

Edgar Filing: MARTIN MARIETTA MATERIALS INC - Form 425

MARTIN MARIETTA MATERIALS INC

Form 425

May 01, 2012

FILED BY MARTIN MARIETTA MATERIALS, INC.

PURSUANT TO RULE 425 UNDER THE SECURITIES ACT OF 1933

SUBJECT COMPANY: VULCAN MATERIALS COMPANY

COMMISSION FILE NO. 001-33841

Update on Martin Marietta  
Materials  
Proposed  
Combination with Vulcan  
Materials  
May 1, 2012  
Rock Solid Fundamentals.

Positioned for the Long Term.

Introduction: Martin Marietta Continues to Outperform Vulcan

2

Aggregates YoY

Shipments Growth

10%

Gross Margin

4.4%

YoY Net Sales Growth

9.5%

Adj. EBITDA Margin 2

8.5%

10%

6.8%

12.5%

10.0%

Vulcan

Q1 2012 Results

Martin Marietta

Q1 2012 Results

SG&A % of Net Sales 3

13.0%

9.4%

Other Results

Non-aggregates

4

Specialty Products

4

Negative gross margin

Quarterly record for net sales

and earnings from operations

37.5% gross margin

Aggregates YoY Price

Growth

(0.8%)

2.8%

Martin Marietta's net

sales is growing at a

faster rate than

Vulcan's

and generating

stronger margins

Vulcan's earnings

announcement focused on

promises for future

performance but did not

provide a substantive

update on their recently

announced Profit

Enhancement Plan and

Planned Asset Sales

When asked, Vulcan did

not quantify savings in

Q1 associated with their

recently announced

Profit Enhancement Plan

Vulcan still did not  
provide detail on which  
assets are included in  
their Planned Asset Sales  
and expected timing

2012 Aggregates

Outlook

Volume growth: 2% -

4%

Price growth: 1% -

3%

Volume growth: 4% -

5%

Price growth: 2% -

4%

1

Note 1:

YoY Net Sales growth reflects Heritage Aggregates business. Inclusive of acquisitions, the YoY Net Sales growth is 20.6%.

Note 2:

Please see EBITDA reconciliation in appendix.

Note 3:

SG&A not adjusted for R&D expense, as item not disclosed in Vulcan's Q1 2012 press release.

Note 4:

Vulcan's non-aggregates

segment

includes

concrete,

asphalt

and

cement.

Martin

Marietta's

Specialty

Products

segment

includes

the

magnesia-based

chemicals and dolomitic lime businesses.

Source:

Company filings

Summary  
3

Vulcan Shareholders Should Show Their Support for Martin Marietta's  
Compelling Offer  
Martin Marietta believes that:

There  
is  
undeniable



strategic  
logic  
in  
the  
combination  
of  
Martin  
Marietta  
and  
Vulcan

Vulcan's claims of undervaluation ignore the fact that Vulcan shareholders are not cashing out, but rather maintaining ~58% ownership in a stronger entity

Vulcan continues to mask underperformance and value destruction while refusing to accept Martin Marietta's invitation to engage in discussions

Vulcan  
shareholders  
have  
an  
opportunity  
to  
send  
a  
strong  
message  
to  
their  
Board

Elect Martin Marietta's independent nominees to the Vulcan Board

Communicate support for the transaction to fellow shareholders

4

Martin Marietta's Proposal is a 100% Stock-for-Stock Combination,  
With Vulcan Shareholders Retaining ~58% Ownership

Note 1:

Vulcan implied TEV/2012E EBITDA based on 0.50 of a Martin Marietta share of common stock for each Vulcan share of common stock based on Thomson median consensus estimates as of 4/27/2012.

Martin Marietta's

Proposed Stock-for-Stock

Combination

Cash Acquisition

Less important as parties ride economic cycle together

Realized and shared

No incremental leverage related to financing of transaction

Shared by both parties

Meaningful premium to the unaffected price

Opportunistic timing is critical

Accrue to buyer only

Burden increases for buyer

Seller does not participate in future upside

Typically higher than transactions with stock or mixed consideration

Vulcan's statements about value for its shareholders fundamentally mischaracterize Martin Marietta's proposal, ignoring the shared upside of a stock-for-stock combination

The offer:

Does

not

undervalue

Vulcan;

it

provides

an

immediate

premium

to the unaffected price and

values

Vulcan at a 2012 EBITDA

multiple

of

16.7x

while

Martin

Marietta

is

trading

at

12.7x

1

Does not exploit cyclical lows; Vulcan's share price already reflects expected recovery given current

trading

multiple

and

offer

at

a  
fixed  
exchange  
ratio

Enhances  
Vulcan  
shareholder  
value  
through  
synergies  
and  
shared  
upside  
in  
a  
tax-free  
combination  
5  
Stock  
Cash  
Consideration  
Leverage  
Synergies  
Timing  
Premium  
Future Upside

We Agree With Vulcan's Assertion that It All Comes Down to Value

1

6

Combination  
creates

a  
world-class  
U.S.-based aggregates leader

\$200

250  
million  
expected  
annual  
cost  
synergies  
2

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

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

Continued focus on operational excellence

Participation in the eventual cyclical recovery through ~58%  
continuing ownership in the combined company

Aggregates Leader

Participation in  
the Recovery

Synergies

Meaningful

Dividend

Strong Balance

Sheet

Best-in-Class

Management

Shareholders stand to benefit immediately from the powerful combination

Significantly increased scale

Complementary geographic footprint

Outstanding combined asset base, including 28 billion tons of mineral reserves

Note 1:

Source: Vulcan's The Vulcan Value Proposition, March 2012.

Note 2:

Martin Marietta continues to believe that it can achieve \$200 to \$250 million of annual cost synergies as a result of the combination with Vulcan since December 12, 2011, Martin Marietta believes that Vulcan's programs will be far from fully effective, at best, for the next 12-18 months and will result in some level of cost reductions during this period. Martin Marietta's belief is based on Martin Marietta's understanding of Vulcan's programs and Martin Marietta's experience in implementing its own fully operational management reporting system. Moreov

demonstrated capability and discipline to be credible to deliver Vulcan's hope plan on a standalone basis, leaving Vulcan s

be based on future performance, as to which there can be no assurance.

But Management Credibility is Essential  
Martin Marietta believes that:  
Vulcan has masked underperformance and value destruction:  
  
Relied on flawed operating comparisons  
  
Mischaracterized the historical performance of its businesses



Vulcan  
continues  
to  
use  
smokescreen  
tactics  
to  
impede  
a  
transaction:

Ignored  
its  
own  
elevated  
trading  
multiple,  
which  
Martin  
Marietta  
believes  
already  
reflects the potential benefits of an eventual economic recovery

Set unrealistic expectations for the relative timing and extent of Vulcan's  
recovery

Created vague hope plans  
as a response to Martin Marietta's proposal

Disregarded Vulcan's 26% stock price increase (approximately \$1.1 billion in  
equity  
value)  
since  
12/9/2011,  
which  
appears  
to  
have  
been  
driven  
by Martin  
Marietta's proposal

1  
7

Note 1:  
Equity value reflects change from 12/9/2011 to 4/27/2012.

Source:  
Company filings, Capital IQ

Can You Trust Today's Vulcan to Make the Right Transaction Decision?

8

Essentially a cash out transaction  
(~70% cash) with minimal interest in  
ongoing entity  
\$3.2B of additional debt that  
ultimately led to near elimination of

the dividend

Destroyed \$4.3B of the combined  
company's shareholder value

1

The combined company will have  
enhanced earnings growth and a strong  
cash flow profile to reduce debt while  
maintaining Vulcan Materials' historical  
dividend practices ...

(Vulcan Press Release, 2/19/2007)

Continuing participation in market  
recovery (~58% ownership) through  
all-stock merger

Immediate deleveraging for Vulcan  
from 7.4x to 4.0x-4.3x with  
immediate restoration of meaningful  
dividend

3

Expected to create ~\$1.8B-\$2.2B of  
incremental value for the combined  
company

2

We do not believe that Martin  
Marietta's offer reflects the intrinsic  
value of Vulcan's assets or would create  
value for our shareholders  
(Vulcan Q1 2012 Earnings Conference Call)

Acquisition of Florida Rock in  
2007

Martin Marietta's Proposal

Vulcan's View

Value Impact

Transaction

Structure

Leverage

Vulcan shareholders deserve the opportunity to participate in Martin Marietta's  
value-enhancing proposal

Note 1:

Reflects change in market capitalization of Vulcan between 12/31/2007 and 12/9/2011.

Note 2:

Assumes \$200 - \$250M annual synergies at estimated cycle-average EBITDA multiple of 10x, less one-time costs to achieve  
divestitures.

Note 3:

Assumes annual synergies of \$200 - \$250M, attributable to cost savings related to SG&A, duplicative operating functions, and  
note 2 on page 6.

Source:

Company filings

Vulcan's Underperformance Provides Little Evidence that Vulcan  
Management Can Deliver on its Hope Plans

9

Vulcan Gross Profit (% of Net Sales)

Vulcan Adj. SG&A (% of Net Sales)

1

Note 1:

Vulcan's SG&A excludes R&D for comparative purposes. Please see SG&A reconciliation in the appendix.

Note 2:

Please see EBIT reconciliation in the appendix.

Note 3:

Reflects net income from continuing operations.

Source:

Company filings

Vulcan Adj. EBIT (% of Net Sales)

2

Vulcan Net Income (% of Net Sales)

3

(1,900 bps)

+270 bps

(2,200 bps)

(1,810 bps)

30.8%

11.8%

2007

2011

21.0%

(1.0%)

2007

2011

15.0%

(3.1%)

2007

2011

9.3%

12.0%

2007

2011

Vulcan s Underperformance Has Destroyed Significant Shareholder  
Value  
10  
Note 1:  
Vulcan s  
share  
price

performance  
for  
the  
period  
12/31/2007

12/9/2011.

Source:

Company filings, Capital IQ

Vulcan Share Price Performance

1

Vulcan Dividend Level (\$/share)

\$1.84

\$0.04

2007

Q1 2012 annualized

\$20

\$30

\$40

\$50

\$60

\$70

\$80

\$90

2008

2009

2010

2011

11

Note:

Note 1:

Source: Vulcan's "The Vulcan Value Proposition", March 2012.

Source:

Company filings

Vulcan's Valuation Analysis Appears to be Based on Flawed Assumptions



Regarding its Recovery

(\$M)

Vulcan cited a mid-cycle EBITDA 50% higher than Vulcan's historical average

Actual

Vulcan Average

EBITDA ('05-'11): \$780

Vulcan Claimed

Profit-

Enhanced

Mid-Cycle

EBITDA:

1

\$1,179

\$1,006

\$1,306

\$1,143

\$800

\$516

\$352

\$338

PF2005

PF2006

PF2007

2008

2009

2010

2011

Vulcan EBITDA

Average Vulcan EBITDA ('05-'11)

Vulcan Profit-Enhanced Mid-Cycle EBITDA

Please

see

EBITDA

reconciliation

in

appendix.

2005

2007

pro

forma

for

the

acquisition

of

Florida

Rock.

Timing of Vulcan's Recovery Remains Highly Uncertain

12

Note 1:

2012-2014 based on Thomson median consensus estimates as of 4/27/2012.

Note 2:

Based on Vulcan's "The Vulcan Value Proposition", March 2012.

Source:

Company filings, Vulcan s The Vulcan Value Proposition , March 2012

Vulcan  
EBITDA

1

To calculate its Profit-Enhanced

Mid-Cycle

EBITDA, Vulcan added

\$100 million to an estimate that

already appeared aggressive

How long to

achieve

Vulcan s Profit

Enhanced

mid-

cycle

EBITDA?

2

Analyst consensus estimates

(\$M)

Martin Marietta's Proposal, as Reflected in Vulcan's TEV/EBITDA Multiple, Already  
Incorporates Analysts' Views of the Eventual Cyclical Recovery And Future  
Performance

13

Note: Market data as of 4/27/2012.

Note

1:

EBITDA projections based on Thomson median consensus estimates as of 4/27/2012.

Source:

Company filings, ThomsonOne

Martin Marietta's proposal provides a significant, real premium to Vulcan shareholders;

Vulcan's contrary claim is demonstrably wrong

Total

Enterprise

Value

/

EBITDA

Multiple

1

At the proposed exchange

ratio, Vulcan is valued at a

premium to Martin Marietta,

even using current 2014 analyst

EBITDA estimates that

incorporate significant recovery

assumptions

1

Estimated cycle-average

EBITDA multiple of 10.0x

12.7x

10.8x

9.1x

16.7x

13.6x

11.1x

2012

2013

2014

Martin Marietta

Vulcan (at Martin Marietta's Proposal)

8.0x

10.0x

12.0x

14.0x

16.0x

18.0x

Vulcan TEV implied based on current proposed exchange ratio of 0.50 of a Martin Marietta share of common stock for each V

Martin Marietta's Proposal, and Not the Profit Enhancement  
Plan, Appears to Have Driven Up Vulcan's Stock Price

14

Stock Price Performance Since 12/9/2011

Note:

Market data as of 4/27/2012.

Note 1:

Vulcan share price performance equals Vulcan 1-day change less S&P 500 1-day change.

Note 2:

S&P price indexed to Vulcan share price as of 12/9/2011.

Source:

Company filings, Capital IQ

Following

an

increase

of

~17%

upon

announcement

of

the

proposal,

Vulcan's

share

price

has

traded

in

line

with

Martin

Marietta's

1

12/12/2011:

Change

vs.

S&P

500:

+16.8%

1

Positive price reaction to Martin Marietta proposal

12/19/2011:

Change vs. S&P 500: (2.5%)

1

Vulcan announcement of

ongoing

restructuring efforts

2/16/2012:

Change vs. S&P 500 : (0.6%)

1

Announcement of Vulcan's

share repurchase plans

Martin

Marietta

Vulcan

S&P

500





Through a Combination, Vulcan Shareholders Would Realize  
Immediate Balance Sheet Improvement

15

Credit

Rating

A3/A-

Baa2/BBB+

Baa2/BBB  
Baa3 / BBB-  
Ba2/BB  
3/31/2012  
(\$M)  
MARTIN  
MARIETTA  
VULCAN  
Combined  
2

Debt  
\$1,135  
\$2,814  
\$3,949  
LTM Adj.  
EBITDA  
3

\$349  
\$379  
\$928-\$978  
4

Total Debt/  
LTM Adj.  
EBITDA  
3

3.3x  
7.4x  
4.3x  
4.0x  
4

Vulcan  
claims  
that  
it  
will  
de-risk  
its  
balance  
sheet  
as  
EBITDA  
grows  
but  
ignores  
the  
time  
needed  
for  
Vulcan  
to

achieve

a

reasonable

leverage

ratio

on

a

standalone

basis

and the opportunity cost and risk of an extended achievement period

Vulcan

Standalone

Leverage

1

Combined Financials

In the absence of a combination, we expect credit measures to remain weak for the rating in the near term, despite some improvement in 2012 as aggregates volumes and pricing rise.

(Standard & Poor's, 4/27/2012)

Note 1:

Leverage defined as total debt / LTM adjusted EBITDA. Please see EBITDA reconciliation in the appendix.

Note 2:

Combined financials exclude fees and expenses associated with the proposed combination.

Note 3:

Please see EBITDA reconciliation in the appendix.

Note 4:

Assumes annual synergies of \$200 - \$250 million, attributable to cost savings related to SG&A, duplicative operating functions.

Please refer to note 2 on page 6.

Source:

Company filings

16  
Vulcan  
recently cut  
its quarterly  
dividend to  
\$0.01  
per share

Vulcan Dividend Per Share (\$)

And an Immediate Return to a Meaningful Dividend

Implied annual  
dividend after  
combination

0.80

1.16

1.48

1.84

1.96

1.48

1.00

0.76

0.04

2005

2006

2007

2008

2009

2010

2011

Q1 2012

Annualized

1

The dramatic 3-year decline in Vulcan's dividend does not inspire confidence in its stated

commitment

to

restore

a

competitive

dividend

when

prudent

to

do

so

2

Note 1: Reflects Vulcan's October 14, 2011 announcement to cut its quarterly dividend to \$0.01.

Note 2:

Source: Vulcan's "The Vulcan Value Proposition", March 2012.

Source: Company filings

Vulcan  
Shareholders  
Should  
Send  
a  
Strong  
Message

to  
Their  
Board

1)  
Elect Martin Marietta's independent nominees to the Vulcan Board

Martin Marietta has nominated four highly qualified independent director nominees to replace the four incumbent Vulcan directors seeking re-election

Nominees are independent and have no affiliation with Martin Marietta or Vulcan

Nominees  
will  
bring  
a  
fresh  
perspective

-  
including  
an  
open  
mind

-  
to  
the  
Vulcan Boardroom on whether Vulcan should engage with Martin Marietta on its business combination

2) Don't  
wait

promptly  
and  
publicly  
communicate  
support  
for  
the  
transaction  
to:

The Vulcan Board

Your fellow shareholders  
17  
Vulcan  
shareholders  
should  
support  
the

transaction  
by  
voting  
for  
the  
four  
independent director candidates nominated by Martin Marietta



Addressing Vulcan's Most Recent Mischaracterizations

18

Vulcan's Tactics Are a Smokescreen to Impede the Proposed Transaction

Asked its shareholders to believe in the Profit Enhancement Plan, and overlook the unfulfilled promises following the acquisition of Florida Rock

Refused to acknowledge that the divestiture plan that may be required as part of Martin Marietta's proposed business combination builds a stronger enterprise as opposed to Vulcan's asset sale plan which at best will reduce excessive leverage

resulting from its Florida Rock transaction  
Cherry-picked metrics for flawed performance comparisons  
Ignored relevant profitability and operating metric comparisons

19

1

2

3

4

In its

March

2012

presentation,

The

Vulcan

Value

Proposition,

Vulcan

appears

to

have:

Vulcan Overpromised and Underdelivered Following the Florida  
Rock Acquisition

20

Adjusted EBITDA and % EBITDA Margin

Given Vulcan's lack of credibility, Martin Marietta believes shareholders should not trust Vulcan to deliver significant cost savings over its projected three year time horizon

Note 1:

Compares Vulcan's EBITDA and SG&A for 2007 and 2011.

Source:

Company filings

(\$M)

30%

margin

23%

margin

20%

margin

15%

margin

14%

margin

EBITDA

has

fallen

by

63%

1

and

is

currently

17% of the \$2B goal

Stated focus on cost reduction has yielded

only

a

9%

reduction

in

SG&A

costs

1

(excluding \$50M Florida Rock synergies)

Failed to accomplish stated goals of

de-levering the balance sheet and

maintaining an investment grade rating

What Vulcan Delivered Since 2007:

What Vulcan Said in 2007:

\$2B targeted EBITDA

Anticipated **average annual EBITDA of**

more

than

\$2

billion

over

the  
next  
3  
years,  
enabling rapid debt reduction.  
(Vulcan Investor Presentation, February 20, 2007)

Potential Divestitures in the Business Combination Build a Stronger Enterprise, Versus Vulcan's Planned Asset Sales to Reduce Excessive leverage

Discussions with the DOJ continue; optimistic that outstanding issues will be resolved in the next several weeks

Numerous buyers have expressed interest in assets that may be divested

21

Source: Vulcan's The Vulcan Value Proposition , March 2012

Divestitures

Not the optimal strategy to reduce the excessive leverage from Vulcan's acquisition of Florida Rock

In order to achieve \$500M of asset sales, meaningful EBITDA generating assets may need to be divested, further extending the time required to reduce leverage

Vulcan is ignoring an opportunity to strengthen its balance sheet immediately and restore its dividend through a combination with Martin Marietta  
Vulcan's Planned Asset Sales



Flawed Comparisons

22

VULCAN CLAIM

MARTIN MARIETTA S POSITION

3

Note 1:

Top 5 states

population growth weighted by 2011 sales.

Source:

Company

filings,

Moody's

2010

2020

population

projections

(April

2012)

Top States

% of 2011 Net

Sales

2010

2020

Estimated

Population Growth

Texas

19%

19.2%

North Carolina

17%

19.1%

Iowa

8%

3.3%

Georgia

8%

18.1%

South Carolina

5%

13.3%

Top 5 total

57%

16.3%

Top States

% of 2011 Net

Sales

2010

2020

Estimated

Population Growth

California

21%

11.6%

Virginia

13%

9.9%

Texas

9%

19.2%

Florida

9%

22.4%

Georgia

7%

18.1%

Top 5 total

59%

14.8%

MARTIN MARIETTA

VULCAN

Both companies well positioned to benefit from  
estimated long term demographic growth

Weighted average estimated population growth of  
16.3% for Martin Marietta and 14.8% for Vulcan

1

1

1

Flawed Comparisons (continued)

23

MARTIN MARIETTA S POSITION

Adj.

SG&A

(%  
of  
Net  
Sales)

1  
EBITDA Per Employee Comparison

2  
VULCAN CLAIM

126%

119%

134%

183%

163%

2007

2009

2010

2011

3

2008

Over the last 5 years, Martin  
Marietta has generated on  
average 45% more EBITDA per  
employee than Vulcan

8.0%

8.2%

9.3%

12.0%

2007

2011

Martin Marietta

Vulcan

For a meaningful comparison, SG&A should be evaluated  
as a percentage of sales rather than on an absolute basis  
Vulcan's EBITDA per employee has been significantly  
below Martin Marietta's

Note 1: Vulcan's SG&A excludes R&D for comparative purposes. Please see SG&A reconciliation in the appendix.

Note 2: Martin Marietta EBITDA per employee divided by Vulcan EBITDA per employee.

Note 3: 2011 headcount for Martin Marietta adjusted to exclude impact of asset swap transaction closed in December 2011, with

Source: Company filings

3

Relevant Metrics Show Martin Marietta has Clearly Outperformed

Vulcan

24

Gross Profit (% of Net Sales)

Adj. SG&A (% of Net Sales) <sup>1</sup>

Note 1:

Vulcan's SG&A excludes R&D for comparative purposes. Please see SG&A reconciliation in the appendix.

Note 2:

Please see EBIT reconciliation in the appendix.

Note 3:

Reflects net income from continuing operations.

Source:

Company filings

Adj. EBIT (% of Net Sales) <sup>2</sup>

Net Income (% of Net Sales) <sup>3</sup>

<sup>4</sup>

Confronted with the same downturn in the construction market,  
Martin Marietta has outperformed Vulcan

Revisiting the Compelling Nature of the Proposal  
25



Undeniable Strategic Logic for a Combination

26

Martin Marietta believes that a combination:

Aggregates

Leader

Creates

a  
world-class  
U.S.-based  
aggregates  
leader

Significantly increased scale

Complementary geographic footprint

Outstanding combined asset base, including 28 billion tons of mineral  
reserves

Synergies

Generates  
significantly  
greater  
cost  
reduction  
through  
synergies  
than

Vulcan is likely to achieve on its own

\$200  
250M annual cost synergies vs. Vulcan's unsubstantiated  
hope plan

1  
Positioned for  
Growth

Presents greater growth opportunities than either company on a  
standalone basis

Value Creation

Creates  
significant  
value  
for  
both  
companies  
shareholders

Note 1:  
Please refer to note 2 on page 6.

Combined Company Will Have the Most Extensive Aggregates Footprint

27

Combined company has extensive geographic coverage and diversity

States with Martin Marietta locations

States with Vulcan locations

States with both companies

locations

Locations served by Martin Marietta

MD

Nova Scotia

Bahamas

Yucatán

Peninsula

MA

Note 1:

Fiscal year 2011 annual shipments measured in millions of short tons and based on publicly available information. Excludes d

Note 2:

Martin Marietta includes shipments from Nova Scotia and the Bahamas which are primarily used to service the U.S.

Note 3:

Vulcan includes shipments from the Yucatán Peninsula and the Bahamas.

Note 4:

Heidelberg reports North American aggregates volumes, which includes production sites in western Canada.

Source:

Company filings

U.S. aggregates producers

(by shipments) <sup>1</sup>

4

2,3

WA

NV

UT

WY

CO

NM

AZ

CA

OR

ID

MT

NE

KS

OK

TX

IA

MO

AR

WI

IN

OH

WV

SC

TN

MS

AL

GA

FL

KY

IL  
LA  
SD  
MI  
MN  
ND  
VT  
NH  
ME  
VA  
NC  
PA  
NY  
DE  
NJ  
CT  
RI

U.S.  
Global  
28

Note:

Fiscal year 2011 annual shipments measured in millions of short tons and based on publicly available information. Excludes d

Note 1:

Vulcan includes shipments from the Yucatán Peninsula and the Bahamas.

Note 2:

Martin Marietta includes shipments from Nova Scotia and the Bahamas which are primarily used to service the U.S.

Note 3:

Heidelberg reports North American aggregates volumes, which includes production sites in Western Canada.

Source:

Company filings

Combination

creates

the

must

own

U.S.

heavy

building

materials

stock

Aggregates Shipments by Tonnage

Creates a World-Class

U.S.-Based Aggregates Leader

Realization of \$200 -  
250M in Annual Cost Synergies  
29  
Duplicative SG&A Functions

Management, facility, corporate overhead and information  
technology integration



Public company costs  
Duplicative Operating Functions

Realigned organizational structure

Management, facility, sales force and production overhead  
integration  
Improved Purchasing Efficiencies from Greater Scale

Goods and services

Distribution network  
Realization of cost synergies creates significant shareholder value

\$50

60M

\$50

60M

\$100

130M

Realization and Cost to Achieve

Synergies expected to be realized over two to three years

One-time costs to achieve synergies expected to be equal to one  
times fully achieved annual synergies

Note:

Please refer to note 2 on page 6.

Significant Shareholder Value Creation

30

Estimated

\$200 -

\$250 million

in annual synergies

1

Meaningful dividend  
Balance sheet well-  
positioned for  
cyclical recovery  
and growth  
Efficiencies gained  
from size and scale  
Continued focus on  
operational  
excellence  
Stronger platform  
for long term growth

Note 1:

Please refer to note 2 on page 6.

Significant  
shareholder  
value creation

Martin Marietta is Committed to Making This  
Combination a Reality  
31

The Election of Martin Marietta's Independent Director Nominees is  
The Important Next Step for a Successful Transaction

Martin Marietta has nominated 4 independent director candidates  
to the Vulcan Board who would replace the 4 incumbent Vulcan  
directors seeking re-election

Election of Martin Marietta's independent nominees will bring a fresh perspective

including an open mind

to the Vulcan

Boardroom on whether Vulcan should engage with Martin Marietta on its business combination

32

This election provides a critical opportunity to the Vulcan shareholders to show support for a combination of the two companies

In contrast, a vote for the incumbent Board members is a vote for the status quo, encouraging the current Vulcan Board to continue to ignore value creating opportunities for shareholders

#### Qualified and Independent Board Nominees

Martin Marietta has proposed qualified, independent Board nominees

Each nominee has been carefully screened to ensure independence

No affiliation with Martin Marietta, Vulcan or any of their subsidiaries

Board nominees have a broad set of skills and experience required to ensure the Board functions efficiently and provides appropriate oversight

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Skills

Experience

Corporate governance

Securities and disclosure

Executive compensation

Finance and accounting

Operations

Current and former directors of public companies

Financial and operating experience

Major corporate M&A transaction experience



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Vote the blue proxy card or blue voting instruction form today and communicate your support for the proposal to the Vulcan Board

Now is the Time for Vulcan Shareholders to Act



Qualified Independent Board Nominees

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Board Nominees

Selected Qualifications

Expertise

Philip R. Lochner, Jr.

-

Senior VP and Chief Administrative Officer of Time Warner, Inc. (1991-1998)

-

Commissioner of the SEC (1990-1991)

-

Currently serves as director on four publicly traded U.S. corporations

Corporate Governance

Securities and

Disclosure

Edward W. Money Penny

-

Senior VP of Finance and CFO of 7-ELEVEN, Inc. (2002-2006)

-

Executive VP of Finance and CFO of Covanta Energy Corporation (2001)

-

Previously CFO at two former Fortune 500 companies in the energy industry

Finance and Accounting

Karen R. Osar

-

Executive VP and CFO of Chemtura Corporation (2004-2007)

-

Senior VP and CFO of Westvaco Corporation and MeadWestvaco Corporation (1999-2003)

-

Previously Managing Director, investment banking, of JPMorgan Chase & Co.

Executive Compensation

Corporate Governance

Finance and Accounting

V. James Sardo

-

Chairman of the Board of Capstone Infrastructure Corp.

-

Significant prior experience as former director or trustee of multiple institutions

-

Interim CEO of Royal Group Technologies Limited (2005-2006)

Corporate Governance

Operations

Martin Marietta EBITDA & EBIT Reconciliation

37

Note: Adjusted Q1 2012 and LTM EBITDA is preliminary and amounts may change upon finalization of Martin Marietta's Q

Source: Company filings

(dollars in millions)

For the Quarter Ended

March 31,

LTM

For the Year Ended December 31,

2012

2011

3/31/2012

2011

2010

2009

2008

2007

Net earnings attributable to entity

\$ (36.7)

\$ (17.4)

\$ 63.1

\$ 82.4

\$

97.0

\$ 85.5

\$ 176.3

\$

262.7

Add back:

Interest expense

13.5

18.2

53.9

58.6

68.5

73.5

74.3

60.9

Income tax expense for controlling interests

(10.0)

(6.4)

19.6

23.2

29.3

27.4

77.3

116.6

Depreciation, depletion and amortization expense

43.8

42.9

172.7

171.8

179.9

177.7

169.8

150.4

EBITDA

\$	10.6
\$	37.3
\$	309.3
\$	336.0
\$	
	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	
-	
-	
	4.4
	4.4
-	
-	
-	
Loss (gain) on sales of assets	
	0.5
	(3.0)

(2.0)  
(5.5)  
(4.5)  
3.0  
(12.8)  
-  
Transaction costs  
25.9  
1.0  
43.5  
18.6  
1.2  
2.2  
3.6  
-  
Settlement expense for pension plan  
-  
-  
0.4  
0.4  
3.5  
-  
2.8  
0.7  
Asset write-offs  
-  
-  
-  
-  
-  
-  
3.3  
-  
Other nonoperating (income) expense  
(1.8)  
(0.2)  
0.2  
1.8  
0.2  
(1.1)  
2.0  
(7.3)  
Pretax loss  
(gain) on discontinued operations  
0.7  
1.8  
(7.3)  
(6.2)  
(0.3)  
(0.5)



(10.1)  
(3.7)  
Income attributable to noncontrolling interests  
(1.0)  
(0.3)  
0.5  
1.2  
1.7  
2.8  
3.7  
0.9  
Adjusted EBITDA  
\$  
34.9  
\$  
36.6  
\$  
349.0  
\$  
350.7  
\$  
371.5  
\$  
382.4  
\$ 495.6  
\$  
581.2  
Less:  
Depreciation, depletion and amortization expense  
43.8  
42.9  
172.7  
171.8  
179.9  
177.7  
169.8  
150.4  
Adjusted EBIT  
\$  
(8.9)  
\$  
(6.3)  
\$  
176.3  
\$  
178.9  
\$  
191.6  
\$  
204.7

\$  
325.8  
\$  
430.8

Vulcan EBITDA & EBIT Reconciliation

38

(dollars in millions)

For the Quarter Ended

March 31,

LTM

For the Year Ended December 31,

2012  
2011  
3/31/2012  
2011  
2010  
2009  
2008  
2007  
2006  
2005

Net (loss) earnings

\$ (52.1)  
\$ (54.7)  
\$ (68.1)  
\$ (70.8)  
\$ (96.5)  
\$ 30.3  
\$ 0.9  
\$ 450.9  
\$ 470.2  
\$ 470.2

Add back:

Interest expense

52.3  
42.3  
227.2  
217.2  
180.7  
173.0  
169.7  
41.6  
20.1  
20.5

Income tax (benefit) expense

(38.4)  
(31.0)  
(83.0)  
(75.6)  
(85.7)  
(30.1)  
70.1  
197.2  
216.7  
164.1

Depreciation, depletion and amortization expense

85.2  
90.6  
356.3  
361.7  
382.1

394.6

389.1

271.5

226.4

222.9

Goodwill impairment

-

-

-

-

-

-

252.7

-

-

-

EBITDA

47.0

47.1

432.4

432.5

380.6

567.8

882.5

961.2

933.4

796.5

Adjusted for:

Legal settlement

-

-

-

-

40.0

-

-

-

-

-

Recovery for legal settlement

-

(25.5)

(20.9)

(46.4)

-

-

-

-

-

-

Legal expense

-  
-  
-  
3.0

-  
-  
-  
-

Transaction expenses

10.1  
-  
10.1  
(0.0)

-  
-  
-  
-  
-

Restructuring charges

-  
-  
15.2  
15.2

-  
-  
-  
-  
-

Gain on sales of assets

(6.5)  
(0.5)  
(53.8)  
(47.8)  
(59.3)  
(27.1)  
(94.2)  
(58.7)  
(5.6)  
(8.3)

Asset write-offs

-  
-  
-  
-  
9.2

8.5  
10.5  
-  
-  
-  
Accretion expense for asset retirement obligations  
-  
(2.2)  
(6.0)  
(8.2)  
(8.6)  
(8.8)  
(7.1)  
(5.9)  
(5.5)  
(4.8)  
Other nonoperating (income) expense  
(3.1)  
(1.4)  
(1.7)  
(0.0)  
(3.1)  
(5.3)  
4.4  
5.3  
(28.5)  
(24.4)  
(Earnings) loss on discontinued operations, net of tax  
(5.0)  
(16.4)  
(4.0)  
(7.4)  
(10.0)  
(19.5)  
4.1  
19.3  
16.6  
(83.7)  
Income attributable to noncontrolling interests  
-  
-  
-  
-  
-  
-  
-  
0.2  
-  
11.2  
Adjusted EBITDA

\$ 42.4  
 \$  
 1.2  
 \$ 379.2  
 \$ 337.9  
 \$ 351.8  
 \$ 515.6  
 \$ 800.1  
 \$ 921.5  
 \$ 910.4  
 \$ 686.6

Less:

Depreciation, depletion and amortization expense

85.2  
 90.6  
 356.3  
 361.7  
 382.1  
 394.6  
 389.1  
 271.5  
 226.4  
 222.9

Adjusted EBIT

\$ (42.7)  
 \$ (89.4)  
 \$ 22.9  
 \$ (23.8)  
 \$ (30.3)  
 \$ 121.0  
 \$ 411.0  
 \$ 650.0  
 \$ 684.0  
 \$ 463.7

Plus:

Florida Rock adjusted EBITDA<sup>1</sup>

221.1  
 395.2  
 319.0

Adjusted pro forma EBITDA

\$ 1,142.6  
 \$ 1,305.6  
 \$ 1,005.6

Note:

Adjusted Q1 2012 and LTM EBITDA is preliminary and amounts may change upon finalization of Vulcan's Q1 2012 earnings

Note 1: Florida Rock financials calendarized to December 31 year-end. 2007 period represents financials for the first 9 months

Source:

Company filings



Florida Rock EBITDA Reconciliation

39

For the 9 months  
(dollars in millions)  
ended Sept. 30,

For the Year Ended December 31,  
2007

2006	
2005	
Net (loss) earnings	
\$	
\$	
169.6	
Add back:	
Interest expense (income)	
(1.1)	
(3.6)	
(0.5)	
Income tax (benefit) expense	
52.2	
119.2	
104.7	
Depreciation, depletion and amortization expense	
63.7	
76.9	
65.5	
EBITDA	
211.5	
406.2	
339.2	
Adjusted for:	
Recovery for legal expenses	
-	
-	
(0.6)	
Transaction expenses	
10.1	
-	
-	
Gain on sales of assets	
0.0	
(6.3)	
(7.5)	
Life insurance proceeds	
-	
-	
(0.6)	
Insurance settlement	
-	
-	
(2.1)	
Other nonoperating (income) expense	
(0.6)	
(4.6)	
(9.5)	
Adjusted EBITDA	
\$	

\$

\$

\$

319.0

213.7

395.2

96.7

221.1

Note: Florida Rock financials calendarized to December 31 year-end. 2007 period represents financials for the first 9 months

Source: Company filings

Vulcan SG&A Reconciliation

40

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

1.1

1.6

1.5

1.5

1.6

Adjusted SG&A

\$ 288.9

\$ 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%



proposal and enter into a definitive transaction agreement reasonably satisfactory to the parties; Martin Marietta's ability to obtain approvals on the proposed terms and schedule; uncertainty as to the actual premium that will be realized by Vulcan shareholders in the proposed transaction; uncertainty of the expected financial performance of the combined company following completion of the proposed transaction; uncertainty as to whether the combined company will achieve the cost-savings and synergies contemplated by the proposed transaction within the expected time frame; Martin Marietta's ability to integrate the businesses of Vulcan and Martin Marietta; the combined company's ability to pay dividends in the amounts anticipated; Vulcan's indebtedness, which could give rise to an obligation to redeem Vulcan's existing indebtedness; the potential implications with respect to Vulcan, Martin Marietta and/or the combined company, including potentially requiring an offer to repurchase certain debt; the implications of the proposed transaction on certain of Martin Marietta's and Vulcan's employee benefit plans; and the potential for making it more difficult to maintain relationships with customers, employees or suppliers. Additional risks and uncertainties include: volatility in the performance of the United States economy; decline in aggregates pricing; the inability of the U.S. Congress to pass a successor to the American Recovery and Reinvestment Act of 2009; the level and timing of federal and state transportation infrastructure spending; stimulus projects; the ability of states and/or other entities to finance approved projects either with tax revenues or alternative financing; a decline in construction spending in the markets that Martin Marietta and Vulcan serve; a decline in the commercial component of the non-residential office and retail space; a slowdown in residential construction recovery; unfavorable weather conditions, particularly Atlantic Coast hurricanes in the spring or the early onset of winter and the impact of a drought or excessive rainfall in the markets served by Martin Marietta and Vulcan, particularly diesel fuel, and the impact on the cost of other consumables, namely steel, explosives, tires and conveyor belts; construction delays, repair and supply parts; transportation availability, notably barge availability on the Mississippi River system and the availability of rail service to move trains to supply Martin Marietta's and Vulcan's long haul distribution markets; increased transportation costs, including increased energy and other costs to comply with tightening regulations as well as higher volumes of rail and water shipments; availability of aggregates in the United States; weakening in the steel industry markets served by Martin Marietta's dolomitic lime products; inflation and its impact on costs; Martin Marietta's ability to successfully integrate acquisitions and business combinations quickly and in a cost-effective manner; the ability to maintain profitability to maintain compliance with Martin Marietta's leverage ratio debt covenants; changes in tax laws, the interpretation and application of tax practices that would increase Martin Marietta's and/or Vulcan's tax rate; violation of Martin Marietta's debt covenant if price and interest rate volatility and instability; a potential downgrade in the rating of Martin Marietta's or Vulcan's indebtedness; downward pressure on Martin Marietta's stock price and its impact on goodwill impairment evaluations; the highly competitive nature of the construction materials industry; the impact of acquisitions; the outcome of pending legal proceedings; healthcare costs; the amount of long-term debt and interest expense; changes in market value of plan asset values which may require cash contributions to pension plans; the impact of environmental clean-up costs and liabilities; the ability to secure and permit aggregates reserves in strategically located areas; exposure to residential construction market downturns; the combined company (after giving effect to the proposed transaction with Vulcan) of any of the foregoing risks, as well as other risks not identified 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 report on Form 10-K, filed by Martin Marietta and Vulcan with the SEC. Any forward-looking statements made in this presentation are qualified in their entirety by the information contained herein and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, will have the consequences to, or effects on, us or our business or operations. Except to the extent required by applicable law, we undertake no obligation to revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

#### 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 Marietta common stock. This presentation is for informational purposes only and does not constitute an offer to exchange, or a shares of Vulcan common stock, nor is it a substitute for the Tender Offer Statement on Schedule TO or the preliminary prospectus Registration Statement on Form S-4 (the "Registration Statement") (including the letter of transmittal and related documents as of time to time, the "Exchange Offer Documents") initially filed by Martin Marietta on December 12, 2011 with the SEC. The Re



effective. The Exchange Offer will be made only through the Exchange Offer Documents. INVESTORS AND SECURITY HOLDERS SHOULD REVIEW THE EXCHANGE OFFER DOCUMENTS AND ALL OTHER RELEVANT DOCUMENTS THAT MARTIN MARIETTA HAS FILED OR MAY FILE WITH THE SEC. THESE DOCUMENTS 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 Schedule 14A with the SEC on April 25, 2012 (the "Vulcan Meeting Definitive Proxy Statement") with the SEC. The Vulcan Meeting Definitive Proxy Statement was mailed to the shareholders of Vulcan. Martin Marietta also intends to file a proxy statement on Schedule 14A 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 Exchange Offer (the "Martin Marietta Meeting Proxy Statement"). INVESTORS AND SECURITY HOLDERS SHOULD REVIEW THE VULCAN MEETING DEFINITIVE PROXY STATEMENT, THE MARTIN MARIETTA MEETING PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS THAT MARTIN MARIETTA HAS FILED OR MAY FILE WITH THE SEC. THESE DOCUMENTS BECAUSE 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](http://www.sec.gov)) or by directing a request to the Investor Relations Department at (203) 658-9400 (banks and brokers may call (203) 658-9400).

Martin Marietta, its directors and executive officers and the individuals nominated by Martin Marietta for election to Vulcan's 2012 annual meeting of shareholders are participants in the 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 interests, by security holdings or otherwise, is included in the Vulcan Meeting Definitive Proxy Statement, the proxy statement for Martin Marietta's 2012 annual meeting of shareholders, filed with the SEC on April 18, 2012, and the Martin Marietta Meeting Proxy Statement, or will be available in the Martin Marietta Meeting Proxy Statement, as applicable.

Martin Marietta anticipates that some divestitures may be required in connection with the regulatory approval process. Certain divestitures may be necessary to complete the combined operations of Martin Marietta and Vulcan, but does not reflect the impact of any divestitures that may be necessary.