

MARTIN MARIETTA MATERIALS INC

Form 10-Q

May 06, 2008

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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 March 31, 2008

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)

North Carolina

56-1848578

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

2710 Wycliff Road, Raleigh, NC

27607-3033

(Address of principal executive offices)

(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 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. (Check one):

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

(Do not check if a 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

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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 April 30, 2008
Common Stock, \$0.01 par value	41,330,471

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

Item 1. Financial Statements.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31, 2008 <i>(Unaudited)</i>	December 31, 2007 <i>(Audited)</i>	March 31, 2007 <i>(Unaudited)</i>
	<i>(Dollars in Thousands, Except Per Share Data)</i>		
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 13,577	\$ 20,038	\$ 18,108
Accounts receivable, net	239,009	245,838	250,511
Inventories, net	296,466	286,885	281,467
Current portion of notes receivable, net	2,020	2,078	2,294
Current deferred income tax benefits	43,411	44,285	38,823
Other current assets	26,397	26,886	30,005
Total Current Assets	620,880	626,010	621,208
Property, plant and equipment	3,082,223	2,978,361	2,786,007
Allowances for depreciation, depletion and amortization	(1,577,039)	(1,544,808)	(1,471,424)
Net property, plant and equipment	1,505,184	1,433,553	1,314,583
Goodwill	578,447	574,667	575,670
Other intangibles, net	12,101	9,426	10,830
Noncurrent notes receivable	7,438	8,457	9,493
Other noncurrent assets	36,058	31,692	28,743
Total Assets	\$ 2,760,108	\$ 2,683,805	\$ 2,560,527
LIABILITIES AND SHAREHOLDERS EQUITY			
Current Liabilities:			
Bank overdraft	\$ 6,735	\$ 6,351	\$ 9,726
Accounts payable	92,623	86,868	90,933
Accrued salaries, benefits and payroll taxes	13,073	21,262	14,709
Pension and postretirement benefits	8,710	9,120	5,244
Accrued insurance and other taxes	28,169	25,123	32,651
Income taxes	2,773		24,728
Current maturities of long-term debt, commercial paper and line of credit	338,605	276,136	378,232
Settlement for repurchases of common stock		24,017	35,836
Other current liabilities	53,820	57,739	35,615

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Total Current Liabilities	544,508	506,616	627,674
Long-term debt	855,655	848,186	578,683
Pension, postretirement and postemployment benefits	106,880	103,518	107,635
Noncurrent deferred income taxes	163,031	160,902	154,322
Other noncurrent liabilities	134,847	118,592	91,096
Total Liabilities	1,804,921	1,737,814	1,559,410
Shareholders' Equity:			
Common stock, par value \$0.01 per share	413	412	428
Preferred stock, par value \$0.01 per share			
Additional paid-in capital	57,541	50,955	61,806
Accumulated other comprehensive loss	(40,852)	(37,032)	(35,223)
Retained earnings	938,085	931,656	974,106
Total Shareholders' Equity	955,187	945,991	1,001,117
Total Liabilities and Shareholders' Equity	\$ 2,760,108	\$ 2,683,805	\$ 2,560,527

See accompanying condensed notes to consolidated financial statements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended March 31,	
	2008	2007
	<i>(In Thousands, Except Per Share Data)</i>	
	<i>(Unaudited)</i>	
Net Sales	\$ 398,557	\$ 412,312
Freight and delivery revenues	55,377	47,363
Total revenues	453,934	459,675
Cost of sales	323,345	318,116
Freight and delivery costs	55,377	47,363
Total cost of revenues	378,722	365,479
Gross Profit	75,212	94,196
Selling, general & administrative expenses	37,696	38,273
Research and development	178	203
Other operating (income) and expenses, net	(5,593)	(2,491)
Earnings from Operations	42,931	58,211
Interest expense	15,838	11,200
Other nonoperating (income) and expenses, net	(876)	(2,680)
Earnings from continuing operations before income tax expense	27,969	49,691
Income tax expense	6,813	16,786
Earnings from continuing operations	21,156	32,905
(Loss) Gain on discontinued operations, net of related tax (benefit) expense of \$(136) and \$37, respectively	(292)	85
Net Earnings	\$ 20,864	\$ 32,990
Net Earnings (Loss) Per Common Share:		
Basic from continuing operations	\$ 0.51	\$ 0.74
Discontinued operations	(0.01)	
	\$ 0.50	\$ 0.74

Diluted from continuing operations	\$	0.51	\$	0.73
Discontinued operations		(0.01)		
	\$	0.50	\$	0.73
Cash Dividends Per Common Share	\$	0.345	\$	0.275
Reconciliation of denominators for basic and diluted earnings per share computations:				
Basic weighted average number of common shares		41,322		44,548
Effect of dilutive employee and director awards		602		765
Diluted weighted average number of common shares and assumed conversions		41,924		45,313

See accompanying condensed notes to consolidated financial statements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2008	2007
	<i>(Dollars in Thousands)</i>	
	<i>(Unaudited)</i>	
Net earnings	\$ 20,864	\$ 32,990
Adjustments to reconcile net earnings to cash provided by operating activities:		
Depreciation, depletion and amortization	38,922	35,983
Stock-based compensation expense	4,141	3,874
Gains on divestitures and sales of assets	(5,465)	(1,626)
Deferred income taxes	5,032	966
Excess tax benefits from stock-based compensation transactions	(251)	(11,789)
Other items, net	(673)	(585)
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts receivable, net	6,829	(8,113)
Inventories, net	(9,506)	(24,889)
Accounts payable	5,705	5,695
Other assets and liabilities, net	9,642	16,546
 Net cash provided by operating activities	 75,240	 49,052
 Investing activities:		
Additions to property, plant and equipment	(85,413)	(49,864)
Acquisitions, net	(19,016)	(12,048)
Proceeds from divestitures and sales of assets	1,219	3,027
Railcar construction advances	(7,286)	
Repayments of railcar construction advances	7,286	
 Net cash used for investing activities	 (103,210)	 (58,885)
 Financing activities:		
Repayments of long-term debt and capital lease obligations	(44)	(408)
Net borrowings on commercial paper and line of credit	59,000	252,546
Change in bank overdraft	384	1,336
Dividends paid	(14,435)	(12,477)
Repurchases of common stock	(24,017)	(266,148)
Issuances of common stock	370	9,021
Excess tax benefits from stock-based compensation transactions	251	11,789
 Net cash provided by (used for) financing activities	 21,509	 (4,341)

Net decrease in cash and cash equivalents	(6,461)	(14,174)
Cash and cash equivalents, beginning of period	20,038	32,282
Cash and cash equivalents, end of period	\$ 13,577	\$ 18,108
Noncash investing and financing activities:		
Issuance of notes payable for acquisition of land	\$ 11,500	\$
Repurchases of common stock to be settled	\$	\$ 35,836
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 4,163	\$ 5,540
Cash refunds for income taxes	\$ 2,671	\$ 17,281
See accompanying condensed notes to consolidated financial statements.		

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
 CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY
(Unaudited)

<i>(in thousands)</i>	Shares of Common Stock	Common Stock	Additional Paid-in Capital ⁽¹⁾	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders Equity
Balance at December 31, 2007	41,318	\$ 412	\$ 50,955	\$ (37,032)	\$ 931,656	\$ 945,991
Net earnings					20,864	20,864
Amortization of unrecognized actuarial losses, prior service costs and transition assets related to pension and postretirement benefits, net of tax benefit of \$300				462		462
Foreign currency translation loss				(347)		(347)
Change in fair value of forward starting interest rate swap agreements, net of tax benefit of \$2,574				(3,935)		(3,935)
Comprehensive earnings						17,044
Dividends declared					(14,435)	(14,435)
Issuances of common stock for stock award plans	8	1	2,445			2,446
Stock-based compensation expense			4,141			4,141
Balance at March 31, 2008	41,326	\$ 413	\$ 57,541	\$ (40,852)	\$ 938,085	\$ 955,187

*(1) Additional
paid-in-capital
March 31, 2008
represents
issuances of
common stock,*

*the pool of
excess tax
benefits and
stock-based
compensation
expense.*

See accompanying condensed notes to consolidated financial statements.

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FORM 10-Q

For the Quarter Ended March 31, 2008

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, 2007, filed with the Securities and Exchange Commission on February 25, 2008. 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 ended March 31, 2008 are not indicative of the results expected for other interim periods or the full year.

Comprehensive Earnings

Comprehensive earnings for the three months ended March 31, 2008 and 2007 were \$17,044,000 and \$33,818,000, respectively, and consist of net earnings, foreign currency translation adjustments, changes in the fair value of forward starting interest rate swap agreements and the amortization of unrecognized amounts related to pension and postretirement benefits.

Accounting Changes

Effective January 1, 2008, the Corporation partially adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 does not require any new fair value measurements; rather, it establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value within that framework and expands disclosures about the use of fair value measurements. FAS 157 applies to all accounting pronouncements that require fair value measurements, except for the measurement of share-based payments. Additionally, in February 2008, the Corporation adopted Financial Accounting Standards Board Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2). FSP 157-2 delays the effective date of FAS 157 for all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. At March 31, 2008, the categories of assets and liabilities to which the Corporation did not apply FAS 157 include: nonfinancial assets and liabilities initially measured at fair value in a business combination; reporting units measured at fair value in the first step of goodwill impairment testing; indefinite-lived intangible assets and nonfinancial long-lived assets measured at fair value for impairment assessment and asset retirement obligations.

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2. Divestitures and Discontinued Operations

Underperforming 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 on the consolidated statements of earnings.

The discontinued operations included the following net sales, pretax loss on operations, pretax loss or gain on disposals, income tax expense or benefit and overall net loss or earnings:

	Three Months Ended March 31,	
	2008	2007
	<i>(Dollars in Thousands)</i>	
Net sales	\$ 75	\$ 2,220
Pretax loss on operations	\$ (28)	\$ (839)
Pretax (loss) gain on disposals	(400)	961
Pretax (loss) gain	(428)	122
Income tax (benefit) expense	(136)	37
Net (loss) earnings	\$ (292)	\$ 85

3. Inventories

	March 31, 2008	December 31, 2007	March 31, 2007
		<i>(Dollars in Thousands)</i>	
Finished products	\$ 257,161	\$ 244,568	\$ 234,955
Products in process and raw materials	15,766	18,642	21,138
Supplies and expendable parts	43,132	42,811	40,181
	316,059	306,021	296,274
Less allowances	(19,593)	(19,136)	(14,807)
Total	\$ 296,466	\$ 286,885	\$ 281,467

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4. Intangible Assets

The following table shows changes in goodwill, all of which relate to the Aggregates business, by reportable segment and in total for the quarter ended March 31, 2008 (dollars in thousands):

	Mideast Group	Southeast Group	West Group	Total
Balance at beginning of period	\$ 115,986	\$ 51,265	\$ 407,416	\$ 574,667
Acquisitions	3,780			3,780
Balance at end of period	\$ 119,766	\$ 51,265	\$ 407,416	\$ 578,447

During the three months ended March 31, 2008, the Corporation acquired \$3,090,000 of other intangibles, consisting of \$525,000 of amortizable noncompete agreements and a \$2,565,000 trade name related to the ElastoMag® product. The trade name, which is recorded within the Specialty Products segment, is deemed to have an indefinite life and will not be amortized.

5. Long-Term Debt

March 31, 2008	December 31, 2007	March 31, 2007
<i>(Dollars in Thousands)</i>		