-year period, below is an update on several of our key SOAR 2025 priorities.

*Organic Growth*

**Price / Cost Management**

Given the geologic, permitting, logistics and capital requirements of our aggregates business, the disproportionate organic growth driver of our earnings is price/cost management, which is driven by our commitment to enterprise (commercial and operational) excellence. While maintaining our fidelity to our customers, stakeholders and communities is core to our business, we also are committed to setting a fair value for our products in order to consistently deliver for our shareholders. Investors expect commercial excellence; our team understands it; and we will deliver. Additionally, operational excellence at Martin Marietta is not a cost-cutting exercise, rather it is foundational to how we operate and it will continue to drive our industry leading cost per ton.

Based upon the foregoing, I am pleased to report that, exiting 2023, we will be notably ahead of our expectations to deliver a 200-basis point spread between our aggregates average selling price and cost per ton. Importantly, we expect that trend to continue through this current SOAR period and beyond.

**Growth Capital Projects**

In 2021, we highlighted two growth capital projects geared toward meaningfully enhance our leading aggregates and cement positions in Dallas-Fort Worth, namely, the North Bridgeport Quarry capacity expansion and the Midlothian Cement Finish Mill 7 (FM7) expansion.

The North Bridgeport project added 4 million tons of incremental annual production capacity to our flagship aggregates facility in December 2021. The project was completed on-time, under budget and is currently operating at capacity.

The FM7 project achieved its first major milestone in July as the new cement silos begin loading customer trucks, dramatically improving customer service by eliminating truck lines and improving cement storage capacity by over 60%. As we shared during our first quarter earnings call, we expect to complete construction of the new finish mill in the third quarter of 2024, which will provide 450 thousand tons of incremental, high margin, annual production capacity in today’s sold out Dallas-Fort Worth marketplace.
**Inorganic Growth and Portfolio Management**

A vital tenet of SOAR 2025 is responsible market expansion and growth through acquisitions. This has been a very successful strategy for Martin Marietta. We have repeatedly proven our ability to target, purchase, integrate and deleverage the balance sheet quickly; the last few years have continued our longstanding track record in this important dimension.

**Lehigh Hanson West Region (LHW) Integration Update**

The LHW acquisition strategic rationale was two-fold: (i) Establishing a new aggregates-led platform in key construction market metropolitan statistical areas (MSA), including Phoenix, San Diego, Los Angeles and the San Francisco Bay Area, would enhance our long-term growth opportunities; and (ii) Implementing our value-over-volume pricing strategy to better reflect the scarcity value of California aggregate reserves would yield notable results over the near-, medium- and long-term. Today, nearly 22 months post acquisition, I am pleased to report the realization of these anticipated benefits as we have considerably expanded our bolt-on acquisition pipeline and expect the LHW assets to exit 2023 with an aggregates average selling price of $4.50 per ton, or 31%, higher as compared with the quarter ended December 31, 2021; another $2.00 per ton increase is planned for January 1, 2024. This value-over-volume approach reflects our focus on enhancing our customers’ experience with increased investments in our operations to drive efficiencies, reliable availability of high-quality products, and of course, excellent customer service.

**Portfolio Management**

During the second quarter, we completed the divestiture of our Stockton, California cement import terminal and terminated the agreement with CalPortland Company regarding the sale of the Tehachapi, California cement plant in light of being unable to timely obtain the necessary approval by the U.S. Federal Trade Commission. We are actively exploring the potential sale of Tehachapi to other interested parties. Together, these SOAR-consistent, margin-accretive, non-core divestitures not only enhance the overall durability of our business, but also provide us with the balance sheet flexibility to advance our longstanding capital allocation priorities and continue on our well-articulated path of aggregates-led growth.

**CONCLUSION**

Our first half 2023 results are a testament to the secular durability of our proven aggregates-led business model and the quality of our extraordinarily talented team. Looking ahead, we are confident Martin Marietta is well-positioned to continue successfully navigating through economic cycles, drive sustainable long-term growth and deliver superior shareholder value. Anchored by our longstanding history of disciplined commercial and operational practices, we expect to again deliver on our proven strategy and in doing so, advance on our path toward building and maintaining the safest, most resilient and best-performing aggregates-led public company.
If you are interested in Martin Marietta stock, management recommends that, at a minimum, you read the Company’s current annual report and Forms 10-K, 10-Q and 8-K reports to the Securities and Exchange Commission (SEC) over the past year. The Company’s recent proxy statement for the annual meeting of shareholders also contains important information. These and other materials that have been filed with the SEC are accessible through the Company’s website at www.martinmarietta.com and are also available at the SEC’s website at www.sec.gov. You may also write or call the Company’s Corporate Secretary, who will provide copies of such reports.

Investors are cautioned that all statements in this CEO Commentary and Market Perspective that relate to the future involve risks and uncertainties, and are based on assumptions that the Company believes in good faith are reasonable but which may be materially different from actual results. Statements that are forward-looking statements under the Private Securities Litigation Reform Act of 1995, provide the investor with the Company’s expectations or forecasts of future events. You can identify these statements by the fact that they do not relate only to historical or current facts. They may use words such as “guidance”, “anticipate”, “may”, “expect”, “should”, “believe”, “will”, and other words of similar meaning in connection with future events or future operating or financial performance. Any or all of the Company’s forward-looking statements here and in other publications may turn out to be wrong.

Second-quarter results and trends described in this CEO Commentary and Market Perspective may not necessarily be indicative of the Company’s future performance. 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 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, and any issues arising from any such federal and state budgets, most particularly in Texas, Colorado, North Carolina, Minnesota, California, Georgia, Arizona, Iowa, Florida, and Indiana; 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 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 and West Virginia; increasing residential mortgage rates and other factors that could result in a slowdown in residential construction; unfavorable weather conditions, particularly Atlantic Ocean, Pacific Ocean and Gulf of Mexico storm and hurricane activity, wildfires, the late start to spring or the early onset of winter and the impact of a drought or excessive rainfall in the markets served by the Company, any of which can significantly affect production schedules, volumes, product and/or geographic mix and profitability; the volatility of fuel costs and energy, particularly diesel fuel, electricity, natural gas 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; the resiliency and potential declines of the Company’s various construction end-use markets; the potential negative impacts of new waves of COVID-19 or its variants, or any other outbreak of disease, epidemic or pandemic, or similar public health threat, or fear of such event, and its related economic or societal response, including any impact on the Company’s suppliers, customers or other business partners as well as on its employees the performance of the United States economy; increasing governmental regulation, including environmental laws and climate change regulations; 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; potential impact on costs, supply chain or other matters relating to the conflict between Russia and Ukraine; 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, including acquisitions or divestitures, 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.

You should consider these forward-looking statements in light of risk factors discussed in Martin Marietta’s Annual Report on Form 10-K for the year ended December 31, 2022 and other periodic filings made with the SEC. All of the Company’s forward-looking statements should be considered in light of these factors. In addition, other risks and uncertainties not presently known to the Company or that it considers immaterial could affect the accuracy of its forward-looking statements, or adversely affect or be material to the Company. The Company assumes no obligation to update any such forward-looking statements.