

MARTIN MARIETTA MATERIALS INC

Form 10-Q

November 06, 2012

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 1-12744

MARTIN MARIETTA MATERIALS, INC.

(Exact name of registrant as specified in its charter)

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North Carolina (State or other jurisdiction of incorporation or organization)	56-1848578 (I.R.S. Employer Identification Number)
2710 Wycliff Road, Raleigh, NC (Address of principal executive offices)	27607-3033 (Zip Code)
Registrant's telephone number, including area code 919-781-4550	

Former name: None

Former name, former address and former fiscal year, if changes since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Class	Outstanding as of October 23, 2012
Common Stock, \$0.01 par value	45,909,373

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	September 30, 2012 <i>(Unaudited)</i>	December 31, 2011 <i>(Audited)</i>	September 30, 2011 <i>(Unaudited)</i>
	<i>(Dollars in Thousands, Except Per Share Data)</i>		
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 35,421	\$ 26,022	\$ 56,840
Accounts receivable, net	296,947	203,748	259,773
Inventories, net	335,092	322,607	337,730
Current deferred income tax benefits	79,758	80,674	92,959
Costs in excess of billings	7,608	1,437	967
Other current assets	30,281	23,362	19,147
Total Current Assets	785,107	657,850	767,416
Property, plant and equipment	3,775,320	3,688,692	3,662,446
Allowances for depreciation, depletion and amortization	(2,024,379)	(1,914,401)	(1,975,805)
Net property, plant and equipment	1,750,941	1,774,291	1,686,641
Goodwill	615,986	616,671	639,039
Other intangibles, net	51,330	54,133	18,211
Other noncurrent assets	39,840	44,877	47,251
Total Assets	\$ 3,243,204	\$ 3,147,822	\$ 3,158,558
LIABILITIES AND EQUITY			
Current Liabilities:			
Bank overdraft	\$ 102	\$	\$
Accounts payable	99,628	92,210	86,322
Accrued salaries, benefits and payroll taxes	17,436	16,732	16,867
Pension and postretirement benefits	6,442	5,250	4,420
Accrued insurance and other taxes	34,175	26,408	31,902
Income taxes	13,291	1,871	16,256
Current maturities of long-term debt and short-term facilities	6,671	7,182	7,150
Accrued interest	18,209	7,669	18,709
Other current liabilities	21,155	16,390	16,120
Total Current Liabilities	217,109	173,712	197,746
Long-term debt	1,092,117	1,052,902	1,038,335
Pension, postretirement and postemployment benefits	135,761	158,101	102,787
Noncurrent deferred income taxes	243,759	222,064	249,572
Other noncurrent liabilities	84,437	92,179	84,567

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Total Liabilities	1,773,183	1,698,958	1,673,007
Equity:			
Common stock, par value \$0.01 per share	458	456	456
Preferred stock, par value \$0.01 per share			
Additional paid-in capital	408,898	401,864	400,855
Accumulated other comprehensive loss	(77,480)	(83,890)	(49,560)
Retained earnings	1,098,529	1,090,891	1,094,469
Total Shareholders' Equity	1,430,405	1,409,321	1,446,220
Noncontrolling interests	39,616	39,543	39,331
Total Equity	1,470,021	1,448,864	1,485,551
Total Liabilities and Equity	\$ 3,243,204	\$ 3,147,822	\$ 3,158,558

See accompanying condensed notes to consolidated financial statements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	<i>(In Thousands, Except Per Share Data)</i>			
	<i>(Unaudited)</i>			
Net Sales	\$ 539,140	\$ 445,003	\$ 1,380,897	\$ 1,145,204
Freight and delivery revenues	54,761	57,383	152,699	147,516
Total revenues	593,901	502,386	1,533,596	1,292,720
Cost of sales	415,556	333,110	1,131,395	913,112
Freight and delivery costs	54,761	57,383	152,699	147,516
Total cost of revenues	470,317	390,493	1,284,094	1,060,628
Gross Profit	123,584	111,893	249,502	232,092
Selling, general & administrative expenses	32,095	32,774	100,398	92,415
Business development costs		733	35,140	3,441
Other operating expenses and (income), net	394	(1,625)	(1,070)	(4,028)
Earnings from Operations	91,095	80,011	115,034	140,264
Interest expense	13,224	13,398	39,967	45,288
Other nonoperating expenses and (income), net	620	2,147	(1,277)	2,221
Earnings from continuing operations before taxes on income	77,251	64,466	76,344	92,755
Income tax expense	13,464	14,130	12,146	21,853
Earnings from Continuing Operations	63,787	50,336	64,198	70,902
Loss on discontinued operations, net of related tax benefit of \$134, \$618, \$209 and \$1,652, respectively	(118)	(4)	(395)	(2,412)
Consolidated net earnings	63,669	50,332	63,803	68,490
Less: Net earnings attributable to noncontrolling interests	747	1,176	863	949
Net Earnings Attributable to Martin Marietta Materials, Inc.	\$ 62,922	\$ 49,156	\$ 62,940	\$ 67,541
Net Earnings (Loss) Attributable to Martin Marietta Materials, Inc.				
Earnings from continuing operations	\$ 63,040	\$ 49,160	\$ 63,335	\$ 69,953
Loss from discontinued operations	(118)	(4)	(395)	(2,412)
Net Earnings (Loss) Attributable to Martin Marietta Materials, Inc.	\$ 62,922	\$ 49,156	\$ 62,940	\$ 67,541
Consolidated Comprehensive Earnings (See Note 1)				
Earnings attributable to Martin Marietta Materials, Inc.	\$ 66,082	\$ 48,916	\$ 69,350	\$ 71,641
Earnings attributable to noncontrolling interests	750	1,177	873	952

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\$ 66,832 \$ 50,093 \$ 70,223 \$ 72,593

Net Earnings (Loss) Attributable to Martin Marietta Materials, Inc.				
Per Common Share				
Basic from continuing operations attributable to common shareholders	\$ 1.36	\$ 1.07	\$ 1.38	\$ 1.52
Discontinued operations attributable to common shareholders			(0.01)	(0.05)
	\$ 1.36	\$ 1.07	\$ 1.37	\$ 1.47
Diluted from continuing operations attributable to common shareholders	\$ 1.36	\$ 1.07	\$ 1.37	\$ 1.51
Discontinued operations attributable to common shareholders			(0.01)	(0.05)
	\$ 1.36	\$ 1.07	\$ 1.36	\$ 1.46
Weighted-Average Common Shares Outstanding				
Basic	45,860	45,690	45,792	45,634
Diluted	45,992	45,799	45,929	45,783
Cash Dividends Per Common Share	\$ 0.40	\$ 0.40	\$ 1.20	\$ 1.20

See accompanying condensed notes to consolidated financial statements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2012	2011
	<i>(Dollars in Thousands)</i>	
	<i>(Unaudited)</i>	
Cash Flows from Operating Activities:		
Consolidated net earnings	\$ 63,803	\$ 68,490
Adjustments to reconcile consolidated net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	132,985	129,673
Stock-based compensation expense	5,947	9,317
Gains on divestitures and sales of assets	(858)	(3,890)
Deferred income taxes	11,577	6,358
Other items, net	2,314	1,370
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts receivable, net	(93,198)	(77,971)
Inventories, net	(12,486)	(4,431)
Accounts payable	7,077	25,975
Other assets and liabilities, net	4,883	24,979
Net Cash Provided by Operating Activities	122,044	179,870
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(105,941)	(93,518)
Acquisitions, net	(132)	(49,930)
Proceeds from divestitures and sales of assets	7,871	6,178
Net Cash Used for Investing Activities	(98,202)	(137,270)
Cash Flows from Financing Activities:		
Borrowings of long-term debt	181,000	460,000
Repayments of long-term debt	(142,651)	(445,471)
Debt issuance costs	(300)	(3,328)
Change in bank overdraft	102	(2,123)
Dividends paid	(55,302)	(55,232)
Distributions to owners of noncontrolling interests	(800)	(1,000)
Purchase of remaining interest in existing subsidiaries		(10,394)
Issuances of common stock	3,508	1,465
Net Cash Used for Financing Activities	(14,443)	(56,083)
Net Increase (Decrease) in Cash and Cash Equivalents	9,399	(13,483)
Cash and Cash Equivalents, beginning of period	26,022	70,323
Cash and Cash Equivalents, end of period	\$ 35,421	\$ 56,840
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 29,255	\$ 36,649
Cash refunds for income taxes	\$ 3,170	\$ 7,831

See accompanying condensed notes to consolidated financial statements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL EQUITY

(Unaudited)

<i>(in thousands)</i>	Shares of		Additional Paid-in Capital	Accumulated Comprehensive Loss	Other Loss	Retained Earnings	Total Shareholders Equity	Noncontrolling Interests	Total Equity
	Common Stock	Common Stock							
Balance at December 31, 2011	45,726	\$ 456	\$ 401,864	\$ (83,890)		\$ 1,090,891	\$ 1,409,321	\$ 39,543	\$ 1,448,864
Consolidated net earnings						62,940	62,940	863	63,803
Other comprehensive earnings				6,410			6,410	10	6,420
Dividends declared						(55,302)	(55,302)		(55,302)
Issuances of common stock for stock award plans	182	2	1,087				1,089		1,089
Stock-based compensation expense			5,947				5,947		5,947
Distributions to owners of noncontrolling interests								(800)	(800)
Balance at September 30, 2012	45,908	\$ 458	\$ 408,898	\$ (77,480)		\$ 1,098,529	\$ 1,430,405	\$ 39,616	\$ 1,470,021

See accompanying condensed notes to consolidated financial statements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended September 30, 2012

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of Martin Marietta Materials, Inc. (the Corporation) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and to Article 10 of Regulation S-X. The Corporation has continued to follow the accounting policies set forth in the audited consolidated financial statements and related notes thereto included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the Securities and Exchange Commission on February 29, 2012. In the opinion of management, the interim financial information provided herein reflects all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results of operations, financial position and cash flows for the interim periods. The results of operations for the quarter and nine months ended September 30, 2012 are not indicative of the results expected for other interim periods or the full year. The balance sheet at December 31, 2011 has been derived from the audited financial statements at that date but does not include all of the information and notes required by generally accepted accounting principles for complete financial statements. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2011.

Warranties

The Corporation's construction contracts contain warranty provisions covering defects in equipment, materials, design or workmanship that generally run from nine months to one year after project completion. Because of the nature of its projects, including contract owner inspections of the work both during construction and prior to acceptance, the Corporation has not experienced material warranty costs for these short-term warranties and therefore does not believe an accrual for these costs is necessary. Certain construction contracts carry longer warranty periods, ranging from two to ten years for which the Corporation has accrued an estimate of warranty cost. The warranty cost is estimated based on experience with the type of work and any known risks relative to the project and was not material for the three or nine months ended September 30, 2012 and 2011.

Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss

Consolidated comprehensive earnings/loss for the Corporation consist of consolidated net earnings or loss; adjustments for the funded status of pension and postretirement benefit plans; foreign currency translation adjustments; and the amortization of the value of terminated forward starting interest rate swap agreements into interest expense.

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For the Quarter Ended September 30, 2012

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. Significant Accounting Policies (continued)**Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss (continued)**

Effective January 1, 2012, as required by recent accounting guidance, the Corporation changed its presentation of consolidated comprehensive earnings/loss. The Corporation no longer reports total consolidated comprehensive earnings/loss and related components of other comprehensive earnings/loss in its consolidated statement of total equity. Rather, the Corporation presents total consolidated comprehensive earnings/loss in its consolidated statements of earnings and comprehensive earnings for interim periods and in separate but consecutive consolidated statements of comprehensive earnings for annual periods. Prior-year information has been recast to conform to this presentation approach.

Comprehensive earnings attributable to Martin Marietta Materials, Inc. consist of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	<i>(Dollars in Thousands)</i>			
Net earnings attributable to Martin Marietta Materials, Inc.	\$ 62,922	\$ 49,156	\$ 62,940	\$ 67,541
Other comprehensive earnings (loss), net of tax	3,160	(240)	6,410	4,100
Consolidated comprehensive earnings attributable to Martin Marietta Materials, Inc.	\$ 66,082	\$ 48,916	\$ 69,350	\$ 71,641

Changes in accumulated other comprehensive loss, net of tax, are as follows:

	Three Months Ended September 30, 2012 <i>(Dollars in Thousands)</i>			
	Pension and Postretirement Benefit Plans	Foreign Currency	Unamortized Value of Terminated Forward Starting Interest Rate Swap	Accumulated Other Comprehensive Loss
Balance at beginning of period	\$ (81,407)	\$ 5,222	\$ (4,455)	\$ (80,640)
Other comprehensive earnings, net of tax	1,568	1,435	157	3,160
Balance at end of period	\$ (79,839)	\$ 6,657	\$ (4,298)	\$ (77,480)

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. Significant Accounting Policies (continued)**Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss (continued)**

	Nine Months Ended September 30, 2012 (Dollars in Thousands)			
	Pension and Postretirement Benefit Plans	Foreign Currency	Unamortized Value of Terminated Forward Starting Interest Rate Swap	Accumulated Other Comprehensive Loss
Balance at beginning of period	\$ (84,204)	\$ 5,076	\$ (4,762)	\$ (83,890)
Other comprehensive earnings, net of tax	4,365	1,581	464	6,410
Balance at end of period	\$ (79,839)	\$ 6,657	\$ (4,298)	\$ (77,480)

Changes in net noncurrent deferred tax assets recorded in accumulated other comprehensive loss are as follows:

	Three Months Ended September 30, 2012 (Dollars in Thousands)		
	Pension and Postretirement Benefit Plans	Unamortized Value of Terminated Forward Starting Interest Rate Swap	Net Noncurrent Deferred Tax Assets
Balance at beginning of period	\$ 53,328	\$ 2,915	\$ 56,243
Tax effect of other comprehensive earnings	(1,026)	(103)	(1,129)
Balance at end of period	\$ 52,302	\$ 2,812	\$ 55,114

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. Significant Accounting Policies (continued)**Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss (continued)**

	Nine Months Ended September 30, 2012 (Dollars in Thousands)		
	Pension and Postretirement Benefit Plans	Unamortized Value of Terminated Forward Starting Interest Rate Swap	Net Noncurrent Deferred Tax Assets
Balance at beginning of period	\$ 55,161	\$ 3,116	\$ 58,277
Tax effect of other comprehensive earnings	(2,859)	(304)	(3,163)
Balance at end of period	\$ 52,302	\$ 2,812	\$ 55,114

Comprehensive earnings attributable to noncontrolling interests consist of net earnings and adjustments for the funding status of pension and postretirement benefit plans as follows:

	Three Months Ended September 30, 2012		Nine Months Ended September 30, 2012	
	2011	2011	2011	2011
	(Dollars in Thousands)			
Net earnings attributable to noncontrolling interests	\$ 747	\$ 1,176	\$ 863	\$ 949
Other comprehensive earnings, net of tax	3	1	10	3
Consolidated comprehensive earnings attributable to noncontrolling interests	\$ 750	\$ 1,177	\$ 873	\$ 952

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. Significant Accounting Policies (continued)**Earnings per Common Share**

The numerator for basic and diluted earnings per common share is net earnings attributable to Martin Marietta Materials, Inc., reduced by dividends and undistributed earnings attributable to the Corporation's unvested restricted stock awards and incentive stock awards. The denominator for basic earnings per common share is the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are computed assuming that the weighted-average number of common shares is increased by the conversion, using the treasury stock method, of awards to be issued to employees and nonemployee members of the Corporation's Board of Directors under certain stock-based compensation arrangements if the conversion is dilutive. The diluted per-share computations reflect a change in the number of common shares outstanding to include the number of additional shares that would have been outstanding if the potentially dilutive common shares had been issued.

The following table reconciles the numerator and denominator for basic and diluted earnings per common share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	<i>(In Thousands)</i>			
Net earnings from continuing operations attributable to Martin Marietta Materials, Inc.	\$ 63,040	\$ 49,160	\$ 63,335	\$ 69,953
Less: Distributed and undistributed earnings attributable to unvested awards	336	378	386	557
Basic and diluted net earnings available to common shareholders from continuing operations attributable to Martin Marietta Materials, Inc.	62,704	48,782	62,949	69,396
Basic and diluted net loss available to common shareholders from discontinued operations	(118)	(4)	(395)	(2,412)
Basic and diluted net earnings available to common shareholders attributable to Martin Marietta Materials, Inc.	\$ 62,586	\$ 48,778	\$ 62,554	\$ 66,984
Basic weighted-average common shares outstanding	45,860	45,690	45,792	45,634
Effect of dilutive employee and director awards	132	109	137	149
Diluted weighted-average common shares outstanding	45,992	45,799	45,929	45,783

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. Discontinued OperationsDivestitures and Permanent Closures

Operations that are disposed of or permanently shut down represent discontinued operations, and, therefore, the results of their operations through the dates of disposal and any gain or loss on disposals are included in discontinued operations in the consolidated statements of earnings and comprehensive earnings. The results of operations for divestitures do not include Corporate overhead that was allocated during the periods the Corporation owned these operations.

All discontinued operations relate to the Aggregates business. Discontinued operations consist of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	<i>(Dollars in Thousands)</i>			
Net sales	\$	\$ 19,009	\$	\$ 51,821
Pretax loss on operations	\$ (252)	\$ (623)	\$ (250)	\$ (4,065)
Pretax gain (loss) on disposals		1	(354)	1
Pretax loss	(252)	(622)	(604)	(4,064)
Income tax benefit	(134)	(618)	(209)	(1,652)
Net loss	\$ (118)	\$ (4)	\$ (395)	\$ (2,412)

3. Inventories, Net

	September 30, 2012	December 31, 2011	September 30, 2011
	<i>(Dollars in Thousands)</i>		
Finished products	\$ 356,849	\$ 350,685	\$ 362,924
Products in process and raw materials	18,918	11,116	9,483
Supplies and expendable parts	56,420	53,287	53,624
	432,187	415,088	426,031
Less allowances	(97,095)	(92,481)	(88,301)
Total	\$ 335,092	\$ 322,607	\$ 337,730

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Goodwill and Intangible Assets

Changes in goodwill, all of which relate to the Aggregates business, by reportable segment and in total are as follows (dollars in thousands):

	Three Months Ended September 30, 2012			
	Mideast Group	Southeast Group	West Group	Total
Balance at beginning of period	\$ 112,823	\$ 81,302	\$ 424,749	\$ 618,874
Adjustments to purchase price allocations			(2,888)	(2,888)
Balance at end of period	\$ 112,823	\$ 81,302	\$ 421,861	\$ 615,986

	Nine Months Ended September 30, 2012			
	Mideast Group	Southeast Group	West Group	Total
Balance at beginning of period	\$ 122,052	\$ 72,073	\$ 422,546	\$ 616,671
Adjustments to purchase price allocations			(685)	(685)
District reorganization	(9,229)	9,229		
Balance at end of period	\$ 112,823	\$ 81,302	\$ 421,861	\$ 615,986

5. Long-Term Debt

	September 30, 2012	December 31, 2011	September 30, 2011
	<i>(Dollars in Thousands)</i>		
6.6% Senior Notes, due 2018	\$ 298,626	\$ 298,476	\$ 298,428
7% Debentures, due 2025	124,437	124,417	124,411
6.25% Senior Notes, due 2037	228,105	247,915	247,906
Term Loan Facility, due 2015, interest rate of 2.22% at September 30, 2012; 2.20% at December 31, 2011; and 1.99% at September 30, 2011	245,000	250,000	250,000
Revolving Facility, interest rate of 1.92% at September 30, 2012; 2.64% at December 31, 2011; and 1.61% at September 30, 2011	100,000	35,000	20,000
AR Credit Facility, interest rate of 1.00% at September 30, 2012; 1.66% at December 31, 2011; and 1.60% at September 30, 2011	100,000	100,000	100,000

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Other notes	2,620	4,276	4,740
Total debt	1,098,788	1,060,084	1,045,485
Less current maturities	(6,671)	(7,182)	(7,150)
Long-term debt	\$ 1,092,117	\$ 1,052,902	\$ 1,038,335

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5. Long-Term Debt (continued)

On January 23, 2012, the Corporation repurchased \$20,000,000 par value of its outstanding 6.25% Senior Notes due 2037 at 90.75. This repurchase was financed with borrowings of \$18,200,000 under the Corporation's Revolving Facility.

On April 13, 2012, the Corporation renewed its AR Credit Facility for a one-year term ending April 20, 2013.

The Credit Agreement (which consists of the Term Loan Facility and a \$350,000,000 Revolving Facility) and the AR Credit Facility require the Corporation's ratio of consolidated debt to consolidated earnings before interest, taxes, depreciation, depletion and amortization (EBITDA), as defined, for the trailing twelve month period (the Ratio) to not exceed 3.50x as of the end of any fiscal quarter, provided that the Corporation may exclude from the Ratio debt incurred in connection with certain acquisitions for a period of 180 days so long as the Corporation maintains specified ratings on its long-term unsecured debt and the Ratio calculated without such exclusion does not exceed 3.75x. Additionally, if no amounts are outstanding under both the Revolving Facility and the AR Credit Facility, consolidated debt, including debt guaranteed by the Corporation, may be reduced by the Corporation's unrestricted cash and cash equivalents in excess of \$50,000,000, such reduction not to exceed \$200,000,000, for purposes of the covenant calculation.

During the first quarter of 2012, the Corporation amended the Ratio to ensure that the impact of business development costs and the seasonal working capital requirements of the Corporation's acquired Colorado operations did not impair liquidity available under the Corporation's Credit Agreement and AR Credit Facility. The amendment temporarily increased the maximum Ratio to 3.75x at September 30, 2012. The Corporation was in compliance with this Ratio at September 30, 2012.

In order to provide incremental liquidity cushion, on October 17, 2012, the Corporation amended the Ratio to maintain the maximum Ratio of 3.75x for the December 31, 2012, March 31, 2013 and June 30, 2013 calculation dates. The Ratio returns to the pre-amendment maximum of 3.50x for the September 30, 2013 calculation date.

Available borrowings under the Revolving Facility are reduced by any outstanding letters of credit issued by the Corporation under the Revolving Facility. At September 30, 2012, the Corporation had \$2,507,000 of outstanding letters of credit issued under the Revolving Facility.

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(Continued)

5. Long-Term Debt (continued)

Accumulated other comprehensive loss includes the unamortized value of terminated forward starting interest rate swap agreements. For the three and nine months ended September 30, 2012, the Corporation recognized \$260,000 and \$768,000, respectively, as additional interest expense. For the three and nine months ended September 30, 2011, the Corporation recognized \$242,000 and \$715,000, respectively, as additional interest expense. The ongoing amortization of the terminated value of the forward starting interest rate swap agreements will increase annual interest expense by approximately \$1,000,000 until the maturity of the 6.6% Senior Notes in 2018.

6. Financial Instruments

The Corporation's financial instruments include temporary cash investments, accounts receivable, notes receivable, bank overdraft, publicly-registered long-term notes, debentures and other long-term debt.

Temporary cash investments are placed primarily in money market funds, money market demand deposit accounts and Eurodollar time deposits with the following financial institutions: Bank of America, N.A., Branch Banking and Trust Company, JPMorgan Chase Bank, N.A., Regions Bank, Fifth Third Bank, and Wells Fargo Bank, N.A. The Corporation's cash equivalents have maturities of less than three months. Due to the short maturity of these investments, they are carried on the consolidated balance sheets at cost, which approximates fair value.

Customer receivables are due from a large number of customers, primarily in the construction industry, and are dispersed across wide geographic and economic regions. However, customer receivables are more heavily concentrated in certain states (namely, Texas, North Carolina, Iowa, Colorado and Georgia). The estimated fair values of customer receivables approximate their carrying amounts.

Notes receivable are primarily related to divestitures and are not publicly traded. However, using current market interest rates, but excluding adjustments for credit worthiness, if any, management estimates that the fair value of notes receivable approximates the carrying amount.

The bank overdraft represents the float of outstanding checks. The estimated fair value of the bank overdraft approximates its carrying value.

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(Continued)

6. Financial Instruments (continued)

The carrying values and fair values of the Corporation's long-term debt were \$1,098,788,000 and \$1,156,820,000, respectively, at September 30, 2012; \$1,060,084,000 and \$1,087,726,000, respectively, at December 31, 2011; and \$1,045,485,000 and \$1,072,235,000, respectively, at September 30, 2011. The estimated fair value of the Corporation's publicly-registered long-term notes was estimated based on level 1 of the fair value hierarchy, quoted market prices. The estimated fair value of other borrowings, which primarily represent variable-rate debt, approximates its carrying amount.

7. Income Taxes

	Nine Months Ended September 30,	
	2012	2011
Estimated effective income tax rate:		
Continuing operations	15.9%	23.6%
Discontinued operations	34.6%	40.6%
Consolidated overall	15.8%	22.8%

The Corporation's effective income tax rate reflects the effect of federal and state income taxes and the impact of differences in book and tax accounting arising from the net permanent benefits associated with the statutory depletion deduction for mineral reserves, the impact of foreign losses for which no tax benefit was realized and the domestic production deduction. The effective income tax rates for discontinued operations reflect the tax effects of individual operations' transactions and are not indicative of the Corporation's overall effective income tax rate.

The consolidated overall estimated effective income tax rate for the nine months ended September 30, 2012 included the following discrete events: a refund of federal tax and interest of \$1,626,000 related to the 2006 tax year and the estimated effects of an agreement between the taxing authorities of the United States and Canada regarding the transfer price of products for intercompany shipments during the years 2007 to 2011. The effects of the agreement allow the Corporation to utilize certain net operating loss and tax credit carryforwards for which a valuation allowance was previously established. Accordingly, the Corporation reversed a \$3,644,000 valuation allowance during the quarter ended September 30, 2012. These discrete events drove a decrease in the consolidated overall estimated effective income tax rate for the nine months ended September 30, 2012. The consolidated overall estimated effective income tax rate for the nine months ended September 30, 2012 would have been 22.7% without these discrete events; a rate more reflective of the expected annual tax rate of 23%.

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(Continued)

7. Income Taxes (continued)

The consolidated overall estimated effective income tax rate for the nine months ended September 30, 2011 included the following discrete events: the favorable effective settlement of the Internal Revenue Service audit for the 2008 tax year; resolution of a federal tax and interest overpayment of \$1,730,000 related to the 2006 tax year and an agreed-upon refund of \$1,060,000 for the double taxation of the Corporation's wholly-owned Canadian subsidiary for the 2001 and 2002 tax years.

On December 23, 2011, the U.S. Treasury Department issued comprehensive temporary and proposed regulations addressing the treatment of expenditures related to tangible property for tax purposes. On March 7, 2012, the Internal Revenue Service (IRS) issued two revenue procedures containing administrative guidance related to the adoption of the new rules. Although the regulations are generally effective for tax years beginning January 1, 2012, the IRS has granted taxpayers administrative relief and audit protection for a two-year period as long as the taxpayer adopts the regulations retroactively within two years of the effective date. Management has begun to evaluate the changes necessary to comply with the regulations and the related administrative procedures and is not currently aware of any adjustments that would be material to the Corporation's consolidated financial position and results of operations. As part of its compliance with these regulations, the Corporation reversed its unrecognized tax benefits related to repairs and maintenance as of March 31, 2012.

The Corporation's unrecognized tax benefits, excluding interest, correlative effects and indirect benefits, are as follows:

	Nine Months Ended September 30, 2012 <i>(Dollars in Thousands)</i>
Unrecognized tax benefits at beginning of period	\$ 9,288
Gross increases tax positions in prior years	19,527
Gross decreases tax positions in prior years	(13,876)
Gross increases tax positions in current year	1,409
Settlements with taxing authorities	(555)
Unrecognized tax benefits at end of period	\$ 15,793

For the nine months ended September 30, 2012, gross increases in tax positions in prior years included the estimated effect of the agreement with the taxing authority of Canada that increased the sales price charged for intercompany shipments during the years 2007 through 2011. Upon final settlement, the Corporation will be allowed a corresponding refund of tax in the United States for the years 2007 through 2011 which is not included in the unrecognized tax benefits at September 30, 2012. Accordingly, the Corporation anticipates that it is reasonably possible that unrecognized tax benefits may significantly change up to \$9,007,000, excluding indirect benefits, during the twelve months ending September 30, 2013.

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(Continued)

7. Income Taxes (continued)

At September 30, 2012, unrecognized tax benefits of \$6,546,000, net of federal tax benefits and related to interest accruals and permanent income tax differences, would have favorably affected the Corporation's effective income tax rate if recognized.

8. Pension and Postretirement Benefits

The estimated components of the recorded net periodic benefit cost for pension and postretirement benefits are as follows (dollars in thousands):

	Three Months Ended September 30,			
	Pension		Postretirement Benefits	
	2012	2011	2012	2011
	<i>(Dollars in Thousands)</i>			
Service cost	\$ 3,074	\$ 2,815	\$ 57	\$ 88
Interest cost	5,561	5,808	309	556
Expected return on assets	(5,617)	(6,121)		
Amortization of:				
Prior service cost (credit)	110	133	(814)	(435)
Actuarial loss (gain)	2,920	1,581	(71)	(21)
Settlement charge	255	332		
Net periodic benefit cost (credit)	\$ 6,303	\$ 4,548	\$ (519)	\$ 188

	Nine Months Ended September 30,			
	Pension		Postretirement Benefits	
	2012	2011	2012	2011
	<i>(Dollars in Thousands)</i>			
Service cost	\$ 9,813	\$ 8,446	\$ 171	\$ 263
Interest cost	17,754	17,425	926	1,669
Expected return on assets	(17,935)	(18,364)		
Amortization of:				
Prior service cost (credit)	350	400	(2,442)	(1,306)
Actuarial loss (gain)	9,323	4,743	(212)	(64)
Settlement charge	779	346		
Net periodic benefit cost (credit)	\$ 20,084	\$ 12,996	\$ (1,557)	\$ 562

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(Continued)

9. Commitments and Contingencies

Legal and Administrative Proceedings

The Corporation is engaged in certain legal and administrative proceedings incidental to its normal business activities. In the opinion of management and counsel, based upon currently-available facts, it is remote that the ultimate outcome of any litigation and other proceedings, including those pertaining to environmental matters, relating to the Corporation and its subsidiaries, will have a material adverse effect on the overall results of the Corporation's operations, its cash flows or its financial position.

Environmental and Governmental Regulations

In 2010, the United States Environmental Protection Agency (USEPA) included the lime industry as a national enforcement priority under the federal Clean Air Act (CAA). As part of the industry wide effort, the USEPA issued Notices of Violation/Findings of Violation (NOVs) to the Corporation in 2010 and 2011 regarding the Corporation's compliance with the CAA New Source Review (NSR) program at its Specialty Products dolomitic lime manufacturing plant in Woodville, Ohio. The Corporation has been providing information to the USEPA in response to these NOVs and has had several meetings with the USEPA. The Corporation believes it is in substantial compliance with the NSR program. Because the enforcement proceeding is in its initial stage, at this time the Corporation cannot reasonably estimate what likely penalties or required upgrades to equipment might ultimately be required. The Corporation believes that any costs related to any required upgrades will be spread over time and will not have a material adverse effect on the Corporation's operations or its financial condition, but can give no assurance that the ultimate resolution of this matter will not have a material adverse effect on the financial condition or results of operations of the Specialty Products segment of the business.

Guarantee of Affiliate

The Corporation has an unconditional guaranty of payment agreement with Fifth Third Bank (Fifth Third) to guarantee the repayment of amounts borrowed by an affiliate under a \$24,000,000 revolving line of credit provided by Fifth Third that expires in July 2013 and a guaranty agreement with Bank of America, N.A., to guarantee a \$6,200,000 amortizing loan due April 2016. The affiliate has agreed to reimburse and indemnify the Corporation for any payments and expenses the Corporation may incur from these agreements. The Corporation holds a subordinate lien of the affiliate's assets as collateral for potential payments under the agreements.

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(Continued)

10. Business Segments

The Corporation conducts its aggregate operations through three reportable business segments: Mideast Group, Southeast Group and West Group. The Corporation also has a Specialty Products segment that includes magnesia-based chemicals products and dolomitic lime. These segments are consistent with the Corporation's current management reporting structure.

The following tables display selected financial data for continuing operations for the Corporation's reportable business segments. Corporate loss from operations primarily includes depreciation on capitalized interest, expenses for corporate administrative functions, unallocated corporate expenses and other nonrecurring and/or non-operational adjustments.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<i>(Dollars in Thousands)</i>				
Total revenues:				
Mideast Group	\$ 130,111	\$ 128,342	\$ 334,322	\$ 320,464
Southeast Group	77,424	83,797	230,324	236,052
West Group	332,293	235,046	803,325	573,214
Total Aggregates Business	539,828	447,185	1,367,971	1,129,730
Specialty Products	54,073	55,201	165,625	162,990
Total	\$ 593,901	\$ 502,386	\$ 1,533,596	\$ 1,292,720
Net sales:				
Mideast Group	\$ 118,140	\$ 116,637	\$ 304,986	\$ 295,306
Southeast Group	71,828	76,685	213,101	217,360
West Group	299,725	201,339	711,184	483,454
Total Aggregates Business	489,693	394,661	1,229,271	996,120
Specialty Products	49,447	50,342	151,626	149,084
Total	\$ 539,140	\$ 445,003	\$ 1,380,897	\$ 1,145,204
Earnings (Loss) from operations:				
Mideast Group	\$ 31,365	\$ 28,070	\$ 54,284	\$ 53,222
Southeast Group	482	2,796	(5,508)	(2,039)
West Group	44,286	39,484	59,476	53,168
Total Aggregates Business	76,133	70,350	108,252	104,351
Specialty Products	17,034	15,573	52,706	49,984
Corporate	(2,072)	(5,912)	(45,924)	(14,071)

Total	\$ 91,095	\$ 80,011	\$ 115,034	\$ 140,264
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(Continued)

10. Business Segments (continued)

The asphalt, ready mixed concrete and road paving product lines are considered internal customers of the core aggregates business. Product lines for the Specialty Products segment consist of magnesia-based chemicals, dolomitic lime and other. Net sales by product line are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	<i>(Dollars in Thousands)</i>			
Aggregates	\$ 371,102	\$ 362,618	\$ 985,361	\$ 916,875
Asphalt	29,198	12,297	61,921	37,554
Ready Mixed Concrete	33,143	9,729	82,634	22,266
Road Paving	56,250	10,017	99,355	19,425
Total Aggregates Business	489,693	394,661	1,229,271	996,120
Magnesia-Based Chemicals	32,487	32,794	96,694	94,799
Dolomitic Lime	16,460	17,131	53,591	53,314
Other	500	417	1,341	971