

Summit Materials, Inc.  
Form 10-Q  
May 05, 2015  
Table of Contents

**UNITED STATES**  
**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 March 28, 2015**

**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 numbers:**

**001-36876 (Summit Materials, Inc.)**

**333-187556 (Summit Materials, LLC)**

**SUMMIT MATERIALS, INC.**

**SUMMIT MATERIALS, LLC**

**(Exact name of registrants as specified in their charters)**

<b>Delaware (Summit Materials, Inc.)</b>	<b>47-1984212</b>
<b>Delaware (Summit Materials, LLC)</b>	<b>26-4138486</b>
<b>(State or other jurisdiction of incorporation or organization)</b>	<b>(I.R.S. Employer Identification No.)</b>
<b>1550 Wynkoop Street, 3<sup>rd</sup> Floor</b>	
<b>Denver, Colorado</b>	<b>80202</b>
<b>(Address of principal executive offices)</b>	<b>(Zip Code)</b>
<b>Registrants telephone number, including area code: (303) 893-0012</b>	

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.

Summit Materials, Inc.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Summit Materials, LLC	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Summit Materials, Inc.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Summit Materials, LLC	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

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.

Summit Materials, Inc.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	<input type="checkbox"/>
--	--	--------------------------

Edgar Filing: Summit Materials, Inc. - Form 10-Q

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Summit Materials, LLC

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Summit Materials, Inc. Yes  No

Summit Materials, LLC Yes  No

As of April 29, 2015, the number of shares of Summit Materials, Inc. s outstanding Class A and Class B common stock, par value \$0.01 per share for each class, was 26,584,738 and 69,007,297, respectively.

As of April 29, 2015, 100% of Summit Materials, LLC s outstanding limited liability company interests were held by Summit Materials Intermediate Holdings, LLC, its sole member and an indirect subsidiary of Summit Materials, Inc.

---

**Table of Contents**

**EXPLANATORY NOTE**

This quarterly report on Form 10-Q (this report) is a combined quarterly report being filed separately by two registrants: Summit Materials, Inc. and Summit Materials, LLC. Each registrant hereto is filing on its own behalf all of the information contained in this report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information. We believe that combining the quarterly reports on Form 10-Q of Summit Materials, Inc. and Summit Materials, LLC into this single report eliminates duplicative and potentially confusing disclosure and provides a more streamlined presentation since a substantial amount of the disclosure applies to both registrants.

Unless stated otherwise or the context requires otherwise, references to Summit Inc. mean Summit Materials, Inc., a Delaware corporation, and references to Summit LLC mean Summit Materials, LLC, a Delaware limited liability company, and its consolidated subsidiaries, in cases where it is important to distinguish between Summit Inc. and Summit LLC. We use the terms we, our, us or the Company to refer to Summit Inc. and Summit LLC together, unless otherwise noted or the context otherwise requires.

Summit Inc. was formed as a Delaware corporation on September 23, 2014 to be a holding company. Its sole asset is a 27.8% economic interest in Summit Materials Holdings L.P. (Summit Holdings). Summit Inc. has 100% of the voting rights of Summit Holdings, which in turn is the indirect parent entity of Summit LLC, a co-issuer of our outstanding 10 1/2% senior notes due 2020 (the Senior Notes). Summit Inc.'s revenue represents 100% of Summit LLC's revenue for the quarter ended March 28, 2015. Pursuant to a reorganization into a holding corporation structure (the Reorganization) consummated in connection with Summit Inc.'s initial public offering (IPO), Summit Inc. became a holding company operating and controlling all of the business and affairs of Summit Holdings and, in turn, Summit LLC, and, through Summit Holdings, conducts its business.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This report includes forward-looking statements within the meaning of the federal securities laws, which involve risks and uncertainties. Forward-looking statements include all statements that do not relate solely to historical or current facts, and you can identify forward-looking statements because they contain words such as believes, expects, may, will, should, seeks, intends, trends, plans, estimates, projects or anticipates or similar expressions that describe strategy, plans, expectations or intentions. All statements made relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, it is very difficult to predict the effect of known factors, and, of course, it is impossible to anticipate all factors that could affect our actual results. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be realized. Important factors could affect our results and could cause results to differ materially from those expressed in our forward-looking statements, including but not limited to the factors discussed in the section entitled Risk Factors in Summit Inc.'s prospectus dated March 11, 2015 (the Prospectus), as filed with the Securities and Exchange Commission (the SEC) on March 13, 2015, any factors discussed in the section entitled Risk Factors of this report, and the following:

our dependence on the construction industry and the strength of the local economies in which we operate;

the cyclical nature of our business;

risks related to weather and seasonality;

risks associated with our capital-intensive business;

competition within our local markets;

our ability to execute on our acquisition strategy, successfully integrate acquisitions with our existing operations and retain key employees of such acquired businesses;

our dependence on securing and permitting aggregate reserves in strategically located areas;

declines in public infrastructure construction and reductions in governmental funding, including the funding by transportation authorities and other state agencies;

**Table of Contents**

changes in environmental, health, safety and climate change laws or governmental requirements or policies concerning zoning and land use;

conditions in the credit markets;

our ability to accurately estimate the overall risks, requirements or costs when we bid on or negotiate contracts that are ultimately awarded to us;

material costs and losses as a result of claims that our products do not meet regulatory requirements or contractual specifications;

cancellation of a significant number of contracts or our disqualification from bidding for new contracts;

special hazards related to our operations that may cause personal injury or property damage not covered by insurance;

our substantial current level of indebtedness;

our dependence on senior management and other key personnel;

interruptions in our information technology systems and infrastructure; and

other factors as described in the Prospectus.

All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

Any forward-looking statement that we make herein speaks only as of the date of this report. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

**CERTAIN DEFINITIONS**

As used in this report, unless otherwise noted or the context otherwise requires:

Finance Corp refers only to Summit Materials Finance Corp., a wholly-owned indirect subsidiary of Summit LLC;

## Edgar Filing: Summit Materials, Inc. - Form 10-Q

**Sponsors** refers to certain investment funds affiliated with Blackstone Capital Partners V L.P. and Silverhawk Summit, L.P.;

**Continental Cement** refers to Continental Cement Company, L.L.C.;

**Alleyton** refers collectively to Alleyton Resource Company, LLC, Alcomat, LLC and Alleyton Services Company, LLC, formerly Alleyton Resource Corporation, Colorado Gulf, LP and certain assets of Barten Shepard Investments, LP.;

**Mainland** refers to Mainland Sand & Gravel ULC, which is the surviving entity from the acquisition of Rock Head Holdings Ltd., B.I.M. Holdings Ltd., Carlson Ventures Ltd., Mainland Sand and Gravel Ltd. and Jamieson Quarries Ltd.; and

**Lafarge** refers to Lafarge North America, Inc.

**Table of Contents**

**SUMMIT MATERIALS, INC.**

**SUMMIT MATERIALS, LLC**

**FORM 10-Q**

**TABLE OF CONTENTS**

	<b>Page No.</b>
<b>PART I Financial Information</b>	
Item 1. <u>Financial Statements for Summit Materials, Inc.</u>	1
<u>Unaudited Consolidated Balance Sheets as of March 28, 2015 and December 27, 2014</u>	1
<u>Unaudited Consolidated Statements of Operations for the three months ended March 28, 2015 and March 29, 2014</u>	2
<u>Unaudited Consolidated Statements of Comprehensive Loss for the three months ended March 28, 2015 and March 29, 2014</u>	3
<u>Unaudited Consolidated Statements of Cash Flows for the three months ended March 28, 2015 and March 29, 2014</u>	4
<u>Unaudited Consolidated Statements of Changes in Redeemable Noncontrolling Interest and Stockholders Equity for the three months ended March 28, 2015 and March 29, 2014</u>	5
<u>Notes to Unaudited Consolidated Financial Statements</u>	6
<u>Financial Statements for Summit Materials, LLC</u>	18
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	34
Item 4. <u>Controls and Procedures</u>	34
<b>PART II Other Information</b>	
Item 1. <u>Legal Proceedings</u>	36
Item 1A. <u>Risk Factors</u>	36
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	36
Item 3. <u>Defaults Upon Senior Securities</u>	37
Item 4. <u>Mine Safety Disclosures</u>	37
Item 5. <u>Other Information</u>	37
Item 6. <u>Exhibits</u>	37
<u>SIGNATURES</u>	40



Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SUMMIT MATERIALS, INC. AND SUBSIDIARIES**

## Unaudited Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	<b>March 28, 2015</b>	<b>December 27, 2014</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 314,980	\$ 13,215
Accounts receivable, net	109,941	141,302
Costs and estimated earnings in excess of billings	11,836	10,174
Inventories	133,307	111,553
Other current assets	17,476	17,172
Total current assets	587,540	293,416
Property, plant and equipment, less accumulated depreciation, depletion and amortization (March 28, 2015 - \$297,187 and December 27, 2014 - \$279,375)	948,129	950,601
Goodwill	415,582	419,270
Intangible assets, less accumulated amortization (March 28, 2015 - \$3,623 and December 27, 2014 - \$3,073)	16,891	17,647
Other assets	50,112	48,843
Total assets	\$ 2,018,254	\$ 1,729,777
<b>Liabilities, Redeemable Noncontrolling Interest and Stockholders Equity/Partners Interest</b>		
Current liabilities:		
Current portion of debt	\$ 5,275	\$ 5,275
Current portion of acquisition-related liabilities	24,851	18,402
Accounts payable	70,840	78,854
Accrued expenses	81,612	101,496
Billings in excess of costs and estimated earnings	8,309	8,958
Total current liabilities	190,887	212,985
Long-term debt	1,057,418	1,059,642
Acquisition-related liabilities	44,245	42,736
Other noncurrent liabilities	97,433	93,691
Total liabilities	1,389,983	1,409,054

Edgar Filing: Summit Materials, Inc. - Form 10-Q

Commitments and contingencies (see note 9)		
Redeemable noncontrolling interest		33,740
Stockholders equity/partners interest:		
Class A common stock, par value \$0.01 per share; 1,000,000,000 shares authorized, 26,584,738 shares issued and outstanding as of March 28, 2015	266	
Class B common stock, par value \$0.01 per share; 250,000,000 shares authorized, 69,007,297 shares issued and outstanding as of March 28, 2015	690	
Partners interest		285,685
Additional paid-in capital	456,406	
Accumulated deficit	(10,151)	
Accumulated other comprehensive loss	(1,050)	
Stockholders equity/partners interest:	446,161	285,685
Noncontrolling interest in consolidated subsidiaries	1,206	1,298
Noncontrolling interest in Summit Inc.	180,904	
Total stockholders equity/partners interest	628,271	286,983
Total liabilities, redeemable noncontrolling interest and stockholders equity/partners interest	\$ 2,018,254	\$ 1,729,777

See notes to unaudited consolidated financial statements.

**Table of Contents****SUMMIT MATERIALS, INC. AND SUBSIDIARIES**

## Unaudited Consolidated Statements of Operations

(In thousands, except share and per share amounts)

	<b>Three months ended</b>	
	<b>March 28, 2015</b>	<b>March 29, 2014</b>
Revenue:		
Product	\$ 148,920	\$ 100,168
Service	26,219	35,851
Net revenue	175,139	136,019
Delivery and subcontract revenue	18,848	15,072
Total revenue	193,987	151,091
Cost of revenue (excluding items shown separately below):		
Product	119,791	84,477
Service	19,630	29,126
Net cost of revenue	139,421	113,603
Delivery and subcontract cost	18,848	15,072
Total cost of revenue	158,269	128,675
General and administrative expenses	67,234	35,488
Depreciation, depletion, amortization and accretion	26,126	19,356
Transaction costs	1,364	2,591
Operating loss	(59,006)	(35,019)
Other expense (income), net	391	(194)
Loss on debt financings	799	
Interest expense	24,109	18,819
Loss from continuing operations before taxes	(84,305)	(53,644)
Income tax benefit	(4,468)	(596)
Loss from continuing operations	(79,837)	(53,048)
Loss from discontinued operations		20
Net loss	(79,837)	(53,068)
Net loss attributable to noncontrolling interest in subsidiaries	(1,982)	(2,515)
Net loss attributable to Summit Holdings	(67,704)	\$ (50,553)

Edgar Filing: Summit Materials, Inc. - Form 10-Q

Net loss attributable to Summit Inc.	\$ (10,151)
Net loss per share of Class A common stock:	
Basic	\$ (0.38)
Diluted	\$ (0.38)
Weighted average shares of Class A common stock:	
Basic	26,584,738
Diluted	26,584,738

See notes to unaudited consolidated financial statements.

**Table of Contents****SUMMIT MATERIALS, INC. AND SUBSIDIARIES**

## Unaudited Consolidated Statements of Comprehensive Loss

(In thousands)

	<b>Three months ended</b>	
	<b>March 28,</b>	<b>March 29,</b>
	<b>2015</b>	<b>2014</b>
Net loss	\$ (79,837)	\$ (53,068)
Other comprehensive (loss) income:		
Postretirement curtailment adjustment		(1,346)
Postretirement liability adjustment		2,164
Foreign currency translation adjustment	(6,299)	
Other comprehensive (loss) income	(6,299)	818
Comprehensive loss	(86,136)	(52,250)
Less comprehensive loss attributable to the noncontrolling interest in consolidated subsidiaries	(1,982)	(2,270)
Less comprehensive loss attributable to Summit Holdings	(72,953)	\$ (49,980)
Comprehensive loss attributable to Summit Inc	\$ (11,201)	

See notes to unaudited consolidated financial statements.

**Table of Contents****SUMMIT MATERIALS, INC. AND SUBSIDIARIES**

## Unaudited Consolidated Statements of Cash Flows

(In thousands)

	<b>Three months ended</b>	
	<b>March 28, 2015</b>	<b>March 29, 2014</b>
<b>Cash flow from operating activities:</b>		
Net loss	\$ (79,837)	\$ (53,068)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation, depletion, amortization and accretion	27,358	20,789
Share-based compensation expense	15,217	566
Deferred income tax benefit		(525)
Net gain on asset disposals	(1,834)	(48)
Loss on debt financings	688	
Other	780	558
<b>Decrease (increase) in operating assets, net of acquisitions:</b>		
Accounts receivable, net	30,309	16,989
Inventories	(21,413)	(13,377)
Costs and estimated earnings in excess of billings	(1,662)	(839)
Other current assets	(303)	9
Other assets	755	3,202
<b>(Decrease) increase in operating liabilities, net of acquisitions:</b>		
Accounts payable	(10,045)	(10,239)
Accrued expenses	(20,669)	(9,620)
Billings in excess of costs and estimated earnings	(649)	(2,728)
Other liabilities	(203)	(2,044)
<b>Net cash used in operating activities</b>	<b>(61,508)</b>	<b>(50,375)</b>
<b>Cash flow from investing activities:</b>		
Acquisitions, net of cash acquired		(182,514)
Purchases of property, plant and equipment	(17,708)	(19,941)
Proceeds from the sale of property, plant and equipment	2,741	2,202
Other	(276)	7
<b>Net cash used for investing activities</b>	<b>(15,243)</b>	<b>(200,246)</b>
<b>Cash flow from financing activities:</b>		