

Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 425

MARTIN MARIETTA MATERIALS INC

Form 425

February 21, 2012

FILED BY MARTIN MARIETTA MATERIALS, INC.

PURSUANT TO RULE 425 UNDER THE SECURITIES ACT OF 1933

AND DEEMED FILED PURSUANT TO RULE 14a-12

UNDER THE SECURITIES EXCHANGE ACT OF 1934

SUBJECT COMPANY: VULCAN MATERIALS COMPANY

COMMISSION FILE NO. 001-33841

Update on Martin
Marietta's Proposed
Combination with Vulcan
Materials
February 21, 2012
Rock Solid Fundamentals.
Positioned for the Long Term.

Recent Vulcan Announcements

On February 16, 2012, Vulcan announced:

Fourth quarter and full year 2011 earnings that continue to underperform
Martin Marietta's

A
vague
Profit
Enhancement
Plan
that
Vulcan
hopes
will
result
in
\$100M
cost savings by 2014

Planned Asset Sales (including low-margin assets) that Vulcan hopes will result in net proceeds of \$500M over the next 12-18 months

2012 EBITDA guidance of \$500M, excluding the impact of Planned Asset Sales

1
Source:
Company filings

Martin Marietta has serious reservations about the credibility of Vulcan's announced hope plans, which appear to have been crafted solely in response to Martin Marietta's business combination proposal

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Vulcan's announcements confirm the compelling nature of Martin Marietta's proposed business combination

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Vulcan Continues to Underperform

2

Earnings Summary

Q4 2011

Full Year 2011

Martin

Marietta

Vulcan

Martin

Marietta

Vulcan

Consolidated

% Y/Y growth in net sales

+8.0%

+5.3%

+3.0%

0.0%

Gross margin

18.6%

12.9%

19.9%

11.8%

Adjusted

EBITDA

margin

1

23.9%

15.6%

23.3%

14.0%

Adjusted

EPS

2

\$0.52

(\$0.16)

\$2.03

(\$0.48)

Aggregates segment

% Y/Y growth in net sales

+6.9%

+4.4%

+1.5%

(1.3%)

% Y/Y change in Aggregates pricing

+6.0%

+1.2%

+2.7%

+1.2%

% Y/Y change in Aggregates volume

(1.2%)

+2.6%

(3.5%)

(3.1%)

Martin Marietta, based on its demonstrated track record of superior cost management and performance, is positioned to create value in a combination

Note 1:

Please see EBITDA reconciliation in the appendix.

Note 2:

Martin Marietta adjusted EPS defined as reported EPS attributable to common shareholders *plus* gain on discontinued operations *minus* expenses (\$0.20 in Q4, \$0.25 in FY2011).

Vulcan adjusted EPS defined as reported EPS from continuing operations *plus* gain/(loss) on discontinued operations (\$0.02 loss in Q4, \$0.06 in FY2011) *plus* exchange offer costs (\$0.01 in Q4 and FY2011).

Source: Company filings

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Underwhelming Market Reaction to Vulcan's Q4 '11

Earnings and Cost Savings Release

3

Despite doing better than analyst expectations for Q4 and the announcement of Vulcan's plans, Vulcan's stock showed little reaction (0.6%) relative

under-performance
vs. the S&P 500 for
Vulcan³
Q4 vs. the Street
Revenues of \$615M vs.
consensus
of
\$603M

1
Headline EPS loss of \$0.14

2
vs.
consensus
estimated
loss
of
\$0.37

1

Note 1: Based on mean analyst estimates immediately prior to Q4 earnings release as per Thomson One. EPS represents EPS f

Note 2: Headline EPS defined as EPS from continuing operations plus organizational restructuring (\$0.05) plus exchange offer

Note 3: Share price return (below) S&P 500 on the day of announcement. Closing prices on 2/16/2012 vs. Closing prices on 2/

Source: FactSet, Thomson One, Company filings

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Vulcan Management Lacks Credibility

4

Vulcan s
plans
lack details &
substance

Vulcan's poor track record and lack of responsiveness
Reactive timing of Vulcan's new plans

Vulcan has demonstrated a history of poor responsiveness to the challenges of the last several years, and to shareholder concerns

Since 2007 Vulcan's margins have decreased every year, while SG&A as % of net sales has increased, leading to a significant decline in profitability to a loss position

Apparently Vulcan's recent dialogue with its shareholders belatedly has caused Vulcan to *understand their concerns over the last few years* related to [Vulcan's] balance sheet and to [Vulcan's] overhead cost structure.

1
(emphasis added)

The timing of Vulcan's announcements suggests that its new-found confidence exists only in response to Martin Marietta's value-enhancing proposal

On December 19, 2011, Vulcan announced \$55 million of savings, \$25 million of which had previously been implemented

Since then Vulcan has suddenly found another \$100 million of cost savings to implement over the next three years

Vulcan initiated its ERP project in 2007 (which appears to be critical to Vulcan's new plans), yet it has taken almost 5 years to reveal the purported expected results

The absence of detail about Vulcan's plans clearly warns that they lack substance

Vulcan's plans amount to conclusory statements of what it will do -- without providing any details

However, repeated unqualified assertions of what it will do cannot change a hope plan into a credible business plan

Note 1:
Vulcan conference call, February 16, 2012

Source:

Company filings; Bloomberg

Martin Marietta believes:

Vulcan Management Lacks Credibility (continued)

5

Vulcan
management
lacks credibility
Vulcan's asset
sale plan

is flawed

Vulcan's asset sale plan
is not the best path --
and may not even be a good
path --
to an improved and strengthened balance sheet, a better credit profile
and restored dividends. By contrast:

A combination with Martin Marietta provides the best deleveraging
opportunity for Vulcan shareholders

Martin
Marietta
specifically
intends
to
pay
a
quarterly
dividend
20x Vulcan's
current \$0.01 per share, commencing promptly after closing the business
combination

Vulcan management's asserted belief in the results promised by Vulcan's hope
plans
itself lacks credibility

Source:

Company filings

Martin Marietta believes:

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Even when compelled to acknowledge the need for proactive steps to
produce substantial improvement, Vulcan has only been able to offer up
hope plans
supported by a trust me
approach, to be implemented
over 3 years

Given Vulcan's history, its poor response to serious challenges and
shareholder concerns, and its lack of meaningful detail to support its
statements, Vulcan shareholders should carefully consider whether they
can believe Vulcan management now

Vulcan's Organizational Realignment Program Announced
on December 19, 2011 is Flawed

6

States with Vulcan Materials locations

New regional headquarters

WA

NV

UT
WY
CO
NE
KS
OK
TX
MN
IA
MO
AR
WI
IN
OH
WV
MD
VA
NC
SC
TN
MS
AL
GA
FL
PA
KY
IL
LA
NM
AZ
CA
DE
OR
ID
MT
SD
ND
VT
CT
NY
NH
RI
ME
NJ
MA
MI

Source:
Company filings

Vulcan

management
says
it
expects
the
realignment
to
generate
an
ongoing
annualized
pre-tax
cost
savings of approximately \$30 million

Key highlights of the plan include:

the consolidation of its eight divisions into four operating regions

restructuring of approximately 200 employees in mostly overhead and administrative positions

Fails to eliminate a significant number of high-paying management positions or meaningfully streamline duplicative functions

Martin Marietta believes a company with a national footprint should not locate

three

of

its

four

division

headquarters

in

the

Southeast,

within

easy

driving

distance of each other

New Operating Region HQs

Prior

divisions

New HQ

Southeast,

Mideast

East Region:

Atlanta, GA

Florida Rock,

Southwest,

Yucatan

South Region:

Jacksonville, FL

Midwest,
Midsouth,
Southern,
Gulf Coast
Central Region:

Birmingham,
AL

Western
West Region:

Los Angeles, CA

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Yucatan
Peninsula

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Overhead
reduction
already in place
\$55M
Profit
Enhancement

Plan
\$100M
Additional
opportunity
(Plant
operations)
?
Total standalone
savings
\$155M+

Mr. James informed Mr. Nye that
he believed the best available
estimate of potential cost synergies
was
between
\$125
million
to
\$150 million, based on the report
from Mr. Sansone
(Vulcan 14D-9, December 22, 2011, as
amended)

Vulcan
Only
Arrived
at
its
Latest
Hope
Plan
Following
Announcement of Martin Marietta's Business Combination Proposal
7

Vulcan announced
\$155M+ standalone
cost savings

Mr.
James
also
stated
that
he
did
not
believe that the cost synergies to be
achieved in a combination would be
greater
than
\$50
million...

(Martin Marietta S-4, December 12, 2011, as amended)

Note 1:

See Martin Marietta's Form S-4 initially filed December 12, 2011, as amended. Actual synergies will be based on future performance.

Source:

Company filings

While Martin Marietta has serious doubts as to the ability of Vulcan management to implement its cost savings plan, the announcement of the plan validates Martin Marietta's view that considerably more cost discipline can be applied to Vulcan's business

\$50

60M

\$50

60M

\$100

130M

Martin Marietta proposal

Improved

purchasing

efficiencies from

greater scale

Duplicative

operating

functions

Duplicative SG&A

functions

\$200M -

\$250M

achievable synergies in a combination

1

Vulcan plan

Vulcan commentary

Maximum \$50M synergies

in a combination

FEBRUARY 16, 2012

JUNE 27, 2011

APRIL 5, 2011

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Vulcan Management's Lack of Credibility is Underscored
by its Poor Performance

8

Adjusted EBITDA and % Margin

Given Vulcan management's lack of credibility, Martin Marietta believes shareholders should not trust Vulcan management's ability to deliver significant cost savings over

its projected three year time horizon

Note

1:

Leverage

defined

as

total

debt

/

LTM

adjusted

EBITDA.

Please

see

EBITDA

reconciliation

in

the

appendix.

Source:

Company filings; Bloomberg

(\$M)

Net income

\$451

\$1

\$30

(\$97)

(\$71)

Leverage ¹

4.0x

4.4x

5.3x

7.7x

8.3x

30%

margin

23%

margin

20%

margin

15%

margin

14%

margin

30%

margi

n

Anticipated **average annual EBITDA** of more than \$2 billion over the next 3 years, enabling rapid debt reduction.

(Vulcan Investor Presentation, February 20, 2007)

What Vulcan Delivered Since 2007:

What Vulcan Said in 2007:

EBITDA has fallen by 63% and is currently
17% of the \$2B goal

Stated focus on cost reduction has
yielded only a 9% reduction in SG&A costs
(excluding \$50M Florida Rock synergies)

Failed to accomplish stated goals of
de-levering the balance sheet and
maintaining an investment grade rating

Vulcan has missed Street EBITDA
expectations in 16 of the last 20 quarters

A Comparison of SG&A Margins Demonstrates Superior Cost Management by Martin Marietta

9

Annual SG&A as a % of Net Sales¹

2007

2011 SG&A as a % of Net Sales

Martin Marietta: 8.4%

Vulcan: 11.3%

Note 1:

Vulcan's SG&A excludes R&D for comparative purposes; except 2011 and 2012, where R&D information is not available. P

Note 2:

Please see EBITDA reconciliation in appendix.

Note 3:

Based

on

Vulcan's

2012

SG&A

guidance

of

\$270M

and

2012

net

sales

based

on

Street

consensus

estimates,

adjusted

for

Delivery

revenues

based

on

actual

figures

for

2011.

Note 4:

Based on Vulcan's 2012 EBITDA guidance of \$500M and 2012 net sales based on Street consensus estimates, adjusted for D

Source:

Company filings

2012E

SG&A (\$M)

1

\$155

\$288

\$151

\$341

\$139

\$320

\$133

\$326

\$124

\$290

\$270

EBITDA margin ²

29.8%

29.8%

26.7%

23.2%

25.6%

20.3%

24.0%

14.6%

23.3%

14.0%

19.8%

4

3

8.0%

8.1%

9.3%

8.6%

8.2%

9.3%

9.9%

12.6%

13.5%

12.0%

10.7%

2007

2008

2009

2010

2011

Based on Vulcan's 2012 guidance and Martin Marietta's superior cost management track record, Martin Marietta believes Vulcan's costs would be more effectively managed within a combined Vulcan/Martin Marietta

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1

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Vulcan's Plan to Sell Assets is Flawed
10
Not the optimal
strategy to de-risk
balance sheet
Selling \$500M of

assets could
negatively impact
future profitability
Vulcan management
confidence in its
planned asset sales
does not appear to
be well informed

Note 1:

Vulcan conference call, February 16, 2012

Source:

Company filings

Martin Marietta believes:

Vulcan is ignoring an opportunity to more quickly and more effectively strengthen its balance sheet and restore its dividend through a combination with Martin Marietta

There is absolutely no assurance that asset sales of \$500M will be completed, or if completed, will improve Vulcan's credit profile

Vulcan will still be highly leveraged in any event

Given the lack of detail associated with Vulcan management's plan for asset sales, the extent of the impact on future profitability is unclear

However, Vulcan's projected performance and announced EBITDA guidance should be adjusted to reflect the impact of planned asset sales on future profitability

When asked how confident Vulcan could be that they will get the types of valuations

that

underpin

that

\$500M

estimate,

Vulcan

management

answered

by

referencing

third-party interest they have received in buying Vulcan's assets *over the last two*

or

three

or

four

or

five

years.

So

there's

plenty

of
interest
in
them. ¹

However,
no
reference
was
made
to
current
interest
in
purchasing
assets,
which
is
clearly the most relevant in this situation

And
when
asked
whether
the
valuation
of
assets
would
be
impacted
by
competing
asset sale announcements, notably CEMEX's intended sale of \$2B in assets by year-
end, Vulcan management stated:

I
don't
know
where
and
what
CEMEX
is
proposing
to
sell. ¹

Instead, Vulcan management chose to rely on hope, stating: *we believe that*
there
will

be
significant
buyers
with
hopefully
significant
synergies
who
will
be
interested in our assets. ¹

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Vulcan Has Completely Failed to Explain How, on What Basis, or When it
Would Provide its So-Called Competitive
Dividend

When asked on the February 16, 2012 call to provide some color or some
metrics

that Vulcan's board looks at when determining a higher dividend, Vulcan management gave a decidedly vague and uninformative answer :

Our board has always looked at cash earnings as a source for dividend payments. That is a very, very important issue for our board. We would very much like to get -- restore dividend and continue to grow a dividend. We will take a look at that at the end of the first quarter. Again, we looked at it very carefully. As you know, in the fourth quarter of last year, we looked at it again in our most recent board meeting and we will continue to look at it very carefully as we move forward. But I think our board's view is we need to restore sooner than later.

1

Contrary to Vulcan management's earlier statements on the February 16, 2012 call that planned asset sales will give the board flexibility to restore a competitive dividend, the importance of cash earnings as a source of dividends, highlighted in the quoted statement above, suggests this may not be so

11

Note 1:

Vulcan conference call, February 16, 2012

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Vulcan Management Ignores Martin Marietta's Superior
Proposal in Favor of Their Flawed Plan
12
Vulcan wants its shareholders to
ignore the facts:
Martin Marietta's proposal provides:

History of Vulcan's poor cost management and operational underperformance leading to a history of net losses

Significant hurdles to reinstate meaningful dividend

Deleveraging requires a period of years even under announced plan

Asset sales to be used to deleverage Vulcan's balance sheet and needed to repay debt resulting from poor acquisitions and poor operating performance

It is Martin Marietta's position that:

Vulcan management was unwilling to engage during prior discussions on realistic synergy levels

Note 1:

See Martin Marietta's Form S-4 initially filed December 12, 2011, as amended. Actual synergies will be based on future performance.

Source:

Company filings

Credible plan to achieve

\$200M -

\$250M in synergies¹

Deleveraging provided by Martin Marietta balance sheet; assets only divested as part of the proposal to build a sustainable, dynamic enterprise

Immediate deleveraging

Intention to immediately restore dividend

Track record of superior cost management and operational excellence leading to a history of net earnings

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Questions Vulcan Shareholders Should Ask Themselves
13
How
can
Vulcan's
board

offer
management's
standalone

hope

plans

as

the

basis for refusing to negotiate in good faith with Martin Marietta to reach a mutual agreement on the proposed business combination?

Why should Vulcan shareholders. . .

. . . have faith in Vulcan's ability to implement its cost-savings plan, given its history of negative earnings, bloated cost structure and high SG&A margins?

. . . trust Vulcan, given years of unresponsiveness to shareholder concerns, particularly with respect to Vulcan's balance sheet and cost structure?

. . . believe in the promised benefits of the Vulcan plan, which Vulcan asserts will be largely derived from an ERP project that was initiated in 2007? And why has it taken almost five years for Vulcan to reveal the purported expected results of this project?

. . . accept Vulcan management's asset sale plan, or the assurance that it will strengthen Vulcan's credit profile and permit restoration of a competitive dividend?

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**Bottom Line Hasn't Changed: Martin Marietta's Business
Combination Proposal is Compelling to Vulcan Shareholders**

14

Significant benefits to a combination beyond synergies include:

meaningful dividend restoration (20x improvement over the current Vulcan dividend)

participation in the eventual cyclical recovery

significantly de-risked
balance sheet and improved access to and
credibility with capital markets

multiple benefits of:

size

scale

geographic footprint

best-in-class management

Vulcan's Board should promptly commence good-faith negotiations in a real effort to reach mutual agreement on a combination with Martin Marietta

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Martin Marietta EBITDA & EBIT Reconciliation

16

Note:

Adjusted 2011 EBITDA is preliminary and amounts may change upon finalization of Martin Marietta's Annual Report on Form 10-K.

Source:

Company filings

(dollars in millions)

For the

Quarter Ended

December 31,

For the Year Ended December 31,

2011

2011

2010

2009

2008

2007

Net earnings attributable to entity

\$ 14.8

\$ 82.4

\$ 97.0

\$ 85.5

\$ 176.3

\$ 262.7

Add back:

Interest expense

13.3

58.6

68.5

73.5

74.3

60.9

Income tax expense for controlling interests

3.0

23.1

29.3

27.4

77.3

116.6

Depreciation, depletion and amortization expense

43.3

171.8

179.9

177.7

169.8

150.4

EBITDA

\$ 74.4

\$ 335.9

\$ 374.7

\$ 364.1

\$ 497.7

\$ 590.6

Adjusted for:

Legal settlement

-

-
-
11.9
-
-
Reversal of excess legal reserve
-
-
(5.0)
-
-
-
Nonrecurring reduction in workforce charge
-
-
-
-
5.4
-
Charge for early retirement benefit
-
-
-
-
-
(Gain) loss on sales of assets
-
-
(4.5)
3.0
(12.8)
-
Transaction costs
15.1
18.6
1.2
2.2
3.6
-
Settlement expense for pension plan
-
-
3.5
-
2.8
0.7
Asset write-offs
-
-

-
-
3.3
-
Other nonoperating (income) expense
-
-
0.2
(1.1)
2.0
(7.3)
Pretax gain on discontinued operations
-
-
(0.3)
(0.5)
(10.1)
(3.7)
Income attributable to noncontrolling interests
-
-
1.7
2.8
3.7
0.9
Adjusted EBITDA
\$ 89.5
\$ 354.5
\$ 371.5
\$ 382.4
\$ 495.6
\$ 581.2
Less:
Depreciation, depletion and amortization expense
43.3
171.8
179.9
177.7
169.8
150.4
Adjusted EBIT
\$ 46.2
\$ 182.7
\$ 191.6
\$ 204.7
\$ 325.8
\$ 430.8

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Vulcan EBITDA & EBIT Reconciliation
17
Note:
Adjusted
2011
EBITDA

is
 preliminary
 and
 amounts
 may
 change
 upon
 finalization
 of
 Vulcan s
 Annual
 Report
 on
 Form
 10-K.
 Source:
 Company filings
 (dollars in millions)
 For the
 Quarter Ended
 December 31,
 For the Year Ended December 31,
 2011
 2011
 2010
 2009
 2008
 2007
 Net (loss) earnings
 \$ (27.9)
 \$
 (70.8)
 \$
 (96.5)
 \$ 30.3
 \$ 0.9
 \$ 450.9
 Add back:
 Interest expense
 53.3
 217.2
 180.7
 173.0
 169.7
 41.6
 Income tax (benefit) expense
 (30.5)
 (78.5)
 (85.7)
 (30.1)

70.1
197.2
Depreciation, depletion and amortization expense
88.0
361.7
382.1
394.6
389.1
271.5
Goodwill impairment
-
-
-
-
252.7
-
EBITDA
83.0
429.6
380.6
567.8
882.5
961.2
Adjusted for:
Legal settlement
-
-
40.0
-
-
-
Recovery for legal settlement
-
(46.4)
-
-
-
-
Legal expense
-
-
3.0
-
-
-
Transaction expenses
2.2
2.2
-
-

-
-
Restructuring charges
10.0
13.0
-
-
-
-
Gain on sales of assets
(2.9)
(47.8)
(59.3)
(27.1)
(94.2)
(58.7)
Asset write-offs
-
-
9.2
8.5
10.5
-
Accretion expense for asset retirement obligations
(1.9)
-
(8.6)
(8.8)
(7.1)
(5.9)
Other nonoperating (income) expense
(2.4)
(0.0)
(3.1)
(5.3)
4.4
5.3
(Earnings) loss on discontinued operations, net of tax
1.9
(4.5)
(10.0)
(19.5)
4.1
19.3
Income attributable to noncontrolling interests
-
-
-
-
-

0.2
Adjusted EBITDA
\$
89.9
\$ 338.1
\$ 351.8
\$ 515.6
\$ 800.1
\$ 921.5

Less:

Depreciation, depletion and amortization expense

88.0
361.7
382.1
394.6
389.1
271.5

Adjusted EBIT

\$
1.9
\$
(23.6)
\$
(30.3)
\$
121.0
\$
411.0
\$ 650.0

MARTIN MARIETTA MATERIALS

Vulcan SG&A Reconciliation

18

Note:

Vulcan does not provide interim disclosures of R&D in quarterly financial statements.

Source:

Company filings

(dollars in millions)

For the Year Ended December 31,

2011

2010

2009

2008

2007

SG&A, as reported

\$ 290.0

\$ 327.5

\$ 321.6

\$ 342.6

\$ 289.6

R&D expense, as disclosed in notes to financials

N/A

1.6

1.5

1.5

1.6

Adjusted SG&A

\$

290.0

\$

326.0

\$ 320.1

\$ 341.0

\$ 288.0

Net Sales

\$

2,406.9

\$

2,405.9

\$ 2,543.7

\$ 3,453.1

\$ 3,090.1

Adjusted SG&A as Percentage of Net Sales

12.0%

13.5%

12.6%

9.9%

9.3%

materially from such statements. Risks and uncertainties relating to the proposed transaction with Vulcan include, but are not limited to: the ability of the combined company to accept Martin Marietta's proposal and enter into a definitive transaction agreement reasonably satisfactory to the parties; the need for approval from Martin Marietta's board of directors, shareholder, antitrust and other approvals on the proposed terms and schedule; uncertainty as to the actual premium that will be received in connection with the proposed transaction; uncertainty of the expected financial performance of the combined company following the proposed transaction; Martin Marietta's ability to achieve the cost-savings and synergies contemplated by the proposed transaction within the time frame anticipated; Martin Marietta's ability to promptly and effectively integrate the businesses of Vulcan and Martin Marietta; the combined company's ability to maintain the amount anticipated; a downgrade of the credit rating of Vulcan's indebtedness, which could give rise to an obligation to redeem or refinance the debt, and the potential implications of alternative transaction structures with respect to Vulcan, Martin Marietta and/or the combined company; the need for the combined company requiring an offer to repurchase certain of Martin Marietta's existing debt; the implications of the proposed transaction on certain of Vulcan's employee benefit plans; and disruption from the proposed transaction making it more difficult to maintain relationships with customers and suppliers. Additional risks and uncertainties include, but are not limited to: the performance of the United States economy; the possibility of a recession; the inability of the U.S. Congress to pass a successor federal highway bill; the discontinuance of the federal gasoline tax or other revenues that fund highway construction; the level and timing of federal and state transportation funding, including federal stimulus projects; the ability of the combined company to finance approved projects either with tax revenues or alternative financing structures; levels of construction spending in the markets served by Vulcan; a decline in the commercial component of the nonresidential construction market, notably office and retail space construction; the impact of construction recovery; unfavorable weather conditions, particularly Atlantic Ocean hurricane activity, the late start to spring or the impact of a drought or excessive rainfall in the markets served by Martin Marietta and Vulcan; the volatility of fuel costs, particularly the impact on the cost of other consumables, namely steel, explosives, tires and conveyor belts; continued increases in the cost of other resources, including transportation availability, notably barge availability on the Mississippi River system and the availability of railcars and locomotives in Martin Marietta's and Vulcan's long haul distribution markets; increased transportation costs, including increases from higher prices for fuel and other costs to comply with tightening regulations as well as higher volumes of rail and water shipments; availability and cost of construction materials in the United States; weakening in the steel industry markets served by Martin Marietta's dolomitic lime products; inflation and its effect on the combined company's ability to successfully integrate acquisitions and business combinations quickly and in a cost-effective manner; the combined company's profitability to maintain compliance with Martin Marietta's leverage ratio debt covenants; changes in tax laws, the interpretation and application of administrative practices that would increase Martin Marietta's and/or Vulcan's tax rate; violation of Martin Marietta's debt covenants; a return to previous levels of instability; a potential downgrade in the rating of Martin Marietta's or Vulcan's indebtedness; downward pressure on Vulcan's common stock price and its impact on goodwill impairment evaluations; the highly competitive nature of the construction industry; the impact of future regulatory or legislative actions; the outcome of pending legal proceedings; healthcare costs; the amount of long-term debt; changes in interest rates; volatility in pension plan asset values which may require cash contributions to pension plans; the impact of the proposed transaction on costs and liabilities relating to previously divested businesses; the ability to secure and permit aggregates reserves in strategic markets; the impact on residential construction markets; and the impact on the combined company (after giving effect to the proposed transaction with Vulcan) on its financial performance, risks, as well as other risk factors listed from time to time in Martin Marietta's and Vulcan's filings with the SEC.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other information included elsewhere, including the Risk Factors section of the Registration Statement and our most recent reports on Form 10-K and other documents of Martin Marietta and Vulcan filed with the SEC. Any forward-looking statements made in this presentation are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by us will be realized or that they will have the expected consequences to, or effects on, us or our business or operations. Except to the extent required by law, we have no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

MARTIN MARIETTA MATERIALS

Important Additional Information

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This presentation relates to the Exchange Offer by Martin Marietta to exchange each issued and outstanding share of common of Martin Marietta common stock. This presentation is for informational purposes only and does not constitute an offer to exchange, offer to exchange, shares of Vulcan common stock, nor is it a substitute for the Tender Offer Statement on Schedule TO or the to exchange included in the Registration Statement on Form S-4 (the Registration Statement) (including the letter of transmittal).

as amended and supplemented from time to time, the Exchange Offer Documents) initially filed by Martin Marietta on Dec 1, 2011. The Registration Statement has not yet become effective. The Exchange Offer will be made only through the Exchange Offer I

SECURITY HOLDERS ARE URGED TO READ THE EXCHANGE OFFER DOCUMENTS AND ALL OTHER RELEVANT DOCUMENTS THAT MAY FILE WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION.

In connection with the solicitation of proxies for Vulcan's 2012 annual meeting of shareholders (the Vulcan Meeting), Martin Marietta filed a proxy statement on January 24, 2012 (as amended the Vulcan Meeting Preliminary Proxy Statement) with the SEC and intends to file a proxy statement in connection therewith (the Vulcan Meeting Definitive Proxy Statement). When completed, the Vulcan Meeting Definitive Proxy Statement and accompanying proxy card will be mailed to the shareholders of Vulcan. Martin Marietta also intends to file a proxy statement and other relevant documents with the SEC in connection with its solicitation of proxies for a meeting of Martin Marietta shareholders (the Martin Marietta Meeting) to approve, among other things, the issuance of shares of Martin Marietta common stock pursuant to the Exchange Offer (the Exchange Offer Statement). **INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE VULCAN MEETING PRELIMINARY PROXY STATEMENT, THE MARTIN MARIETTA MEETING PROXY STATEMENT AND OTHER RELEVANT DOCUMENTS THAT THEY WILL CONTAIN IMPORTANT INFORMATION.**

All documents referred to above, if filed, will be available free of charge at the SEC's website (www.sec.gov) or by directing your request to the SEC at (877) 757-5404 (banks and brokers may call (800) 662-5200).

Martin Marietta, its directors and executive officers and the individuals nominated by Martin Marietta for election to Vulcan's 2012 annual meeting are participants in any solicitation of proxies from Vulcan shareholders for the Vulcan Meeting or any adjournment or postponement thereof. Martin Marietta's directors and executive officers are participants in any solicitation of proxies from Martin Marietta shareholders for the Martin Marietta Meeting or any adjournment or postponement thereof. Information about the participants, including a description of their direct and indirect ownership of shares of Vulcan or otherwise, is available in the Registration Statement, the proxy statement for Martin Marietta's 2011 annual meeting of shareholders held on April 8, 2011, and the Vulcan Meeting Preliminary Proxy Statement, or will be available in the Vulcan Meeting Definitive Proxy Statement and Martin Marietta Meeting Proxy Statement, as applicable.

Martin Marietta anticipates that some divestitures may be required in connection with the regulatory approval process. The financial statements and other information presented in this prospectus reflect the combined operations of Martin Marietta and Vulcan, but do not reflect the impact of any divestitures that may be required.